

REG. FINANCE - BILLS 1979 - 1980 1303

B 202 cont., thru SB 205am 1303

Capital Budget Proposed Project

Form 26 MUST BE COMPLETED AND ATTACHED WITH EACH PROPOSED PROJECT REQUEST

PROJECT TITLE: FAIRBANKS GENERAL AVIATION APRON EXPANSION		OPERATING BUDGET BRU(S):	NAMES:	NUMBERS:
PRIORITY:	PROJECT STARTING DATE: July 1979	ESTIMATED DATE FACILITY IN USE BY: Sept. 1980	TOTAL PROJECT COST: 335.0	
LOCATION(S): FAIRBANKS INTERNATIONAL		AREA SERVED: FAIRBANKS	ELECTION DISTRICT: 20-0	
SOURCE OF COST ESTIMATE: DOT/PF Aviation Design Division		DATE OF ESTIMATE: 9-78		
DESCRIPTION: This project consists of extending the existing general aviation parking apron northeastward for approximately 300'. If feasible, this project also anticipates adding electrical receptacles for engine heat-ups.				

PROJECT TYPE	
BUILDING CONSTRUCTION	EQUIPMENT
OTHER IMPROVEMENT	LAND
<input checked="" type="checkbox"/>	<input type="checkbox"/>

PROJECT CHARACTERISTICS (Check one)	
Totally new facility	<input type="checkbox"/>
Addition to existing facility	<input type="checkbox"/>
Renovation of existing facility	<input type="checkbox"/>
Major maintenance or repair	<input type="checkbox"/>
Supplement previously authorized funds to enable completion	<input type="checkbox"/>
Other	<input type="checkbox"/>

LOCATION FEATURES (check where appropriate)	
Site currently unused	<input type="checkbox"/>
Site to be acquired	<input type="checkbox"/>
Utilities already available	<input type="checkbox"/>
Access already available	<input type="checkbox"/>

PROJECT EXPENDITURES	TOTAL	BUDGET YEAR	BUDGET YEAR PLUS 1	BUDGET YEAR PLUS 2	REMAINING COST
TOTAL ANNUAL EXPENDITURE (Capital Cost)	335.0	200.0	135.0		
PLANNING AND ENGINEERING	37.0	25.0	12.0		
LAND					
CONSTRUCTION	286.0	169.0	117.0		
EQUIPMENT					
ADMINISTRATION AND OTHER	12.0	6.0	6.0		

OPERATIONAL COST AND NO. PERSONNEL INCREASE (DECREASE)		ULTIMATE ANNUAL	BUDGET YEAR	BUDGET YEAR PLUS 1	BUDGET YEAR PLUS 2
FUNDING SOURCE	OTHER SOURCES				
	GENERAL FUND	10.0	-0-	10.0	10.0
TOTAL ANNUAL OPERATIONAL COST		10.0	-0-	10.0	10.0
POSITIONS: FULL-TIME EQUIVALENTS					

APPROPRIATION REQUEST	
Federal Receipts	300.0
Required General Fund Matching	
Other General Fund	
G. O. Bonds	
ASMA Bonds	
Inter-Agency Transfers	
Other	
IARF	35.0
TOTAL	335.0

AGENCY TRANSPORTATION PROGRAM AVIATION PRIORITY NO. FAIRBANKS GENERAL AVIATION APRON EXPANSION

25

CAPITAL BUDGET PROPOSED PROJECT

25 Capital Budget Proposed Project

Form 26 MUST BE COMPLETED AND ATTACHED WITH EACH PROPOSED PROJECT REQUEST

PROJECT TITLE FAIRBANKS RUNWAY 1L SAFETY AREA		OPERATING BUDGET (RUIS)		NAMES		NUMBERS	
PRIORITY	PROJECT STARTING DATE July 1979	ESTIMATED DATE FACILITY IN USE BY	Sept. 1979	TOTAL PROJECT COST 235.0			
LOCATION(S) FAIRBANKS INTERNATIONAL		AREA SERVED FAIRBANKS	ELECTION DISTRICT 20-0				
SOURCE OF COST ESTIMATE DOT/PF Aviation Design Division			DATE OF ESTIMATE 9-78				
DESCRIPTION This project will fill in and level out approximately 150' of an old drainage slough off of the approach to runway 01L.							

PROJECT TYPE	
BUILDING CONSTRUCTION	EQUIPMENT
OTHER IMPROVEMENT	LAND
	X

PROJECT CHARACTERISTICS (Check one)	
Totally new facility	<input type="checkbox"/>
Addition to existing facility	<input checked="" type="checkbox"/>
Renovation of existing facility	<input type="checkbox"/>
Major maintenance or repair	<input type="checkbox"/>
Supplement previously authorized funds to enable completion	<input type="checkbox"/>
Other	<input type="checkbox"/>

LOCATION FEATURES (check where appropriate)	
Site currently owned	<input type="checkbox"/>
Site to be acquired	<input type="checkbox"/>
Utilities already available	<input type="checkbox"/>
Access already available	<input type="checkbox"/>

PROJECT EXPENDITURES	TOTAL	BUDGET YEAR	BUDGET YEAR PLUS 1	BUDGET YEAR PLUS 2	REMAINING COST
TOTAL ANNUAL EXPENDITURE (Capital Cost)	235.0	235.0			
PLANNING AND ENGINEERING	18.0	18.0			
LAND					
CONSTRUCTION					
EQUIPMENT	209.0	209.0			
ADMINISTRATION AND OTHER	8.0	8.0			

OPERATIONAL COST AND NO. PERSONNEL INCREASE (DECREASE)		ULTIMATE ANNUAL	BUDGET YEAR	BUDGET YEAR PLUS 1	BUDGET YEAR PLUS 2
FUNDING SOURCE	OTHER SOURCES				
	GENERAL FUND	-0-	-0-	-0-	-0-
TOTAL ANNUAL OPERATIONAL COST		-0-	-0-	-0-	-0-
POSITIONS	FULL-TIME EQUIVALENTS				

APPROPRIATION REQUEST	
Federal Receipts	210.0
Required General Fund Matching	
Other General Fund	
U. S. Bonds	
ASHA Bonds	
Inter-Agency Transfer	
Other	
IARF	25.0
TOTAL	235.0

AGENCY TRANSPORTATION PROGRAM AVIATION PRIORITY NO. FAIRBANKS RUNWAY 01L SAFETY

25 CAPITAL BUDGET PROPOSED PROJECT



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James A. Smith
Signature of Camera Operator

3/23/90
Date

NOTE: SB 202 & SB 203 ARE COMPANION
BILLS. BACK-UP FOR THE BILLS IS IN
THE BILL FILE FOR SB 202.

Introduced: 2/13/79
Referred: Commerce and
Finance

1 IN THE SENATE

BY FAHRENKAMP AND BENNETT

2 SENATE BILL NO. 203

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the issuance and sale of an addi-
7 tional \$8,500,000 in revenue bonds for international
8 airports and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 37.15.410 is amended to read:

11 Sec. 37.15.410. BOND AUTHORIZATION. For the purpose of providing
12 part or all of the money to be used, with or without any grants or other
13 money which may become available, the issuance and sale of revenue bonds
14 of the state in the total principal sum of not to exceed \$43,325,000
15 [\$34,825,000] is authorized to acquire, equip, construct and install the
16 additions, improvements, extensions and facilities authorized in AS 37.-
17 15.510. The principal of and interest on these bonds shall be paid out
18 of and secured by the gross revenues derived by the state from the
19 ownership, lease, use and operation of the airports, and of all the
20 facilities of them and out of any other revenues or money which the
21 sta! legislature may provide exclusive of any state tax or license.

22 * Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-
23 070(c).

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Introduced: 2/15/79
Referred: Commerce and
Finance

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James O. Smith
Signature of Camera Operator

3/23/90
Date

Funding Information

General Fund	-0-
Other Funds	\$8,500,000
	<u>\$8,500,000</u>

Introduced: 2/13/79
 Referred: Commerce and
 Finance

1 IN THE SENATE

BY FAHRENKAMP, BENNETT, FERGUSON
AND HACKNEY

2 SENATE BILL NO. 202

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation from the Inter-
 7 national Airports Construction Fund to the Fairbanks
 8 International Airport; and providing for an effective
 9 date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. For the purpose of carrying out the provisions of AS 37.15.-
 12 410 - 37.15.550, there is appropriated from the International Airports Con-
 13 struction Fund the sum of \$8,500,000 for the acquisition, construction, and
 14 equipping of airport facilities as authorized in AS 37.15.510 at Fairbanks
 15 International Airport.

16 * Sec. 2. This Act takes effect on the effective date of a version of an
 17 Act entitled "An Act authorizing the issuance and sale of an additional
 18 \$8,500,000 in revenue bonds for international airports."

19 *This bill gives them the appropriation*
 20 *for the bond amounts.*

21 *203 - app available*

COMMITTEE REPORT
SENATE

3/12/79

FURTHER:

Date: March 15, 1979

Mr. President:

The Committee on FINANCE has had SB 203

authorizing the issuance and sale of an additional \$8,500,000 in revenue bonds for international airports

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back ^{submitted} ~~without~~ recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Clayton Adams Do Pass
Franklin " "

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Nothing - no rec
rec Kay No Rec
rec V. Rec

John S. Smith
CHAIRMAN
Do Pass

Introduced: 2/13/79
Referred: Commerce and
Finance

1 IN THE SENATE

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23 070(c).

Introduced: 2/13/79
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Finance

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STATE OF ALASKA

THE LEGISLATURE

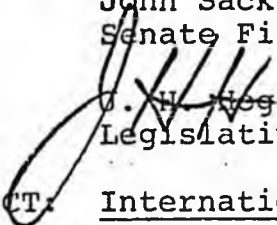
BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF--STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

March 15, 1979

MEMORANDUM

TO: John Sackett, Chairman
Senate Finance Committee

FROM:  G. H. Hogan, Director
Legislative Finance Division

SUBJECT: International Airport Revenue Fund

The second page of this memorandum sets out the current cash position of the Anchorage International Airport Revenue Fund as taken from the hand-written document provided by DOT which is also attached, and relates the current cash position to the Governor's proposed capital projects. In brief, if you appropriated all of the Governor's projects requested for FY 80, there would still be a surplus cash balance of \$3,770,000 available for appropriation.

Regarding the \$8.5 million in revenue bonds proposed in SB's 202 and 203, the hand-written memo states that the statutorily-required debt service coverage (combined airport net revenues over debt service) is currently 5.14 x annual debt service and the law requires that it be not less than 1.30. In other words, the \$8.5 million in additional bonds would not push the annual debt service ratio anywhere near the legal limit of 1.30. (Currently \$20.4 million in outstanding International Airport Revenue bonds with annual debt service at \$1.9 million)

JHH:pw

Attachments

INTERNATIONAL AIRPORT REVENUE FUND (IARF) STATEMENT

<u>Cash Position</u>		<u>FY 79 Appropriations</u>	
Cash as of 3/2/79	\$ 1,765,000	FY 79 Capital Appropriations:	
Investments	<u>24,500,000</u>	Anchorage Terminal	\$13,000,000
		Other Anchorage Projects	830,000
		Fairbanks Projects	<u>480,000</u>
Total	\$26,265,000		\$14,310,000

Present IARF Cash Position	\$26,265,000
Minus FY 1979 Appropriations	- 14,310,000
	<u>11,955,000</u>
Plus Net Income for 4 months (through 6/30/79)	<u>2,000,000</u>
IARF Balance Available for Appropriation in FY 80	<u>\$13,955,000</u>

GOVERNOR'S FY 80 PROJECTS
(IARF Funding Only)

Anchorage International Terminal	\$10,100,000
Anchorage Security Plan Development	65,000
Fairbanks Taxiway Extension	38,000
Anchorage Equipment	15,000
Fairbanks Runway IL Safety Area	25,000
Anchorage Skid Resistant Seal	35,000
TOTAL	<u>\$10,278,000</u>

IARF Balance Available for Appropriation in FY 80	\$13,955,000
Less Governor's FY 80 Projects	- <u>10,278,000</u>
FY 80 BALANCE.	\$ 3,677,000

