

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 744

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Bill Version: SCSCSHA 152 CSTA

(S) Publish Date: 4-27-92

Revision Date: April 13, 1992  
Title: An Act Relating to Powers and Functions of Alaska Housing Finance Corporation  
Sponsor: S State Affairs

Department Affected: CR & A  
BRU: Employment Training/Rural Dev.  
Component: Community Development

Requestor: S. State Affairs

COMPONENT SERIAL NO. 11179

Expenditures/Revenue: (Thousands of Dollars)

| OPERATING         | FY 93  | FY 94 | FY 95 | FY 96 | FY 97 | FY 98 |
|-------------------|--------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | (19.4) | 0     | 0     | 0     | 0     | 0     |
| TRAVEL            | (7.0)  | 0     | 0     | 0     | 0     | 0     |
| CONTRACTUAL       | (2.3)  | 0     | 0     | 0     | 0     | 0     |
| SUPPLIES          | (9.1)  | 0     | 0     | 0     | 0     | 0     |
| EQUIPMENT         | 0      | 0     | 0     | 0     | 0     | 0     |
| LAND & STRUCTURES | 0      | 0     | 0     | 0     | 0     | 0     |
| GRANTS, CLAIMS    | 0      | 0     | 0     | 0     | 0     | 0     |
| MISCELLANEOUS     | 0      | 0     | 0     | 0     | 0     | 0     |
| TOTAL OPERATING   | (37.8) | 0     | 0     | 0     | 0     | 0     |

|         |   |   |   |   |   |   |
|---------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

|                      |   |   |   |   |   |   |
|----------------------|---|---|---|---|---|---|
| REVENUE FUND SOURCE: | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------------|---|---|---|---|---|---|

FUNDING: (THOUSANDS OF DOLLARS)

|                         |        |   |   |   |   |   |
|-------------------------|--------|---|---|---|---|---|
| GENERAL FUND            | 0      | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS           | 0      | 0 | 0 | 0 | 0 | 0 |
| OTHER FUND SOURCE: 1064 | (37.8) | 0 | 0 | 0 | 0 | 0 |
| TOTAL                   | (37.8) | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| FULL-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| PART-TIME | 0 | 0 | 0 | 0 | 0 | 0 |
| TEMPORARY | 0 | 0 | 0 | 0 | 0 | 0 |

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary.)  
Programs, responsibilities, staff and functions as outlined in legislation of this component are being transferred to AHFC. This fiscal note represents the transfer from the DCRA FY 93 Operating Budget.

Prepared By: Robert L. Braun Robert L. Braun 4-10-92  
Division: Rural Development

Phone: (907)289-4607  
Date: April 10, 1992

Approved by Commissioner: Ed Roth  
Agency: Community and Regional Affairs

Date: 4-13-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/OBR, Gov. Leg. Office & Impacted Agency(ies).

Changes in SCS CSHB 152 (FIN) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.

6mt

5-11-92 J. G. Green  
date Comte Aide (initial)

Changes in SCS CSHB 152 (CPA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.  
5/9/92 K. Colie  
date Comte Aide (initial)

FISCAL NOTE

No. 6

Bill Version SCSCSHB 152 (STA)

(S) Publish Date: 4-27-92

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: 4/10/92

Department Affected: DCED

Title: Merger of Housing Programs:  
ASHA and DCRA under AHFC

BRU: Alaska State Housing Authority

Sponsor: Representative Brown

Component: \_\_\_\_\_

Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING         | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 | FY 98 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | 0     | 0     | 0     | 0     | 0     | 0     |
| TRAVEL            | 0     | 0     | 0     | 0     | 0     | 0     |
| CONTRACTUAL       | 0     | 0     | 0     | 0     | 0     | 0     |
| SUPPLIES          | 0     | 0     | 0     | 0     | 0     | 0     |
| EQUIPMENT         | 0     | 0     | 0     | 0     | 0     | 0     |
| LAND & STRUCTURES | 0     | 0     | 0     | 0     | 0     | 0     |
| GRANTS, CLAIMS    | 0     | 0     | 0     | 0     | 0     | 0     |
| MISCELLANEOUS     | 0     | 0     | 0     | 0     | 0     | 0     |
| TOTAL OPERATING   | 0     | 0     | 0     | 0     | 0     | 0     |

|         |   |   |   |   |   |   |
|---------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

|              |   |   |   |   |   |   |
|--------------|---|---|---|---|---|---|
| REVENUE      | 0 | 0 | 0 | 0 | 0 | 0 |
| FUND SOURCE: |   |   |   |   |   |   |

FUNDING: (Thousands of Dollars)

*ASHA removed from SCS (Fin)*

|                    |   |   |   |   |   |   |
|--------------------|---|---|---|---|---|---|
| GENERAL FUND       |   |   |   |   |   |   |
| FEDERAL FUNDS      |   |   |   |   |   |   |
| OTHER FUND SOURCE: |   |   |   |   |   |   |
| TOTAL              | 0 | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

|                  |  |   |   |
|------------------|--|---|---|
| <b>FULL-TIME</b> | Changes in <u>SCS CSHB 152 (FIN)</u> have no fiscal impact. This fiscal note is appropriate. | Changes in <u>SCS CSHB 152 (CPA)</u> reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate. | _____   |
| <b>PART-TIME</b> |  |   | _____   |
| <b>TEMPORAL</b>  |  |   | _____   |
| Estimate of :    | <u>5-11-92</u> date  | <u>Y. Lucas</u> Comte Aide (initial)  | <u>5/1/92</u> date <u>H. Solie</u> Comte Aide (initial) |

ANALYSIS: (Attach a separate page if necessary.)

It is our understanding, from discussions with the Alaska Housing Finance Corporation, that AHFC will assume all costs related to the merger that could not be attributed to HUD programs,

Prepared By: Wayne Mundy, Executive Director Phone: 562-2813  
Division: Alaska State Housing Authority Date: April 10, 1992

Approved by Commissioner: \_\_\_\_\_

## SENATE CS FOR CS FOR HOUSE BILL NO. 152 (FINANCE)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/12/92

Referred: Rules

Sponsor(s): REPRESENTATIVES BROWN, Ulmer, Koponen, Ellis, B.Davis, Boyer

SENATOR Fahrenkamp

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to housing; expanding the board of directors of the Alaska Housing  
 2 Finance Corporation; relating to the management of the Alaska Housing Finance  
 3 Corporation; creating the Alaska State Housing Planning Commission and establishing its  
 4 duties; and providing for an effective date."

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

6 \* Section 1. FINDINGS. The legislature finds that

7 (1) housing programs in the state are not consolidated and are spread among many state  
 8 agencies, offices, and divisions, and that a coordinated state housing policy to provide clear direction  
 9 for addressing housing needs does not exist;

10 (2) there is only limited statistical data on housing needs and, as a result, housing  
 11 programs are designed with little quantitative information regarding the real needs of Alaskans;

12 (3) low-income and rural housing needs in the state are critical and have not been met  
 13 with existing housing resources;