<u>Agency</u>	<u>Capital Project</u>	<u>Location</u>	<u>General Funds</u>	<u>Other</u>	<u>Source</u>
DEVELOPMENT CATEGORY					
Revenue	AK Municipal Bond Bank Reserve	Statewide	2,500.0		
Subtotal - Department of Revenue			2,500.0		
Commerce	AK Housing Finance Corporation	Statewide	2,500.0		
	Matching EDA 304 Funding	Statewide	123.5		
	AK Power Authority Grants & Loans	Statewide	3,000.0		
Subtotal - Department of Commerce			5,623.5		
DOTPF	Nome Harbor Facilities	Nome	500.0		
	Hole-In-Wall Breakwater	Ketchikan	170.0		
	Ketchikan Harbor Facilities	Ketchikan	45.0		
	Wrangell Harbor Facilities	Wrangell	400.0		
	Petersburg Harbor Facilities	Petersburg	65.0		
	Seward Harbor Facilities	Seward	400.0		
	Elfin Cover Harbor Facilities	Elfin Cover	130.0		
	Old Harbor Float Facilities	Old Harbor	250.0		
	Hyder Launching Ramp	Hyder	60.0		
	Project Contingencies & Emergency Repairs	Statewide	80.0		
	Administration/Engineering	Statewide	300.0		
Subtotal - DOTPF			2,400.0		
TOTAL DEVELOPMENT CATEGORY			\$ 10,523.5		
TRANSPORTATION					
DOTPF	Dredging, Haines Terminal	Haines	50.0		
	Power Pack Repairs	Southeast	45.0		
	Navigational Lights Conversion	Southeast	80.0		
	Piping Replacement	Southeast, Southwest	100.0		
	Vessel Spare Parts	Southeast, Southwest	100.0		
	Anchorage International Terminal	Anchorage		10,100.0	IARF
	Anchorage Security Plan Development	Anchorage		585.0	FED
				65.0	IARF
	Fairbanks Taxiway Extension	Fairbanks		347.0	FED
				38.0	IARF
	Anchorage Equipment	Anchorage		200.0	FED
				15.0	IARF
	Fairbanks Runway 1L Safety Area	Fairbanks		210.0	FED
				25.0	IARF
	Anchorage Skid Resistant Seal	Anchorage		315.0	FED
				35.0	IARF
Subtotal - DOTPF			375.0	11,935.0	
Public Safety	Major Repairs to Weigh Stations	Statewide	25.0		
TOTAL TRANSPORTATION CATEGORY			400.0	1,657.0	FED
				10,278.0	IARF

\$10,278.0 IARF

For: Mr. Richard Holden per telex of March 5, 1979

To: Mr. Warren Sparks

1 of 4

March 5, 1979

From: Heinz W. Noonan

This is an Enterprise Fund

International Airport Revenue Fund was created
by State of Alaska, 1961, Chapter 88 (pp 99-103).
Also Alaska Statutes Supplement 37.15.390 (pp. 58-65)

Net Income Comparison: $(\text{Total Revenues} - \text{Total Expenses} = \text{Net Inc})$

<u>F.Y. 1978</u>	<u>F.Y. 1977</u>	<u>Actual Fed. Aid</u>
\$5,260,123	\$4,269,630	

As of March 2, 1979 2:30 p.m. Anchorage Time

TARF Account 600

Cash: \$1,765,000

Investments: \$24,500,000

Total \$26,265,000

We still have full months of March, April, May, and June
to complete Fiscal Year (Fiscal Year ends June 30, 1979)
⇒ Projected estimated Net Revenues \$1,500,000 to \$2,200,000

Present Commitments F.Y. 1979 CIP Fully Appropriated

Anchorage: \$13,000,000 Terminal Project

\$730,000 Other Projects

\$13,830,000

100,000 Projects

} From C.C. Thuen
office

Present IARF Funding Level: \$ 26,265,000
 Minus FY. 1979 Appropriations: \$ 14,310,000
 \$ 11,955,000
 Plus Net Income for 4mo. \$ 2,000,000
 Available for FY. 1980 \$ 13,955,000
 Projects for
 Debt Repayments

As of FY. 1978 Revenue Bonds Payable \$ 20,360,000

FY. 1978 Bond Coverage based on "Actual Net Revenues"
 not Net Income:

Income per books (Net Income): \$ 5,260,123
 Add back:
 Depreciation \$ 3,465,875
 Interest on Bonds \$ 1,318,004

"Actual Net Revenues" \$ 10,074,002

This formulation is not Cash on hand but used in
 determination of Bond Coverage. The IARF
 has to maintain a minimum of 1.3 Bond Coverage

That's 1.3 time Debt Service during Current Year
 (\$ 1,970,945)

So in computing Bond Coverage take "Actual Net Revenues" divided by say Maximum Annual Debt Service

$$\$10,074,002 \div \$1,960,435 = 5.14$$

Remind you we only have to meet Bond Coverage of 1.30 not 5.14.

Additional Revenue Bonds can be sold without heavy burden meaning increase in rates but assuming present economic, financial, aeronautical conditions \approx \$20,000,000 if needed. The only item that has major impact is that Bond Reserve Requirements have to be doubled from \$1,960,435 at present which is invested (not included as dollars available) to \approx \$3,920,000, which means another \$1,960,000 would have to come out of the present \$13,955,000. The Bond Repair & Replacement Fund is adequate = \$500,000 Invested. Also additional costs would have to be absorbed: Bond Counsel, Financial Advisor, Bond Sale, Bond Prospect.

Problems with Bonding:

(1) We have 8% max. interest rate

(2) Problem of De-regulation in Airline Industry brings uncertainty to Investors - we have a single "A" rating from Moody's & Standard and Poor's which are Investment rating services

FAIRBANKS AIRPORT---ITEMIZED EXPENDITURES

Below please find outlined the projects and their costs for the proposed acquisition, construction and equipping of airport facilities at the Fairbanks International Airport.

Additionally, attached please find the necessary backup information that has been supplied by the Department of Transportation and others.

Fairbanks Runway Oil Safety Area.....	\$ 237,360.00
(This project will fill in and level out approximately 150' of an old drainage slough off of the approach to runway 01L.)	
Fairbanks Taxiway Extension.....	384,580.00
(Construction of a taxiway, designed for aircraft weighing 12,500 lb. and under.)	
Fairbanks General Aviation Apron Expansion.....	334,125.00
(This project consists of extending the existing general aviation parking apron northeastward for approximately 300'.)	
Fairbanks Bondable Storage Building.....	2,040,000.00
(This project would allow a warehousing complex of 24,000 square feet.)	
Fairbanks Hydrant Fueling System.....	1,229,000.00
(This project would allow for a central underground fueling facility, from hydrant outlets, through a mobil filtering - metering unit.)	
Fairbanks West Ramp.....	1,500,000.00
(This project would make more ramp space south of the main terminal.)	
Fairbanks Land Acquisition.....	2,600,000.00
(This project would purchase land on northwest corner of airport to allow room for construction and to provide a buffer zone.)	
Fairbanks Equipment.....	\$
(This project would allow the purchase of 1 - Hough Aircraft Tow Tractor with Crab Drive, 1 - set of Pneumatic Air Lifting Bags, 1 - replacement of Fire Rescue Vehicle.)	

Break down of the above is as follows:

1 - Hough Aircraft Tow Tractor with Crab Drive	\$150,000
1 - set of Pneumatic Air Lifting Bags	50,000

Total 8,525,065.00



North Pole Refining P.O. Box 5028, North Pole, Alaska 99705

DIVISION OF EARTH RESOURCES COMPANY OF ALASKA

907/488-2741
907/488-2742

March 7, 1979

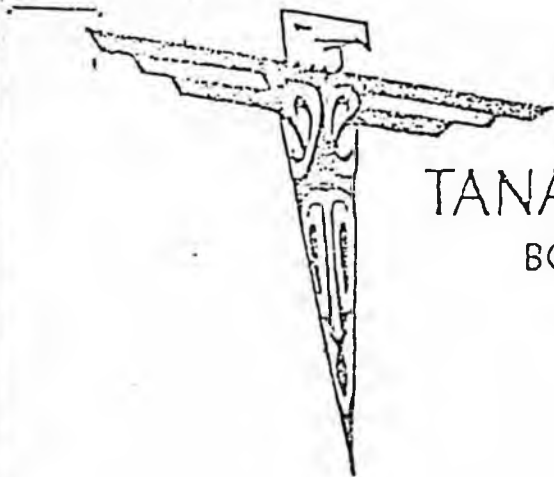
Senator Bettye Fahrenkamp
Pouch V
Juneau, Alaska

Dear Bettye:

Enclosed are the items as discussed at the Legislative/Aviation Committee Meeting of the Greater Fairbanks Chamber of Commerce on March 6, 1979.

1. Hydrant fueling system cost as of April 13, 1978, and project description.
2. Additional weather bureau data for informational purposes.
3. According to best estimates verified this date, the warehousing complex would be 24,000 square feet at a cost of \$60 per square foot plus site improvements and equipment:

Building	\$1,440,000
Equipment	215,000
Foundation Fill Material	<u>385,000</u>
	\$2,040,000



TANANA MECHANICAL, INC.

BOX 1189, FAIRBANKS, ALASKA 99707

PHONE (907) 452-1792

April 13, 1978

Palczer & Associates
Star Route Box 10671
Fairbanks, AK 99701

Attn: Terry Palczer

SUBJECT: Central fueling facilities
at Fairbanks International
Airport

Gentlemen:

Confirming our conversation of this date re: subject project, we offer the following:

We estimate the total contract price to furnish and install this fueling facility will be One Million Two Hundred Twenty Nine Thousand Dollars (\$1,229,000.00).

The salient points of this system are a 16" buried steel line from Tesoro bulk plant at the airport past Standard Oil Co. plant. Central pumping, metering and filtering facilities will be provided at both bulk plants.

At the airport terminal facility there will be provided fourteen 4" underground fueling hydrants, each with a capacity of 600 G.P.M. The 16" line will terminate at the Wein hanger.

The pumping, metering and filtering capacity of the facilities at each bulk plant is based upon a maximum of four hydrants in operation at any one time; in other words a capacity of 2,400 G.P.M. System pressure at the 4" hydrant outlet will be 60 P.S.I.

It is planned that the aircraft will be fueled from the hydrant outlet through a mobil filtering - metering unit.

The hydrants will contain an electrical control to enable selection of Tesoro, Standard or "OFF". Emergency manual shut-off valves at each hydrant and at each bulk plant and at two other locations on the main are provided. Check valves at each bulk plant will prevent back-pressure in that plants piping when the other bulk plant is pumping.

Continued . . .

Attached are:

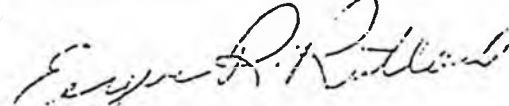
1. A copy of our takeoff and pricing sheet.
2. A copy of unit prices.

We have previously transmitted to you a copy of our calculations for main line sizing and pump selection.

Please contact the undersigned if additional information is required.

Very truly yours,

TANANA MECHANICAL, INC.



EUGENE R. RUTLAND
Engineer

ERR:smb

Attach.

26 Capital Budget Project Justification

OBJECTIVE:

A statewide program to provide necessary facilities and services in a timely and efficient manner.

Justify the project using the four headings below in the order they appear. Expand upon each section as required. Repeat heading when commencing response. Submit justification for each project listed in first column of Form 27. Attach feasibility studies, reports, or other documentation available. Use Form 23 as continuation sheet.

- I. DOCUMENTATION OF NEED (Cite quantitative and measurable need.) III. DOCUMENTATION OF ESTIMATED CAPITAL COST (Discuss degree of reliability.)
 II. ANALYSIS OF IMPACT ON OPERATION EXPENSE (estimate and justify.) IV. IDENTIFICATION OF ALTERNATIVES CONSIDERED (State why rejected.)

I. This project is requested for safety reasons. This project would level out the deep slough approximately 1000' beyond Runway 1L. With this improvement, a pilot landing short or in an aborted takeoff situation would be able to execute a landing in this area.

II. Following construction, this would remain an unmaintained area. Therefore, no annual maintenance cost is anticipated.

III. Costs are estimated as follows:

Common fill material	\$184,000
Contingencies, engineering & administration (29%)	<u>53,360</u>
TOTAL	\$237,360

IV. The do-nothing alternative is the only reasonable alternative. If this alternative is chosen, an aborted flight in this area would result in a catastrophe. Approach lights in the same area could have the same result, but if the pilot could stay out of the approach light path, the inclusion of this project could save an otherwise fatal situation.

PROJECT PURPOSE
(check all that apply)

Improvement of Services

Accommodation of Increased Demand

New Program or Service Accommodation

Project Mandated by Law or Regulation (cite)

Other

PROJECT BENEFITS
(check any that apply)

Prevent loss of life or property

Reduction of accidents or illness

Protect investment in existing facilities

Improve production possibilities of Alaskan industries and/or earning capacity of citizens

Create potential for time or cost savings

Protect natural environment

Establish recreation potential

Other

AGENCY TRANSPORTATION PROGRAM AVIATION PRIORITY NO. _____

Project Title: FAIRBANKS RUNWAY 01L
SAFETY AREA

26 CAPITAL BUDGET
PROJECT JUSTIFICATION

OBJECTIVE:

A statewide program to provide necessary facilities and services in a timely and efficient manner.

Justify the project using the four headings below in the order they appear. Expand upon each section as required. Repeat heading when commencing response. Submit justification for each project listed in first column of Form 27. Attach feasibility studies, reports, or other documentation available. Use Form 23 as continuation sheet.

- I. DOCUMENTATION OF NEED (Cite quantitative and measurable need.)
- II. ANALYSIS OF IMPACT ON OPERATION EXPENSE (estimate and justify.)
- III. DOCUMENTATION OF ESTIMATED CAPITAL COST (Discuss degree of reliability.)
- IV. IDENTIFICATION OF ALTERNATIVES CONSIDERED (State why rejected.)

I. During the past two years, requests for leases in the general aviation area have exceeded those improved lease lots which have developed. These include leases to private individuals to develop hangars to house individual aircraft. This type of investment has become necessary for owners of more sophisticated and expensive aircraft for protection against the elements. The creation of new lease areas does require extension of a taxiway to provide access to the operations area.

II. Creation of a new taxiway will increase the maintenance requirement of the area. The State will provide winter snow removal and summer maintenance, estimated to require 200 men and equipment hours annually. A man and equipment hour is defined as \$50/hour for an annual maintenance cost of \$10,000. The addition of the taxiway will result in an additional 400,000 s.f. of rentable land to be developed, resulting in a potential revenue of \$24,000/annum.

III. Capital costs are estimated as follows:

Excavation & Embankment	\$213,000
Crushed Aggregate Base	40,000
Bituminous Surface Treatment	34,000
Sub-Total	\$287,000
Administration, Engineering & Contingencies (34%)	149,940
TOTAL	\$384,580

(cont'd)

PROJECT PURPOSE
(check all that apply)

Improvement of Services	<input type="checkbox"/>
Accommodation of Increased Demand	<input checked="" type="checkbox"/>
New Program or Service Accommodation	<input type="checkbox"/>
Project Mandated by Law or Regulation (cite)	<input type="checkbox"/>
Other	<input type="checkbox"/>

PROJECT BENEFITS
(check any that apply)

Prevent loss of life or property	<input type="checkbox"/>
Reduction of accidents or illness	<input type="checkbox"/>
Protect investment in existing facilities	<input type="checkbox"/>
Improve production possibilities of Alaskan industries and/or earning capacity of citizens	<input checked="" type="checkbox"/>
Create potential for time or cost savings	<input type="checkbox"/>
Protect natural environment	<input type="checkbox"/>
Establish recreation potential	<input type="checkbox"/>
Other	<input type="checkbox"/>

AGENCY TRANSPORTATION PROGRAM AVIATION PRIORITY NO. _____

Project Title: FAIRBANKS TAXIWAY
EXTENSION

26 CAPITAL BUDGET
PROJECT JUSTIFICATION



- IV. 1. Do nothing. While this is a viable alternative, it does not satisfy the need for expansion by an expanding market in Fairbanks. Past experience has shown that when the services cannot be provided, operators tend to find a way to locate in areas which become inconsistent with long-range requirements.
2. Place the burden of development on operators. The State leases land with provisions of providing access to the land. This service is built into the lease rate.

DRU FAIRBANKS TAXIWAY EXTENSION AGENCY TRANSPORTATION REVISED

EXPLANATION

OBJECTIVE:

A statewide program to provide necessary facilities and services in a timely and efficient manner.

Justify the project using the four headings below in the order they appear. Expand upon each section as required. Repeat heading when commencing response. Submit justification for each project listed in first column of Form 27. Attach feasibility studies, reports, or other documentation available. Use Form 23 as continuation sheet.

- I. DOCUMENTATION OF NEED (Cite quantitative and measurable need.)
- III. DOCUMENTATION OF ESTIMATED CAPITAL COST (Discuss degree of reliability.)
- II. ANALYSIS OF IMPACT ON OPERATION EXPENSE (estimate and justify.)
- IV. IDENTIFICATION OF ALTERNATIVES CONSIDERED (State why rejected.)

I. The demand for private aviation has increased steadily during the recent past and has resulted in a need for accommodating additional aircraft which cannot be achieved.

II. Some additional annual cost will result, although it is difficult to calculate analytically. The parking aprons receive full maintenance both winter and summer. This project increases the present apron size by about 10%. For administrative purposes, it is assumed that an additional maintenance cost of \$10,000/annum will result.

III. Project costs are as follows:

Excavation & Embankment	\$150,000
Base Course	22,500
Bituminous Surface Treatment	21,000
Electrical Head Bolt Connection	54,000
Sub-Total	\$247,500
Engineering, Administration & Contingencies	96,625
TOTAL	\$334,125

IV. 1. Do nothing. This alternative will induce increased pressure on the airport, for additional tie-down space which, historically, has been provided on a fee basis. This alternative is not considered consistent with State statutes.

(cont'd)

PROJECT PURPOSE
(check all that apply)

Improvement of Services

Accommodation of Increased Demand

New Program or Service Accommodation

Project Mandated by Law or Regulation (cite)

Other

PROJECT BENEFITS
(check any that apply)

Prevent loss of life or property

Reduction of accidents or illness

Protect investment in existing facilities

Improve production possibilities of Alaskan industries and/or earning capacity of citizens

Create potential for time or cost savings

Protect natural environment

Establish recreation potential

Other

AGENCY TRANSPORTATION PROGRAM AVIATION PRIORITY NO. _____

Project Title: FAIRBANKS GENERAL AVIATION

APRON EXPANSION

26 CAPITAL BUDGET
PROJECT JUSTIFICATION

2. Delay until a larger project is necessary. Although this alternative may provide some economics in lower construction costs, it also places increased burdens on airport management to accommodate present demand. This often results in increased management costs and would probably result in temporary locations being developed and relocated at a later date.

DRU FAIRBANKS GENERAL AVIATION APRON EXPANSION AGENCY TRANSPORTATION REVISED _____



EXPLANATION



20 Capital Budget Proposed Project

Form 26 MUST BE COMPLETED AND ATTACHED WITH EACH PROPOSED PROJECT REQUEST

PROJECT TITLE FAIRBANKS TAXIWAY EXTENSION	OPERATING BUDGET (REVISED)	NAMES	NUMBERS
---	----------------------------	-------	---------

PRIORITY	PROJECT STARTING DATE July 1979	ESTIMATED DATE FACILITY IN USE BY Sept. 1980	TOTAL PROJECT COST 385.0
----------	------------------------------------	---	-----------------------------

LOCATION(S) Fairbanks International Airport	AREA SERVED Fairbanks	ELECTION DISTRICT 20-0
--	--------------------------	---------------------------

SOURCE OF COST ESTIMATE DOT/PF Aviation Design Division	DATE OF ESTIMATE 9-78
--	--------------------------

DESCRIPTION

Construction of a taxiway, designed for aircraft weighing 12,500 lb. and under. This taxiway starts on the southeast edge of the general aviation apron and continues northeast approximately 2000'.

PROJECT TYPE	
BUILDING CONSTRUCTION	EQUIPMENT
OTHER IMPROVEMENT	LAND
<input checked="" type="checkbox"/>	<input type="checkbox"/>

PROJECT CHARACTERISTICS (Check one)

Totally new facility

Addition to existing facility

Renovation of existing facility

Major maintenance or repair

Supplement previously authorized funds to enable completion

Other

LOCATION FEATURES (check where appropriate)

Site currently owned

Site to be acquired

Utilities already available

Access already available

PROJECT EXPENDITURES	TOTAL	BUDGET YEAR	BUDGET YEAR PLUS 1	BUDGET YEAR PLUS 2	REMAINING COST
TOTAL ANNUAL EXPENDITURE (Capital Cost)	385.0	200.0	185.0		
PLANNING AND ENGINEERING	19.0	10.0	9.0		
LAND					
CONSTRUCTION	351.0	180.0	171.0		
EQUIPMENT					
ADMINISTRATION AND OTHER	15.0	10.0	5.0		

OPERATIONAL COST AND NO. PERSONNEL INCREASE (DECREASE)		ULTIMATE ANNUAL	BUDGET YEAR	BUDGET YEAR PLUS 1	BUDGET YEAR PLUS 2
FUNDING SOURCE	OTHER SOURCES				
	GENERAL FUND				
	IARF	10.0	-0-	10.0	10.0
TOTAL ANNUAL OPERATIONAL COST		10.0		10.0	10.0
POSITIONS (FULL-TIME EQUIVALENTS)					

APPROPRIATION REQUEST	
Federal Receipts	347.0
Recurrent General Fund Matching	
Other General Fund	
C. D. Bonds	
ASMA Bonds	
Inter-Agency Transfers	
Other	
IARF	38.0
TOTAL	385.0

AGENCY TRANSPORTATION PROGRAM AVIATION PRIORITY NO. FAIRBANKS TAXIWAY EXTENSION

25 CAPITAL BUDGET PROPOSED PROJECT

Capital Budget Proposed Project

Form 26 MUST BE COMPLETED AND ATTACHED WITH EACH PROPOSED PROJECT REQUEST

PROJECT TYPE FAIRBANKS GENERAL AVIATION APRON EXPANSION		OPERATING BUDGET BASIS		NAMES		NUMBERS	
PRIORITY	PROJECT STARTING DATE July 1979	ESTIMATED DATE FACILITY IN USE BY: Sept. 1980	TOTAL PROJECT COST 335.0				
LOCATION(S) FAIRBANKS INTERNATIONAL		AREA SERVED FAIRBANKS	ELECTION DISTRICT 20-0				
SOURCE OF COST ESTIMATE DOT/PE Aviation Design Division		DATE OF ESTIMATE 9-78					
DESCRIPTION							
<p>This project consists of extending the existing general aviation parking apron northeastward for approximately 300'. If feasible, this project also anticipates adding electrical receptacles for engine heat-ups.</p>							

PROJECT TYPE	
BUILDING CONSTRUCTION	EQUIPMENT
OTHER IMPROVEMENT	LAND
	<input checked="" type="checkbox"/>

PROJECT CHARACTERISTICS (Check one)	
Totally new facility	<input type="checkbox"/>
Addition to existing facility	<input type="checkbox"/>
Renovation of existing facility	<input type="checkbox"/>
Major maintenance or repair	<input type="checkbox"/>
Supplement previously authorized funds to enable completion	<input type="checkbox"/>
Other	<input type="checkbox"/>

LOCATION FEATURES (check where appropriate)	
Site currently owned	<input type="checkbox"/>
Site to be acquired	<input type="checkbox"/>
Utilities already available	<input type="checkbox"/>
Access already available	<input type="checkbox"/>

PROJECT EXPENDITURES	TOTAL	BUDGET YEAR	BUDGET YEAR PLUS 1	BUDGET YEAR PLUS 2	REMAINING COST
TOTAL ANNUAL EXPENDITURE (Capital Cost)	335.0	200.0	135.0		
PLANNING AND ENGINEERING	37.0	25.0	12.0		
LAND					
CONSTRUCTION	296.0	169.0	117.0		
EQUIPMENT					
ADMINISTRATION AND OTHER	12.0	6.0	6.0		

OPERATIONAL COST AND NO. PERSONNEL INCREASE (DECREASE)	ULTIMATE ANNUAL	BUDGET YEAR	BUDGET YEAR PLUS 1	BUDGET YEAR PLUS 2
OTHER SOURCES				
FUNDING SOURCE GENERAL FUND	10.0	-0-	10.0	10.0
TOTAL ANNUAL OPERATIONAL COST	10.0	-0-	10.0	10.0
POSITIONS FULL-TIME EQUIVALENTS				

APPROPRIATION REQUEST	
Federal Reactions	300.0
Required General Fund Matching	
Other General Fund	
G. O. Bonds	
ASHA Bonds	
Inter-Agency Transfers	
Other	
IARF	35.0
TOTAL	335.0

AGENCY TRANSPORTATION PROGRAM AVIATION PRIORITY NO. FAIRBANKS GENERAL AVIATION APRON EXPANSION

25 CAPITAL BUDGET PROPOSED PROJECT

20 Capital Budget Proposed Project

Form 26 MUST BE COMPLETED AND ATTACHED WITH EACH PROPOSED PROJECT REQUEST

PROJECT TITLE FAIRBANKS RUNWAY 1L SAFETY AREA		OPERATING BUDGET (DOLLARS)		NAMES		NUMBERS	
PRIORITY	PROJECT STARTING DATE July 1979	ESTIMATED DATE FACILITY IN USE BY Sept. 1979	TOTAL PROJECT COST 235.0				
LOCATION(S) FAIRBANKS INTERNATIONAL		AREA SERVED FAIRBANKS	ELECTION DISTRICT 20-0				
SOURCE OF COST ESTIMATE DOT/PF Aviation Design Division			DATE OF ESTIMATE 9-78				
DESCRIPTION This project will fill in and level out approximately 150' of an old drainage slough off of the approach to runway 01L.							

PROJECT TYPE		
BUILDING CONSTRUCTION	<input type="checkbox"/>	EQUIPMENT
OTHER IMPROVEMENT	<input checked="" type="checkbox"/>	LAND

PROJECT CHARACTERISTICS (check one)	
Totally new facility	<input type="checkbox"/>
Addition to existing facility	<input checked="" type="checkbox"/>
Renovation of existing facility	<input type="checkbox"/>
Major maintenance or repair	<input type="checkbox"/>
Supplement previously authorized funds to enable completion	<input type="checkbox"/>
Other	<input type="checkbox"/>

LOCATION FEATURES (check where appropriate)	
Site currently owned	<input checked="" type="checkbox"/>
Site to be acquired	<input type="checkbox"/>
Utilities already available	<input type="checkbox"/>
Access already available	<input type="checkbox"/>

PROJECT EXPENDITURES	TOTAL	BUDGET YEAR	BUDGET YEAR PLUS 1	BUDGET YEAR PLUS 2	REMAINING COST
TOTAL ANNUAL EXPENDITURE (Capital Cost)	235.0	235.0			
PLANNING AND ENGINEERING	18.0	18.0			
LAND					
CONSTRUCTION					
EQUIPMENT	209.0	209.0			
ADMINISTRATION AND OTHER	8.0	8.0			

APPROPRIATION REQUEST	
Federal Receipts	210.0
Required General Fund Matching	
Other General Fund	
C. O. Bonds	
ASMA Bonds	
Inter-Agency Transfers	
Other	
IARP	25.0
TOTAL	235.0

OPERATIONAL COST AND NO. PERSONNEL INCREASE/DECREASE		ULTIMATE ANNUAL	BUDGET YEAR	BUDGET YEAR PLUS 1	BUDGET YEAR PLUS 2
FUNDING SOURCE	OTHER SOURCES				
	GENERAL FUND	-0-	-0-	-0-	-0-
TOTAL ANNUAL OPERATIONAL COST		-0-	-0-	-0-	-0-
POSITIONS FULL-TIME EQUIVALENTS					

AGENCY TRANSPORTATION PROGRAM AVIATION PRIORITY NO. FAIRBANKS RUNWAY 01L SAFETY

25 CAPITAL BUDGET PROPOSED PROJECT

For: Mr. Richard Holden, per telex of March 5, 1979

To: Mr. Warren Sparks

1 of 4

March 5, 1979

From: Heinz W. Noonan

This is an Enterprise Fund

International Airport Revenue Fund was created by State of Alaska, 1961, Chapter 88 (pp. 99-103). Also Alaska Statutes Supplement 37.15.390 (pp. 58-65)

Net Income Comparison: (Total Revenues - Total Expenses = Net Income)

<u>F.Y. 1978</u>	<u>F.Y. 1977</u>	Audited Fis
\$5,260,123	\$4,269,630	

As of March 2, 1979 2:30 p.m. Anchorage Time

IARF Account 600

Cash: \$1,765,000

Investments: \$24,500,000

Total \$26,265,000

We still have full months of March, April, May, and June to complete Fiscal Year. (Fiscal Year ends June 30, 1979)
⇒ Projected estimated Net Revenues \$1,500,000 to \$2,200,000

Present Commitments F.Y. 1979 CIP. Fully Appropriate

Anchorage: \$13,000,000 Terminal Project

8,300,000 Other Projects

\$13,830,000

Fairbanks

480,000 Projects

\$14,310,000

} From C.C. Huener's office

Present IARF Funding Level: \$ 26,265,000

Minus F.Y. 1979 Appropriations: \$ 14,310,000

\$ 11,955,000

plus Net Income for 4 mo. 2,000,000

Available for F.Y. 1980 \$ 13,955,000

Projects for
Int'l Airports

As of F.Y. 1978 Revenue Bonds Payable \$ 20,360,000

F.Y. 1978 Bond Coverage based on "Actual Net Revenues"
not Net Income:

Income per books (Net Income): \$ 5,260,123

Add back:

Depreciation \$ 3,465,875

Interest on Bonds \$ 1,348,004

"Actual Net Revenues" \$ 10,074,002

This formulation is not Cash on hand but used in
determination of Bond Coverage. The IARF
has to maintain a minimum of 1.3 Bond Coverage

That is 1.3 time Debt Service during Current Year
or Maximum Debt Service (\$1,970,945))
or Maximum Debt Service (\$1,970,945) - H. D. 110

So in computing Bond Coverage take "Actual Net Revenues"
divided by say Maximum Annual Debt Service

$$\$10,074,002 \div \$1,960,435 = 5.14$$

Remind you we only have to meet Bond Coverage of
1.30 not 5.14.

Additional Revenue Bonds can be sold without heavy burden meaning increase in rates but assuming present economic, financial, aeronautical conditions \approx \$20,000,000 if needed. The only item that has major impact is that Bond Reserve Requirements have to be doubled from \$1,960,435 at present which is invested (not included as dollars available) to \approx \$3,920,000, which means another \$1,960,000 would have to come out of the present \$13,955,000. The Bond Repair & Replacement Fund is adequate = \$500,000 Invested. Also additional costs would have to be absorbed: Bond Counsel, Financial Advisor, Bond Sale, Bond Prospects, etc.

Problems with Bonding:

- (1) We have 8% max. interest rate
- (2) Problem of De-regulation in Airline Industry brings uncertainty to Investors - we have a single "A" rating from Moody's & Standards and Poor's which are Investment rating services

\$ 43,500,000

1,000,000

1,231,500

1,500,000

9,000,000

800,000

ch 95
96
124

138

145

\$ 57,031,500



Official Business

Alaska State Legislature

Senate

Committee on Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

LETTER OF INTENT

The Senate Commerce Committee has considered Senate Bill No. 203, "An Act authorizing the issuance and sale of an additional \$8,500,000 in revenue bonds for international airports and providing for an effective date," and a majority of the Committee reports it back with a recommendation of "Do Pass" with the following intent:

It is the intent of the Senate Commerce Committee that funds made available for the project indicated in Senate Bill No. 203 are not used unless the Commissioner of the Department of Transportation and Public Facilities concludes that the "Emergency Lighting of Secondary Airports Study" conducted by that Department is a workable program, and that emergency navigational aids and runway lighting for secondary airports is in the best interest of the State.

Brad Bradley
Senator Brad Bradley, Chairman
Senate Commerce Committee

March 12, 1979
Date



RECORDS



GERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

3/23/90
Date

COMMITTEE REPORT HOUSE

FURTHER:

April 29, 1979

Date: 5/19/80

Mr. Speaker:

The Committee on FINANCE has had SB 205 am

"An Act making a special appropriation to the Alaska Housing Finance Corporation; eff. date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with ^HCS for SB 205 same title
 new title
- and recommends individual rec.
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

_____ Smith - No Rec

_____ JD - No Rec

_____ Freeman No Rec

CHAIRMAN

Original sponsors: Rodey, Kelly
and Fahrenkamp

Funding Information

General Fund \$230,110,000
Other Funds -0-
\$230,110,000

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 205

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations to the Alaska Housing
7 Finance Corporation, the Department of Community and
8 Regional Affairs, the division of business loans in the
9 Department of Commerce and Economic Development, and
10 the Alaska Industrial Development Authority; and pro-
11 viding for an effective date."

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. The sum of \$123,710,000 is appropriated from the general
14 fund to the Alaska Housing Finance Corporation to be allocated as follows:

15 Special mortgage loan purchase program (AS 18.56.098)	\$100,000,000
16 Housing insurance fund (AS 18.56.093)	7,680,000
17 Rural housing mortgage loan program	6,500,000
18 Mobile home loan program	8,250,000
19 Rural housing mortgage insurance account in the	
20 housing insurance fund	325,000
21 Mobile home mortgage insurance account in the housing	
22 insurance fund	825,000
23 Rural housing title insurance fund (AS 18.56.093)	130,000

24 * Sec. 2. (a) All right, title and interest in loans of the type de-
25 scribed in (b) of this section, in an amount not to exceed \$215,000,000 in
26 unpaid principal as of July 1, 1980, and all right, title and interest in all
27 mortgages, notes and other instruments of security made in connection with
28 those loans, purchased or acquired by the Department of Revenue from private
29 lending institutions in Alaska or from the Department of Commerce and Econo-

1 mic Development and held in the general fund on July 1, 1980, are transferred
2 and appropriated to the Alaska Housing Finance Corporation for its special
3 mortgage loan purchase program.

4 (b) This section transfers and appropriates

5 (1) conventional loans for owner-occupied single-family residences
6 and duplexes acquired or made under AS 37.10.070; and

7 (2) veterans loans acquired or made under AS 26.15 as of July 1,
8 1980, for owner-occupied single-family residences and duplexes.

9 (c) All right, title and interest in the then unpaid principal balance
10 of the loans transferred and appropriated to the Alaska Housing Finance
11 Corporation under this section which are not needed by the Alaska Housing
12 Finance Corporation for its special mortgage loan purchase program and not
13 pledged to the payment of bonds of the Alaska Housing Finance Corporation on
14 July 1, 1983, shall be transferred by the Alaska Housing Finance Corporation
15 to the Department of Revenue for credit to the general fund.

16 * Sec. 3. The sum of \$10,400,000 is appropriated from the general fund to
17 the Department of Community and Regional Affairs to be allocated as follows:

18 Nonconforming housing loans	\$10,000,000
19 Loan administration	400,000

20 * Sec. 4. The sum of \$81,000,000 is appropriated from the general fund to
21 the division of business loans in the Department of Commerce and Economic
22 Development to be allocated as follows:

23 Small business loans	\$37,000,000
24 Tourism loans	6,500,000
25 Commercial fishing loans	24,000,000
26 Fisheries enhancement loans	6,000,000
27 Fishermen's mortgage and note fund	6,500,000
28 Loan administration	200,000
29 Child care facility revolving loan fund	100,000

1 Residential care facility revolving

2 loan fund 100,000

3 Alternative technology and power

4 resource revolving loan fund 600,000

5 * Sec. 5. The sum of \$15,000,000 is appropriated from the general fund to
6 the Alaska Industrial Development Authority, enterprise development fund.

7 * Sec. 6. (a) All right, title and interest in loans of the type de-
8 scribed in (b) of this section, in an amount not to exceed \$166,000,000 in
9 unpaid principal as of July 1, 1980, and all right, title and interest in all
10 mortgages, notes and other instruments of security made in connection with
11 those loans, purchased or acquired by the Department of Revenue from private
12 lending institutions in Alaska or from the Department of Commerce and Econo-
13 mic Development and held in the general fund on July 1, 1980, are transferred
14 and appropriated to the Alaska Industrial Development Authority for the
15 purposes of its enterprise development fund.

16 (b) This section transfers and appropriates

17 (1) veterans loans acquired or made under AS 26.15 for owner-
18 occupied single-family residences and duplexes;

19 (2) commercial fishing loans acquired or made under AS 16.10.300 -
20 16.10.360;

21 (3) small business loans acquired or made under AS 45.95;

22 (4) tourism loans acquired or made under AS 45.90; and

23 (5) other business loans acquired or made under AS 37.10.070, as
24 of July 1, 1980.

25 (c) All right, title and interest in the then unpaid principal balance
26 of the loans transferred and appropriated to the Alaska Industrial Develop-
27 ment Authority under this section which are not needed by the Alaska
28 Industrial Development Authority for its enterprise development fund and not
29 pledged to the payment of bonds of the Alaska Industrial Development

1 Authority by July 1, 1983, shall be transferred by the Alaska Industrial
2 Development Authority to the Department of Revenue for credit to the general
3 fund.

4 * Sec. 7. Sections 1, 3, and 4 of this Act take effect immediately in
5 accordance with AS 01.10.070(c). Sections 2, 5, and 6 of this Act take
6 effect July 1, 1980.

7 * Sec. 8. Section 7 of this Act takes effect on the effective date of a
8 version of a bill entitled "An Act relating to state loan programs, state
9 mortgage programs, and state revenue bonding programs."

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STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800


LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

May 20, 1980

SUBJECT: Loan program appropriations
HCS SB 205

TO: Representative Russ Meekins, Jr.
Chairman, House Finance Committee
Attn: Mike Doogan, A.A.

FROM: Kenneth E. Vassar
Legislative Counsel 

We have prepared the enclosed House committee substitute for Senate Bill 205 in accordance with your instructions. Section 1 of the bill allocates an appropriation to the Alaska Housing Finance Corporation among various programs, funds and accounts. Of those programs, funds and accounts, only three are expressly created in the Finance Committee's substitute for Senate Bill 1 (loan programs). The remainder are not created in the bill or by existing statute. Obviously, an appropriation to a nonexistent program is a nullity. I have discussed this problem with you, and you have assured me that the Alaska Housing Finance Corporation has created these programs, funds and accounts to carry out its statutory duties and powers. I have not contacted the Alaska Housing Finance Corporation to verify the existence or the accuracy of the titles of the programs, funds and accounts in the bill; but I do want to stress the importance of making sure that, first, they do exist, and, second, the titles are accurate.

Another problem exists in connection with Article II, sec. 13, of the Constitution of the State of Alaska, which states in part:

Bills for appropriations shall be confined to appropriations.

Sections 2(c) and 6(c) direct the commissioner of revenue to execute the necessary instruments to transfer the securities appropriated in the bill. This is more than simply an

Representative Russ Meekins, Jr.
Page 2
May 20, 1980

appropriation; it is a substantive duty of the commissioner of revenue and should be established as such in a separate bill. Sections 2(d) and 6(d) require the Alaska Housing Finance Corporation to transfer to the Department of Revenue for credit to the general fund the securities which, on July 1, 1983, have not been pledged to the payment of the bonds of the corporation. While this might be justified as an elaborate "lapse" clause for the appropriation bill, it also appears to be a substantive duty of the corporation and would probably be better placed in a separate bill.

Finally, the bill appears to appropriate the same asset twice. In section 2(b)(1) on page 2 of the bill, the appropriation to the Alaska Housing Finance Corporation includes veterans loans acquired or made under AS 26.15 as of July 1, 1980, for owner-occupied single-family residences and duplexes. Substantially the same language is provided in section 6(b)(1) on page 3 of the bill with regard to the appropriation to the Alaska Industrial Development Authority. The same asset cannot be appropriated twice, and I would suggest that this apparent duplication should be clarified or corrected.

KEV:ljb

Enclosure

Original sponsors: Rodey, Kelly
and Fahrenkamp

Redone

Funding Information

General Fund \$230,110,000
Other Funds -0-
\$230,110,000

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 205

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations to the Alaska Housing
7 Finance Corporation, the Department of Community and
8 Regional Affairs, the division of business loans in the
9 Department of Commerce and Economic Development, and
10 the Alaska Industrial Development Authority; and pro-
11 viding for an effective date."

12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. The sum of \$123,710,000 is appropriated from the general
14 Fund to the Alaska Housing Finance Corporation to be allocated as follows:

15	Special mortgage loan purchase program (AS 18.56.098)	\$100,000,000
16	Housing insurance fund (AS 18.56.093)	7,680,000
17	Rural housing mortgage loan program	6,500,000
18	Mobile home loan program	8,250,000
19	Rural housing mortgage insurance account in the	
20	housing insurance fund	325,000
21	Mobile home mortgage insurance account in the housing	
22	insurance fund	825,000
23	Rural housing title insurance fund (AS 18.56.093)	130,000

24 * Sec. 2. (a) All right, title and interest in loans of the type de-
25 scribed in (b) of this section, in an amount not to exceed \$215,000,000 in
26 unpaid principal as of July 1, 1980, and all right, title and interest in all
27 mortgages, notes and other instruments of security made in connection with
28 those loans, purchased or acquired by the Department of Revenue from private
29 lending institutions in Alaska or from the Department of Commerce and Econo-

1 mic Development and held in the general fund on July 1, 1980, are transferred
2 and appropriated to the Alaska Housing Finance Corporation.

3 (b) This section transfers and appropriates

4 (1) conventional loans for owner-occupied single-family residences
5 and duplexes acquired or made under AS 37.10.070; and

6 (2) veterans loans acquired or made under AS 26.15 as of July 1,
7 1980, for owner-occupied single-family residences and duplexes.

8 (c) The commissioner of revenue shall execute all necessary instruments
9 to transfer all right, title and interest in the loans, mortgages, notes, and
10 other instruments of security described in this section to the Alaska Housing
11 Finance Corporation.

12 (d) All right, title and interest in the then unpaid principal balance
13 of the loans transferred and appropriated to the Alaska Housing Finance
14 Corporation under this section which are not pledged to the payment of bonds
15 of the Alaska Housing Finance Corporation on July 1, 1983, shall be trans-
16 ferred by the Alaska Housing Finance Corporation to the Department of Revenue
17 for credit to the general fund.

18 * Sec. 3. The sum of \$10,400,000 is appropriated from the general fund to
19 the Department of Community and Regional Affairs to be allocated as follows:

20 Nonconforming housing loans	\$10,000,000
21 Loan administration	400,000

22 * Sec. 4. The sum of \$81,000,000 is appropriated from the general fund to
23 the division of business loans in the Department of Commerce and Economic
24 Development to be allocated as follows:

25 Small business loans	\$37,000,000
26 Tourism loans	6,500,000
27 Commercial fishing loans	24,000,000
28 Fisheries enhancement loans	6,000,000
29 Fishermen's mortgage and note fund	6,500,000

1	Loan administration	200,000
2	Child care facility revolving loan fund	100,000
3	Residential care facility revolving	
4	loan fund	100,000
5	Alternative technology and power	
6	resource revolving loan fund	600,000

7 * Sec. 5. The sum of \$15,000,000 is appropriated from the general fund to
8 the Alaska Industrial Development Authority, enterprise development fund.

9 * Sec. 6. (a) All right, title and interest in loans of the type de-
10 scribed in (b) of this section, in an amount not to exceed \$166,000,000 in
11 unpaid principal as of July 1, 1980, and all right, title and interest in all
12 mortgages, notes and other instruments of security made in connection with
13 those loans, purchased or acquired by the Department of Revenue from private
14 lending institutions in Alaska or from the Department of Commerce and Econo-
15 mic Development and held in the general fund on July 1, 1980, are transferred
16 and appropriated to the Alaska Industrial Development Authority.

17 (b) This section transfers and appropriates

18 (1) veterans loans acquired or made under AS 2 .15 for owner-
19 occupied single-family residences and duplexes;

20 (2) commercial fishing loans acquired or made under AS 16.10.300 -
21 16.10.360;

22 (3) small business loans acquired or made under AS 45.95;

23 (4) tourism loans acquired or made under AS 45.90; and

24 (5) other business loans acquired or made under AS 37.10.070, as
25 of July 1, 1980.

26 (c) The commissioner of revenue shall execute all necessary instruments
27 to transfer all right, title and interest in the loans, mortgages, notes, and
28 other instruments of security described in this section to the Alaska Indus-
29 trial Development Authority.

1 (d) All right, title and interest in the then unpaid principal balance
2 of the loans transferred and appropriated to the Alaska Industrial Develop-
3 ment Authority under this section which are not pledged to the payment of
4 bonds of the Alaska Industrial Development Authority by July 1, 1983, shall
5 be transferred by the Alaska Industrial Development Authority to the Depart-
6 ment of Revenue for credit to the general fund.

7 * Sec. 7. Sections 1, 3, and 4 of this Act take effect immediately in
8 accordance with AS 01.10.070(c). Sections 2, 5, and 6 of this Act take
9 effect July 1, 1980.

10 * Sec. 8. Section 7 of this Act takes effect on the effective date of a
11 version of a bill entitled "An Act relating to state loan programs, state
12 mortgage programs, and state revenue bonding programs."
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5/19/80

IN THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE - SECOND SESSION

A BILL

1 For an Act entitled: "An Act making supplemental appropriations to
2 Alaska housing Finance Corporation, the Department
3 of Community and Regional Affairs, the Division of
4 Business Loans, and the Alaska Industrial Development
5 Authority; and providing for an effective date."

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7 * Section 1. The sum of \$123,710,000 is appropriated from the
8 general fund to the Alaska Housing Finance Corporation to be
9 allocated as follows:

10 Special Mortgage Purchase program	\$100,000,000
11 Mortgage Insurance Fund	7,680,000
12 Rural Housing Mortgage Loan program	6,500,000
13 Mobile Home Loan program	8,250,000
14 Rural Housing Mortgage Insurance Account	325,000
15 Mobile Home Mortgage Insurance Account	825,000
16 Rural Housing Title Insurance Account	130,000

17 * Sec. 2. All right, title and interest in loans of the type des-
18 cribed in Section 3 of this Act, in an amount not to exceed \$215,000,000
19 in unpaid principal as of July 1, 1980, and all right, title and interest
20 in all mortgages, notes and other instruments of security made in con-
21 nection with those loans, purchased or acquired by the Department of
22 Revenue from private lending institutions in Alaska or from the Depart-
23 ment of Commerce and Economic Development and held in the general fund
24 on July 1, 1980, are transferred and appropriated to the Alaska Housing
25 Finance Corporation.

26 * Sec. 3. Section 2 of this Act applies to (1) owner-occupied single
27 family and duplex conventional residential loans acquired or made under
28 AS 37.10.070 and (2) owner-occupied single family and duplex residential
29 veterans loans acquired or made under AS 26.15 as of July 1, 1980.
30
31

1 * Sec. 4. The commissioner of revenue shall execute all necessary
2 instruments to transfer all right, title and interest in these loans,
3 mortgages, notes, and other instruments of security to the Alaska Housing
4 Finance Corporation.

5 * Sec. 5. All right, title and interest in the then unpaid principal
6 balance of the loans transferred to the corporation pursuant to this Act
7 which have not been pledged to the payment of bonds of the corporation
8 by July 1, 1983 shall be transferred by the corporation to the Department
9 of Revenue for credit to the general fund.

10 * Sec. 6. The sum of \$10,400,000 is appropriated from the general
11 fund to the Department of Community and Regional Affairs to be allocated
12 as follows:

13 Non-conforming Housing Loans	\$10,000,000
14 Loan Administration	400,000

15 * Sec. 7. The sum of \$80,200,000 is appropriated from the general
16 fund to the Division of Business Loans to be allocated as follows:

17 Small Business Loans	\$37,000,000
18 Tourism Loans	6,500,000
19 Commercial Fish Loans	24,000,000
20 Fisheries Enhancement Loans	6,000,000
21 Fish Mortgages and Notes	6,500,000
22 Loan Administration	200,000

23 * Sec. 8. The sum of \$15,000,000 is appropriated from the general
24 fund to the Alaska Industrial Development Authority, enterprise develop-
25 fund.

26 * Sec. 9. All right, title and interest in loans of the type
27 described in Sec. 10 of this Act, in an amount not to exceed \$166,000,000
28 in unpaid principal as of July 1, 1980, and all right, title and
29 interest in all mortgages, notes and other instruments of security made
30 in connection with those loans, purchased or acquired by the Department
31 of Revenue from private lending institutions in Alaska or from the

1 Department of Commerce and Economic Development and held in the general
2 fund on July 1, 1980, are transferred and appropriated to the Alaska
3 Industrial Development Authority.

4 * Sec. 10. Section 9 of this Act applies to (1) owner-occupied
5 single family and duplex residential veterans loans acquired or made
6 under AS 26.15; (2) commercial fishing loans acquired or made under
7 AS 16.10.300; (3) small business loans acquired or made under AS 45.95.010;
8 (4) tourism loans acquired or made under AS 45.90.010; and (5) other
9 business loans acquired or made under AS 37.10.070; as of July 1, 1980.

10 * Sec. 11. The commissioner of revenue shall execute all necessary
11 instruments to transfer all right, title and interest in these loans,
12 mortgages, notes, and other instruments of security to the Alaska
13 Industrial Development Authority.

14 * Sec. 12. All right, title and interest in the then unpaid principal
15 balance of the loans transferred to the authority pursuant to this Act
16 which have not been pledged to the payment of bonds of the authority
17 by July 1, 1983 shall be transferred by the authority to the Department
18 of Revenue for credit to the general fund.

19 * Sec. 13. Sections 1, 6 and 7 of this Act take effect immediately
20 in accordance with AS 01.10.070(c) and Sections 3 through 6 and 8
21 through 11 of this Act take effect July 1, 1980.

22 * Sec. 14. Section 13 of this Act takes effect on the effective
23 date of a version of a bill entitled "An Act relating to state loan
24 programs, state mortgage programs, and state revenue bonding programs."
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Funding Information
General Fund \$1,000,000
Other Funds -0-
\$1,000,000

Introduced: 2/13/79
Referred: Community &
Regional Affairs and
Finance

1 IN THE SENATE

BY RODEY, KELLY AND FAHRENKAMP

2

SENATE BILL NO. 205 am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

ELEVENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the Alaska
7 Housing Finance Corporation; and providing for an
8 effective date."

9

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

* Section 1. The sum of \$1,000,000 is appropriated from the general fund
11 to the mortgage insurance fund of the Alaska Housing Finance Corporation
12 (AS 18.56), to be paid to the mortgage insurance fund in the amounts re-
13 quested by the corporation as necessary in connection with the issuance of
14 insured mortgage program bonds of the corporation only if the bonds are
15 issued for the mortgage financing of new or used mobile homes.

16

* Sec. 2. The unexpended and unobligated portion of the appropriation
17 made in sec. 1 of this Act lapses into the general fund June 30, 1980.

18

* Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
19 070(c).

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Funding Information
General Fund \$1,000,000
Other Funds -0-
\$1,000,000

Introduced: 2/13/79
Referred: Community & Regional
Affairs and Finance

1 IN THE SENATE

BY RODEY, KELLY AND FAHRENKAMP

2 SENATE BILL NO. 205

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska
7 Housing Finance Corporation; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The sum of \$1,000,000 is appropriated from the general fund
11 to the mortgage insurance fund of the Alaska Housing Finance Corporation
12 (AS 18.56), to be paid to the mortgage insurance fund in the amounts re-
13 quested by the corporation as necessary in connection with the issuance of
14 insured mortgage program bonds of the corporation only if the bonds are
15 issued for the mortgage financing of mobile homes.

16 * Sec. 2. The unexpended and unobligated portion of the appropriation
17 made in sec. 1 of this Act lapses into the general fund June 30, 1980.

18 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
19 070(c).

SUMMARY OF FINDINGS

MANUFACTURED HOMES

ALASKA HOUSING FINANCE CORPORATION

MARCH, 1979

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A. Introduction

This report was prepared at the request of the Alaska Legislature, discussing the potential for AHFC loans on mobile homes.

In response to this request, AHFC focused its attention on manufactured housing delivery systems which make significant use of factory production and minimize construction activity at the final site. It is important that the terms "manufactured home" be understood. Although the mobile home industry has used the term manufactured home as a synonym for mobile home, the term has a broader meaning. Any home produced in a factory that utilizes enclosed components or building systems not readily inspected at the site is classified as a manufactured home. Under this definition, modular homes, certain panelized homes, and mobile homes would all be considered manufactured homes.

Manufactured homes other than mobile homes are subject to the same construction standards as site built homes. Mobile homes, on the other hand, are exempt from state or local construction standards and subject instead to federal standards which apply exclusively to mobile homes. The federal standards define a mobile home as "... a structure, transportable in one or more sections, which is eight body feet or more in width and is thirty-two body feet or more in length, and which is built on a permanent chassis, and is designed to be used as a dwelling with or without a permanent foundation, when connected to the required utilities."

Panelized home manufacturers produce roof, floor, and wall panels in a factory and deliver the panels to a building site for final assembly on a permanent foundation. Modular home manufacturers produce the roof, floor, and wall panels and assemble them into three dimensional modules before transportation to a site. The crucial distinction is that mobile homes are designed for use without a permanent foundation and, under federal law, are exempt from state and local construction standards.

Despite the controversial nature of mobile homes, very little substantive research has been done that would help resolve concerns over the quality, safety, and long term cost of this particular alternative housing delivery system. This report includes information developed by AHFC and incorporates information produced in a two-year study by the Minnesota Housing Finance Agency.

B. Research Findings

AHFC currently provides for financing of two of the three forms of manufactured housing. Research showed no significant differences in the construction quality or safety of site-built, modular, and

panelized homes. Major emphasis was placed on an analysis of the construction quality, safety, and long term cost of mobile homes, and on the feasibility of AHFC loan programs for mobile homes.

Information is not available on the number, age, condition and regional distribution of mobile homes in Alaska. An estimated 60% of the mobile homes were produced after 1972, when the State first adopted mobile home standards. These homes should comply with the State standards or the federal standards that preempted the State standards in 1976. Prior to 1972, compliance with industry standards occurred strictly on a voluntary basis. (Approximately 7,745 mobile homes have come into the State since 1972)

There is no accurate inventory on the condition or the degree of compliance with applicable standards. One study conducted by the National Bureau of Standards suggested that a significant number of mobile homes have construction-related problems which affect the performance of the home and the health and safety of the occupants. The problems ranged from life-threatening fire hazards to less serious but major problems related to water leakage and inadequate fastening of materials. There is widespread concern over the poor performance of mobile homes in the energy conservation area.

Though predominantly owner occupied, mobile homes appear to serve as an alternative to both ownership of conventional homes and rental of a home or apartment. As a form of transitional housing, mobile homes replace a portion of the demand for rental housing. The estimated higher concentration of mobile homes in non-metropolitan areas may in part be due to the shortage of rental housing in those areas.

Mobile home purchasers have not had access to real-estate mortgage funds. This is true in all states for a number of reasons. As discussed in this and earlier reports, the mobile home, by definition, generally cannot be considered as real property. In addition, over the years a mutually beneficial relationship between manufacturers, dealers, and lenders has developed. Thus mobile homes are predominantly financed like a car, with installment loans. This marketing arrangement provides high profit for the manufacturer, the dealer, and because of higher interest, the lender.

The arrangement has been accepted by the consumer because it has provided readily available and fast credit. Despite the existence of federal loan insurance and guarantees on mobile homes that provide for lower interest rates and longer terms, these types of loans have not been accepted by the consumer, the lenders, or the dealers.

1). Housing Standards

Structures meeting the federal definition of a mobile home are regulated under federal rather than state standards. These standards are applied at the point of manufacture. There

is no enforcement system or inspection system by state officials or local inspection of the installation of the home. There is no state warranty law to provide additional protection to consumers that the mobile homes they purchase comply with applicable construction standards.

Installation of mobile homes on a support system that is properly designed for local soil and climatic conditions is crucial to the proper performance of a mobile home. Lacking jurisdiction to establish installation standards, HUD has encouraged states to undertake that responsibility. Alaska has not adopted standards governing the installation of mobile homes.

In the energy conservation area, the performance of mobile homes is lower than the performance of modular, panelized, or site-built homes. HUD standards allow for less insulation.

It could not be determined that fire safety standards for mobile homes are less stringent. However, because of the widespread practice by mobile home manufacturers of using plywood paneling as an interior finish material rather than the costlier drywall, the interior of mobile homes continue to be more flammable than those of other homes. This higher hazard is reflected by insurance premiums that are more than three times as costly for mobile homes. Statistical data is not readily available, however. Based on information gathered in Anchorage during 1978, a mobile home was 3.7 times more likely to have a serious fire than other 1-2 family homes.

Beyond the energy and life-safety issues, there are concerns with the durability of mobile homes. While other forms of housing, both site-built and manufactured have experienced fairly strong appreciation in value, mobile homes continue to experience rapid depreciation in value. Because of the greater depreciation the long term costs of mobile homes tend to cancel out the benefits of lower short-term monthly costs.

2. Program Feasibility

In addition to evaluating the need and desirability of establishing AHFC programs for mobile homes we also focused on questions of technical feasibility.

Findings on the quality, safety, and costs raise serious questions about the desirability of an AHFC program for the purchase of mobile homes.

In terms of the technical feasibility of such a purchase program, there are more unresolved questions than answers. Marketability of bonds to fund such a program would depend on the security of FHA Title I insurance, VA guarantee, or a State-appropriated insurance reserve. As indicated earlier, FHA and VA programs have not been well received in Alaska or other states. Since financing is available in the private

sector, the use of State funds for this purpose is questionable. The ultimate acceptance by the bond market is also questionable. There are also serious concerns over the ability of AHFC to establish a private sector delivery system and to attract an experienced mobile home servicer willing to originate and service the loans.

C. Conclusion

1.) AHFC should continue its current policy of providing financing of 1-2 family residential homes, whether site-built or manufactured.

2). The State should examine current statutes and regulations relating to mobile homes and make necessary revisions to insure that purchasers of mobile homes receive consumer protection and tax treatment equal to that afforded other homeowners.

3). The State should develop the capacity to monitor the National Mobile Home Construction Standards to insure that they provide adequate protection to consumers and to make recommendations for revisions. The State should take full advantage of provisions within the National Mobile Home Construction and Safety Standards for State participation in the inspection system and in the overall monitoring of the enforcement system.

4). The State should develop mobile home installation standards and insure that they provide adequate protection to consumers.

5). The State should develop mobile home park standards to insure they provide adequate protection to consumers. A system to insure the parks remain in full compliance is also needed.

6). The State should develop a warranty law providing additional protection to consumers that the mobile homes they purchase comply with applicable construction standards and are properly installed on a support system with adequate anchoring systems.

7). The State should insure that statutes and regulations maintain the legal distinction between mobile homes and other forms of site-built and manufactured homes as long as mobile homes are constructed and installed under distinct standards and enforcement systems.

8). The State should address the problem of defining the mobile home as personal property vs. real property.

9). AHFC should endeavor to make possible the financing for the purchase of new mobile homes as long the program will be self-sustaining, provide for mortgageable loans, warrant a reasonable interest rate in the public market, and be of true benefit to the people of the state.

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Title 24, Code of Federal Regulations, Part 280- Mobile Home Construction and Safety Standards. Washington D.C.: General Services Administration, 1977.

STAFF PAPER:

FEASIBILITY OF FINANCING MOBILE HOMES AND MOBILE HOME PARKS

The 1976 State Legislature requested that the Housing Finance Agency research the feasibility of utilizing its resources to finance the development, purchase or rehabilitation of mobile homes. The purpose of this staff paper is to provide background information on mobile home financing and to serve as a preliminary evaluation of the feasibility of various financing activities in which the Agency might become involved.

There are five major activities that could potentially be carried out by the Agency. These include consumer financing of mobile homes, mortgage financing of mobile home parks, rehabilitation financing of individual mobile homes, rehabilitation financing of mobile home parks, and mortgage financing of rental housing utilizing mobile homes.

The evaluation of each of these potential program activities will follow a set format. The initial step is a determination of the need for the financing activity that is under consideration. The role of the Housing Finance Agency is to supplement the activities of the private sector in the provision of housing. Only where private financial institutions have demonstrated an inability to produce a sufficient supply of capital at costs affordable to low and moderate income families should the Agency become involved. Thus, the initial step in the evaluation involves an analysis of the performance of the private finance sector and an analysis of the impact the Agency could have in improving this performance. Sufficient information does not always exist to resolve this area of concern, but the paper will attempt to provide a framework for future research.

For each potential program activity an evaluation must also be made of the feasibility of the Housing Finance Agency developing an operational program. Provided that a need for an activity can be demonstrated, the success of any program developed will depend on the ability of the Agency to raise funds for the program on the bond market and on the ability of the Agency to develop an effective, low cost

means of delivering the funds to families of low and moderate income.

I. Financing the Purchase of Mobile Homes

The most obvious financing activity where the Housing Finance Agency might become involved is in the consumer financing of individual mobile homes. Such an activity would assist low and moderate income families in the purchase of new and possibly used mobile homes and might also assist these families in the purchase of land on which to place their mobile homes. All of these financing activities are currently performed by the private sector. Since there is little wide spread knowledge about the private financing of mobile homes and because of an Agency program, a brief description of this financing system is provided.

Description of private sector activities

Consumer financing of mobile homes has developed independently from the mortgage lending activities of private lenders. The fact that mobile homes have traditionally been classified as personal rather than real property meant that mobile home loan programs developed within the installment or consumer loan departments of private lending institutions. Mobile home financing is a complex activity with many unique characteristics requiring a considerable degree of expertise. As a result, the origination and servicing of mobile home loans has tended to be concentrated among larger financial institutions that can generate sufficient loan volume to justify developing this necessary staff expertise. The mobile home loan field in Minnesota is currently dominated by Midwest Federal Savings and Loan.

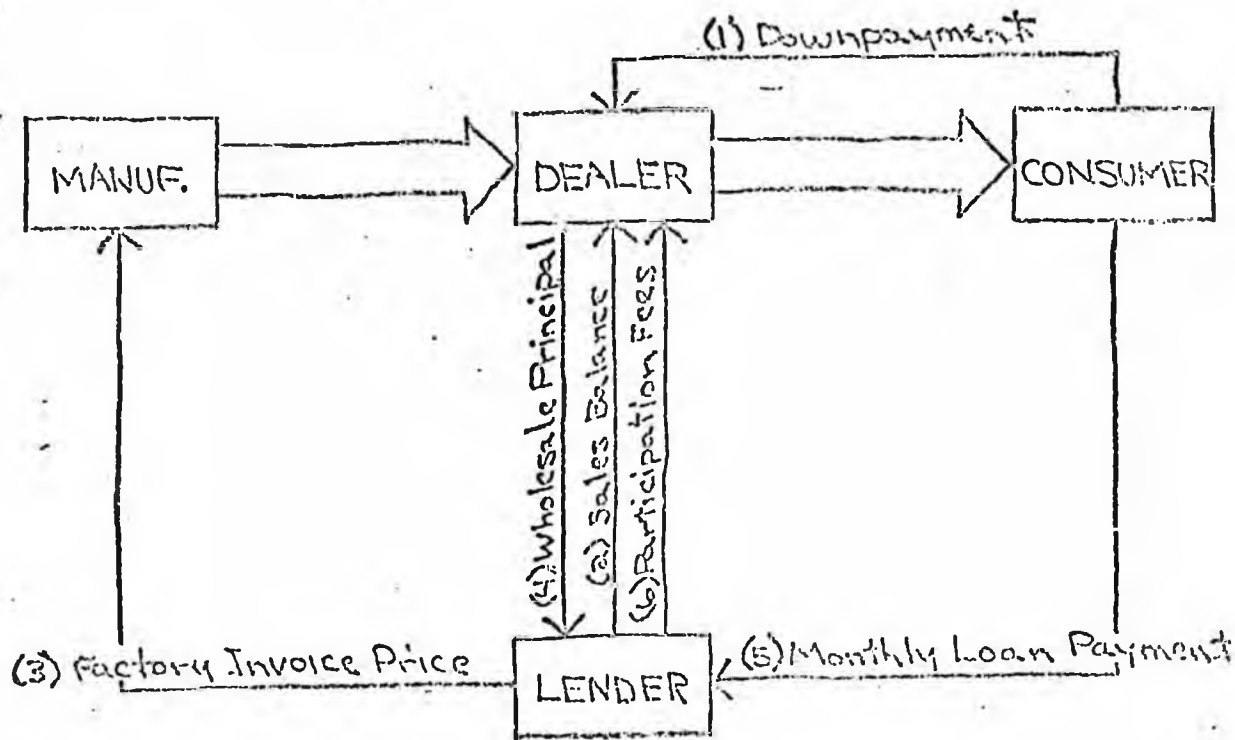
Specialized service companies have developed within the mobile home industry to provide the underwriting expertise that mobile home financing requires. These service companies, for a fee, perform many of the functions that would need to be performed within a mobile home loan department of a lender. Service companies have permitted larger financial institutions to enter the mobile home loan field before they have developed in-house capability to originate and service loans, and allow any financial institution, large or small, to purchase mobile home paper for their portfolios without having to get into the business of originating and servicing

loans. In this way service companies play an important role as a broker between mobile home dealers and lenders. Operating over a wide geographic area, service companies are able to distribute investment capital from one locality to another. If a lender in a particular locality is unwilling or unable to absorb the mobile home paper that is generated by local dealers, the service company searches for lenders in other communities willing to purchase the loans.

Dealer financing, also called indirect financing, is by far the most common method by which funds are delivered to the consumer. Under dealer financing arrangements, which account for approximately 90 percent of all consumer financing, the dealer acts as an intermediary between the consumer and the lender. The dealer prepares the loan application and submits it to the lender for approval or disapproval, which is normally made within 24 hours. Typically, the dealer also acts as an agent for insurance companies providing mobile home insurance and consequently is often the only contact the consumer has with the mobile home industry. This fast, "one-stop shopping" arrangement is a key element in the mobile home industry's marketing strategy. It also provides financial advantages to both the lender and the dealer.

Figure 1 illustrates the operation of the private mobile home financing sector. Once the loan application is approved by the lender, a purchase agreement is signed and the consumer makes a downpayment (1) directly to the dealer. At the same time the lender advances the sales balance, or the difference between the sales price and the downpayment, (2) to the dealer. The advance is usually limited by regulating agencies to between 113 to 115 percent of the factory invoice price. Rather than appraising the retail value of the mobile home and setting maximum loan-to-value ratios, this limit on the loan size is used to insure that the retail price and the loan amount are not inflated above the actual value of the mobile home.

Figure 1:
Consumer Finance Model



Dealers usually require interim financing of their inventory of unsold mobile homes. Private lenders provide this interim financing, called floor planning, under a system where the lender pays the factory invoice price (3) to the manufacturer on delivery and retains title to the mobile home until it is purchased by a consumer. Under this arrangement, the largest portion of the sales balance advanced to the dealer is used to repay the principal on the floor planning of the mobile home by the lender (4). Once the purchase is completed, the consumer makes monthly payments of principal and interest (5) to the lender.

Lenders have traditionally protected their portfolio of mobile home loans through several types of contractual arrangements. One is a recourse agreement between dealer and lender. Under recourse financing the dealer is responsible for consumer defaults and the lender can demand that a dealer repay the unpaid principal on a defaulted loan whether or not the dealer has repossessed the mobile home. The dealer must obtain legal title to the property and recondition and resell the mobile

home to recover its expenses. While recourse agreements have been the most common protective arrangement used by lenders, many lenders are now accepting dealers, especially the more established dealers, under non-recourse arrangements that release dealers from any legal obligation for the repayment of delinquent accounts. Alternative protective arrangements are repurchase agreements where the dealer assists the lender in the repossession and resale of mobile homes, private credit risk insurance that protects the lender against default losses, and federal loan insurance under FHA and VA programs.

Because of the regulatory limits placed on the amount a lender can loan on a mobile home and the competitive limits on the downpayment a dealer is able to charge, many dealers claim that the sales price they charge does not provide a sufficient markup over the factory invoice price to cover their expenses and provide a reasonable profit. Mobile home dealers have overcome this apparent dilemma by relying on sources of revenue other than those received through the sale of mobile homes. One source is the commission received for acting as the agent for insurance companies. Another source of revenue comes from the sale of accessories. But the major source of additional revenue is the income received for participation in the financing of mobile homes. Mobile home dealers have traditionally received a participation fee (6) from lenders for their role in originating loans. This "finders fee", which far exceeds actual expenses to the dealer, takes one of two forms. Under recourse agreements, the dealer receives what is known as a dealer reserve, which amounts to approximately 5 percent of the contract value (principal and interest) for obtaining the consumer's business for the lender. This fee is placed in a reserve account to protect the lender against default losses and is paid to the dealer in increments over the term of the loan. As an alternative to the dealer reserve, the non-recourse dealer normally receives a commission equal to approximately 8 percent of the finance charge or interest on the contract. Though this commission is smaller than the dealer reserve, the entire amount is paid within 30 days. These dealer participation fees can amount to \$500 to \$1,000

and constitute an expense to the lender that results in higher interest rates to the consumer than would otherwise occur.

Evaluation of private sector performance

Any analysis of the performance of the private sector should place central performance on the welfare of the consumer. How well consumers needs are being met within the present financing system will determine if there is a need for change or for Housing Finance Agency involvement.

Unfortunately, this assessment is complicated by the fact that each consumer has a distinct set of needs. Factors that are important to some degree to most consumers are: (1) the monthly payment, (2) the downpayment requirements, and (3) the general availability of credit. The mobile home market consists of several discernable groups. These groups include elderly individuals and families with limited incomes but established credit and considerable savings or assets in a house; middle age families with moderate incomes and assets and established credit; young, newly-formed families with limited credit standing but the potential for higher incomes and increased assets; and low-income families constrained by income, a lack of savings and poor credit standing. Each of these families places different levels of importance on the factors mentioned, and adequate performance by the private sector for one type of consumer may be inadequate for another.

The monthly payment is one of the most important factors to many consumers. Monthly payments are the combined result of the principal amount, the interest rate and the term of the loan and in the case of most mobile homes should include the park rent or make comparisons with other types of housing meaningful. The mobile home industry and private financial institutions have been able to perform reasonably well regarding monthly payments on new mobile homes, which have remained below the typical payment on mortgage loans for newer conventional housing and competitive in many areas with rents on newer apartment units. To many moderate income families, the monthly payments on mobile homes provide an affordable homeownership option. Typical loan payments on a new unit range from \$100 to \$200,

and park rentals between \$50 and \$100 with the overall payment typically between \$200 and \$250. To lower income families, the monthly payments for a mobile home are still beyond their financial capabilities unless they purchase an used mobile home and are able to locate the mobile home in parks with lower space rentals. The private sector has been able to keep monthly payments within the capabilities of many families by gradually lengthening loan terms, but there still exists a segment of the population that they have not successfully served.

The interest rates that lenders charge have a tremendous impact on the monthly payments, and interest rates have been the most criticized aspect of mobile home financing. Dealer participation fees and low interest rates on wholesale "floor plan" financing create expenses that lenders must recover through finance charges on consumer financing. But while both of these expenses could be eliminated, allowing the lender to low interest rates, such an action would both decrease revenues and increase expenses to the dealer. To compensate, the dealer would need to increase the retail sales price of the mobile homes, increasing either the loan amount, the downpayment, or both and having little effect on the overall cost to the consumer. The primary reason that interest rates are high relative to mortgage loan rates is that mobile home portfolios must provide yields that are competitive with yields on other types of installment loans to continue attracting investment capital. As long as this is the case, it will be difficult for lenders to lower interest rates far below their current level, other than through the relatively minor reduction that could occur if dealer participation fees were eliminated.

The downpayment is the second factor important to many consumers, especially those with limited liquid assets such as savings. Downpayments on mobile homes generally range from 10 to 15 percent of the retail price, but since the retail price of mobile homes is low relative to most conventional houses, especially new houses, the dollar amount of the downpayment tends to be less than that on a conventional house. A typical downpayment ranges between \$1,000 and \$2,000, with no closing costs. Initial purchase costs for mobile homes are a barrier to only the

most asset-poor families.

The availability of credit is a crucial concern to certain segments of the mobile home market. At an aggregate level, funds for mobile home loans have generally been plentiful due to the high yields and the presence of service companies which shift mobile home paper from capital deficient areas to areas with a surplus of investment funds. In recent years, however, lenders who experienced relatively high default and repossession rates have tightened their credit standards for individual borrowers, making it more difficult for marginal credit risks or borrowers with limited credit records to obtain financing. Several large lenders in the state estimate that 20 to 25 percent of all mobile home loan applications are currently being disapproved by the lenders.

Overall, it should be concluded that the private financing sector has performed well and has been responsive to most consumers. In fact, many consumers probably choose mobile homes because of the attractiveness of the financing package. It seems safe to say that the high success of mobile homes in recent years is not only due to the mobile home itself but also in large part to the finance system that has provided fast, convenient credit at costs that are attractive to many consumers. This overall performance, however, should not overshadow the fact that there remains a segment of the population that has not been served by either the mobile home industry or the conventional housing industry.

MFHA impact on private sector performance

The Housing Finance Agency could reduce the monthly payments and overall costs to the consumer through a combination of lower interest rates and longer maturities, though maturities provided by private lenders go as high as 15 years and are close to the maximum maturities the Agency could provide under federal insurance programs. As a result, the Agency could not lower monthly costs substantially by lengthening loan terms, as is the case under the Home Improvement Loan Program. The Agency can, however, have an impact on the monthly cost to the consumer through the lower interest rates it could charge on loans. Given assumptions about Agency borrowing

costs and spreads that are discussed in the following section, the Agency would likely charge an interest rate in the range of 7 1/4 to 7 3/4 percent, compared with private lender interest rates in the 12 1/2 to 13 1/2 percent range. On a typical loan amount of \$12,000, the following savings occur:

Table 1:

Comparative Loan Costs on Mobile Home Loans

<u>Terms</u>	<u>Private</u>	<u>MHFA #1</u>	<u>MHFA #2</u>
Maturity	10 years	10 years	12 years
Interest Rate	12.75%	7.50%	7.50%
Monthly Cost	\$177.36	\$142.44	\$126.60
Savings	-	19.7%	28.6%
Total Cost	\$21,283	\$17,093	\$18,230
Savings	-	19.7%	14.3%

The reduced interest rate lowers the monthly and total cost approximately 20 percent, while increasing the maturity helps reduce the monthly cost approximately 30 percent. The longer maturity reduces the total cost savings, however, while the inclusion of park rental reduces the overall monthly cost savings to between 15 to 20 percent. The \$35 to \$50 monthly cost saving is sizeable, especially to lower income families.

Though monthly costs could be reduced, it appears that the Agency could have very little impact in reducing downpayment requirements. Though minimum downpayment requirements under the FHA-insurance program that the Agency would likely have to operate under are lower than the 10 to 15 percent requirement of private lenders, actual downpayments would be above the minimum and close to those under private financing because the Agency would be under the same limitations as to the amount they could loan (115 percent of factory invoice price) as private lenders.

Whether the Housing Finance Agency has an impact on the availability of credit depends to a great extent on how competitive an Agency program would be with private lending activities. As was previously stated, an estimated 20 to 25 percent of all mobile home loan applications are rejected by private lenders on the basis of income or credit history. To the extent that the Housing Finance Agency served this annual pool of approximately 1,000 families, either by relaxing credit requirements or by lowering income requirements through the reduced monthly payments, Agency activity would result in a net addition to the overall mobile home lending activity in the state. Possibly as many as half of these families could be served by the Agency.

It appears likely, however, that a large portion of the Agency's lending activity would be redundant; that is, business taken away from private lenders. Mobile home purchasers generally have incomes under \$15,000 to \$16,000. Unless the program was limited to a lower income group, the Agency would be in direct competition with private lenders across their entire market, unlike the Home Improvement Loan Program under which the Agency only competes with a segment of the private loan market.

Combination mobile home/lot loans

One component of the mobile home financing market that is receiving increasing attention is financing for the purchase of land on which to place a mobile home. Although mobile homes have traditionally been located on spaces within rental parks, many mobile homes are placed on individual parcels outside parks and a sizeable portion of the owners placing mobile homes on individual parcels own the land. Private financial institutions have not been entirely responsive in providing a financing instrument that meets the needs of these consumers, however. Possibly because of the legal problems in combining personal and real property under one loan, private lenders have not packaged mobile homes and real estate. As a result, the consumer that needs financing on both the mobile home and the land must obtain separate loans. And the land loan might have a downpayment requirement as high as 50 percent and a term as short as 5 years, making the initial purchase costs and

monthly costs, at least for the first few years, unaffordable to many low and moderate income families. Table 2 gives an approximation of the cost savings a Housing Finance Agency program might affect, for a \$16,000 mobile home loan and a \$3,000 loan on a parcel of land.

Table 2:
Comparative Loan Costs on Combination Loans

<u>Terms</u>	<u>Private</u>	<u>HIFA</u>
Maturity	15 years (home) 5 years (land)	20 years
Interest Rate	12.75% (home) 10.50% (land)	7.50%
Monthly Cost	\$199.84 (home) <u>\$ 64.47 (land)</u> \$264.31 (\$199.84 after 5 years)	\$153.14
Savings	-	42.1% (23.4% after 5 years)
Total Cost	\$39,839	\$36,754
Savings		7.7%

The Agency could provide substantial savings through the combination of lower interest rates and significantly longer maturities. A monthly cost savings of over \$110 would bring this homeownership option within the financial reach of numerous low and moderate income families.

The Agency could also have a significant impact on the downpayment requirements for the mobile home purchaser. Overall downpayments under the private sector loan would be at least 15 percent and possibly as high as 25 percent, while downpayments under an Agency program would be between 5 and 10 percent. Little is known about the availability of credit, except that it is known that private lenders do not

package combination mobile home/lot loans.

Program Feasibility

Any evaluation of the feasibility of developing a financing program for the purchase of mobile homes or combination mobile homes and lots necessarily involves two separate but inter-related areas of concern. One is the ability of the Agency to raise funds for a program. The other is the ability of the Agency to develop an effective and cost-efficient program for delivering the funds to low and moderate income families.

The initial concern involves whether the Agency can raise program funds. While the Agency obtains program funds from two sources--bond sales and legislative appropriations--a mobile home program would need to rely primarily on the sale of tax-exempt bonds to raise funds. The funds for a mobile home loan program could be raised within home improvement or homeownership bond sales, especially if there is a low level of funding. A more likely approach, however, would be to develop a separate bonding program. Beyond the fact that new bond resolutions would probably be needed before mobile homes could be financed with the proceeds from either home improvement or homeownership bond sales, there are several other reasons why a separate bond resolution and bond sale are more appropriate. One is the unique nature of a mobile home loan program, which would allow loans with longer maturities than under the home improvement program, but shorter maturities than under the homeownership program, making it difficult to structure the bond maturities under a combined bond sale. Another reason is that the Agency would not want the bond market's response to a mobile home loan program bond issue to affect the marketability and interest costs of borrowing on bond sales for other Agency program. It appears that a program could generate sufficient volume to justify the development of a separate bonding program for a mobile home loan program, provided that an effective delivery system can be developed.

It is the opinion of several consultants that some form of loan insurance would be necessary as a security instrument to insure the sale of bonds at reasonable

interest rates. There currently exist several federal programs that would provide such security. The Federal Housing Administration of the U.S. Department of Housing and Urban Development initiated a mobile home loan insurance program in 1970, and in February, 1977, regulations became effective for a loan insurance program covering the purchase of mobile homes and lots. The Veterans Administration also operates a loan guarantee program. Table 3 presents the maximum loan amounts and maturities under these programs. These terms would provide the framework within which an Agency loan program would operate.

Table 4:

FHA and VA Loan Insurance Programs

<u>Type Purchase</u>	<u>FHA</u>		<u>VA</u>	
	<u>Maximum Loan Amount</u>	<u>Maximum Maturity</u>	<u>Maximum Loan Amount</u>	<u>Maximum Maturity</u>
Single wide	\$12,500	12 years	\$12,500	12 years
Single wide with developed lot	\$20,000	15 years	\$20,000	15 years
Double wide	\$20,000	15 years	\$20,000	20 years
Double wide with development lot	\$27,500	20 years	\$27,500	20 years
Developed lot only	\$ 7,500	10 years	\$ 7,500	12 years

The second concern of any evaluation of program feasibility involves the delivery of funds to the consumer. A mobile home loan program must be designed to provide a effective and cost-efficient delivery system. While other methods of delivery are probably available, the most apparent system would utilize mobile home dealers for the distribution of program funds. There are two advantages to this delivery system. The first is that a delivery system utilizing the dealers that are currently operating in the state would be by far the most effective system that could be developed. Because dealer or indirect financing is so prominent, consumers

have come to expect the mobile home dealer to provide all the services they need, including financing, and they don't seek financing at alternative sources such as lending institutions. As a result, a delivery system that utilized lenders or other institutions and not dealers would have to expend considerable effort informing consumers of the program through advertising and other publicity. It is much simpler and less expensive to have potential loan recipients informed of a program by the one person they are sure to contact when attempting to purchase a mobile home.

The second advantage of a system utilizing private lenders and dealers is that the Housing Finance Agency is limited in the amount of funds that it can expend to deliver loans. A Treasury Department regulation that restricts the spread between the interest rate the Agency must pay on bonds and the interest rates it charges to consumers to one and a half percent effectively limits the program expenses under any Agency loan program. With the home improvement and homeownership programs, the Agency has been able to operate within these limits because of the involvement of private lenders in the process.

The 1 1/2 percent spread in interest rates must be sufficient to cover FHA-insurance premiums, origination fees, if any, and servicing fees, and should provide a sufficient surplus to cover the costs of bond issuance and program administrative expenses. The current Agency loan programs have succeeded partly because the origination and servicing fees have been kept at reasonable levels.

The key to the success of a mobile home loan program will depend on these same factors. Servicing fees are crucial to the success of a program. The Agency must be able to find a lender or servicing company willing to service mobile home loans at a reasonable price. Considering the relatively low volume of a mobile home loan program (500 to 1,000 loans/year) and the complex nature of mobile home loan servicing and repossession procedures, the Agency would probably have to find an agent who is currently servicing and would be willing to service the Agency's loans. There are probably only a few lenders or servicing agents in the state that could perform this

service at a fee that would be acceptable to the Agency.

Equally important to the success of a program is the involvement of mobile home dealers or lenders who would be willing to originate loans for a reasonable fee. Mobile home dealers would be the ideal originators, but it is difficult to imagine dealers cooperating with the Agency, given the existing structure of the mobile home industry. When the participation fees that dealers receive from private lenders are compared with the origination fees that the dealer could reasonably expect under an Agency program, the financial disincentives to the dealer of involvement in an Agency program becomes evident.

If dealers were not willing to participate in a program, an alternative would be to operate through lenders making direct loans to consumers. One option would be to distribute funds through lenders who are currently originating mobile home loans. This approach has several problems, not the least of which is the fact that these lenders depend on dealers to generate geographically dispersed loan activity, and the disincentives for dealers to participate have already been discussed. In addition, these lenders might hesitate in cooperating given their perception of the competition that the Agency presents to their loan activity. This perception is doubly important, since these lenders are also important to the servicing aspect of a loan program. A second option would be to attempt to get private lenders who are not currently originating mobile home loans but are participating in other Agency loan programs to participate as originators of mobile home loans. This appears to be the only alternative in which the Agency might be able to develop a dispersed network of loan originators while at the same time keeping origination fees at an acceptable level. Whether lenders would be willing to participate and whether consumers can be made aware that their local lender is making low-interest mobile home loans is uncertain, but both of these factors are crucial to the success of a program.

Summary

It appears that the Agency would be able to raise funds through bond sales.

The key to whether a workable program is possible lies with two factors. The first is an agreement with an experienced mobile home loan servicer to service the Agency's loans at a reasonable fee. The second is the development of a state-wide network of dealers or lenders who are willing to originate loans for a modest origination fee. While both of these may be possible, it appears that the development of a workable program will be extremely difficult.

II. Financing the Development of Mobile Home Parks

A second loan activity area in which the Housing Finance Agency could potentially become involved is in the financing of mobile home parks. Such a loan program would include construction and permanent mortgage financing of mobile home rental parks, and might also include construction financing for mobile home condominium parks and mobile home subdivisions. Mobile home condominiums are developed much like rental parks, but offer an ownership option where the mobile home resident owns a lot and undivided interest in common areas. Mobile home subdivisions would be developed like conventional subdivisions, with the individual land parcels in fee simple ownership and public ownership of streets and public open space.

Though detailed information on market demand for mobile home park rental spaces is not available, the evidence that is available suggests that a shortage of park rental spaces exists in the state. There has been very little park development of Minnesota in the last few years, despite the fact that mobile homes continue to be purchased in sizeable numbers.

People within the mobile home industry suggest several reasons for the overall lack of development activity. In some market areas over building did occur in the past, resulting in locally high vacancy rates. But even in market areas with extremely low vacancy rates, several factors have limited park development. In many areas, especially the metropolitan area, developers find it extremely difficult to locate suitable land where they can develop a rental park due to local zoning policies, and when land is available, developers are finding it difficult to keep land and land development costs at levels that permit rents competitive with existing parks

in the local market area. These increasing costs are caused partially by inflation and partially by the gradual upgrading of park development standards by local governments. These developers don't view the availability or the cost of private financing as a key factor in the success or failure of their park development efforts.

A second area where the Agency could become involved is in the construction financing of condominium parks or mobile home subdivisions. These ownership alternatives for mobile home residents are such a new concept that very little is known about the market for such developments. Despite the advantages that these ownership arrangements seem to hold, there has been little evidence that a sizeable market demand exists. Condominium parks and mobile home subdivisions are predominantly located in southern states where their chief attraction is to retirees. Whether other subgroups of the mobile home market such as the young, newly formed family would be attracted to ownership rather than rental parks is uncertain.

In addition to the construction financing for land and land development for a condominium park or a subdivision, there may also be a need for interim financing to cover expenses that occur between the signing of a purchase agreement by a consumer and the point at which the home is ready for occupancy and permanent financing is provided. Whether interim financing for these expenses is necessary depends a great deal on the type of development. With condominium parks, no interim financing would probably be needed since no site preparation would be necessary and home installation and finishing would be fast and inexpensive. In addition, homes would probably be purchased from mobile home dealers who have financed the factory purchase and delivery of the home under their floor plan agreement with a private lender. With subdivision developments, however, site preparation and home erection and finishing are likely to be more expensive and time consuming, possibly necessitating interim financing. In addition, if the home is factory purchased and the manufacturer demands payment on delivery, the developer may need interim financing for the purchase of the homes. An alternative to interim financing would be a

consignment agreement, under which the manufacturer will accept payment 30, 60, or 90 days after delivery.

Evaluation of private sector performance

Analyzing the performance of private lending institutions with regard to the welfare of consumers is more difficult when discussing park financing rather than consumer financing of individual mobile homes. As was stated previously, combined mobile home loan payments and park rents have tended to be competitive with comparable payments on new conventional housing.

Mobile home park developers receive financing from a variety of financial institutions. Private lenders view park development loans in much the same way they view most other development loans and follow the same underwriting practices that are followed for all project loans, whether for a mobile home park or subdivision or any other commercial venture. Lenders consider the market, park design and costs in determining economic feasibility and consider the appraised value of the land and improvements and the income derived from the operation of a park when setting a loan value. Generally speaking a loan of 80 percent of appraised value would be the top loan-to-value ratio allowed by a lender. Maturities range from 10 to 20 years at a reasonable rate of interest that reflects the current investment market plus any risk factor perceived by the lender. Private lenders will also generally supply construction financing to the park developer.

Little is known about the availability of private financing for mobile home subdivisions, since these types of development are new and there has been very little development activity of this type, especially in Minnesota and other northern states. It can be expected that private lenders would be more conservative in underwriting a construction loan for such developments, given their unique nature and the uncertainty of the market for land ownership alternatives among mobile home owners. Where financing was made available, lenders could be expected to impose additional requirements on the developer to protect their investment, such as low loan-to-value ratios or a requirement that the developer pre-sell a portion

of the lots in a development.

MIFA impact on private lenders performance

The Housing Finance Agency could have an impact on the performance of private lenders by the reducing debt service requirements through the terms the Agency could offer, by providing an additional source of financing to private developers and by increasing the availability of credit. The Agency could reduce the debt service requirements on capital expenditures by offering a lower interest rate on loans and possibly by extending the loan maturity. In addition, the Agency could reduce the equity requirement for developers by offering a higher loan-to-value ratio than is offered by private developers. Table 4 shows the savings in debt service expense that could be achieved under an Agency loan program given a representative development cost of \$5,500 per park space.

Table 4:

Comparative Loan Costs for Park Developments

<u>Terms</u>	<u>Private</u>	<u>MIFA #1</u>	<u>MIFA #2</u>	<u>MIFA #3</u>
Downpayment	20 percent	20 percent	10 percent	10 percent
Maturity	20 years	20 years	20 years	40 years
Interest rate	10%	7 1/2%	7 1/2%	7 1/2%
Monthly cost (per space)	\$42.46	\$35.46	\$39.90	\$32.57
Savings	-	16.5%	6.0%	23.3%

As is shown, monthly savings through a combination of reduced interest rates and/or longer maturities reduces the monthly payments only slightly in dollar amounts. The key roles that the Agency could play would be in reducing the equity requirements for park developers and in increasing the overall availability of mortgage funds. Whether these factors are necessary and will increase park development activity is questionable, however. Given the processing requirements that the developer would have to assume under an Agency program and the limits the

Agency would set on the return on equity to the developer compared with normal returns in the private market, it is also questionable whether park developers would be attracted to an Agency loan program.

Program feasibility

In addition to the factors considered in evaluating the feasibility of a loan program for individual mobile homes, other factors must be dealt with when determining the feasibility of park financing. A important consideration is whether the Housing Finance Agency has the legal authority to finance land development without financing the dwelling unit placed on the land. The Agency's enabling legislation appears to provide the flexibility to finance a portion of a housing development, namely the land development, but a legal interpretation of the law is needed.

As with the financing of individual mobile homes, any evaluation of a mortgage loan program must be concerned with funding sources and a loan delivery system. With mobile home park financing a vehicle for delivering program funds already exists within the Agency in the apartment development program. The development review and loan underwriting process for park proposals is similar to the process the Agency utilizes for apartment development proposals, involving review of site, market, project design and engineering, developer qualifications and economic feasibility. The existing staff of underwriters and technical staff within the apartment development program would be able to perform the underwriting functions that would be able to perform the underwriting functions that would be necessary under a park development program, though some special training would probably be necessary to prepare the staff to handle the unique aspects of park development underwriting.

Despite the fact that the apartment program has the type of staff necessary for underwriting park development proposals, there are several issues with which the Agency must be concerned. Any park development program would place an additional workload on the apartment staff. The staff time and expense necessary

Underwrite a mobile home park proposal could not be expected to be significantly more than the effort expended in underwriting apartment developments, since the underwriting requirements are identical. At the same time, the low average number of spaces per park proposal and low development costs per space relative to apartment developments would be compounded to produce low mortgages. A typical apartment development financed by the Agency has 100 apartments and a mortgage amount of approximately \$2,500,000, while a typical park development could be expected to have only 50 spaces and require a mortgage of only \$250,000. As a result, fee income from underwriting and construction administration would be minimal and the program would be expected to operate at a loss unless fee income for park proposals were increased to a larger percentage of the mortgage amount. Since annual fees that cover Agency management functions are also based on a percentage of the mortgage amount, this Agency activity would also probably operate at a loss and need to be subsidized by other Agency activities.

An even more crucial concern with mobile home park financing involves the ability of the Agency to raise funds. It is difficult to determine how park developers would respond to an Agency program. But given the overall park development activity in the state, demand for construction and/or permanent financing would be expected to be low in terms of proposals, total number of spaces and total mortgage amounts requested compared with apartment development activity.

The expected low volume of activity under a park development program would make the structuring of a feasible bond issue extremely difficult. The Agency would need to attract a third of the estimated development activity in the State to generate \$5,000,000 in loans annually, and the ability of the Agency to attract that amount of business is uncertain. In addition, even a bond issue of \$5,000,000 might prove to be too small to generate enough revenue to cover the costs of servicing the bond. One possible solution to this problem would be to finance park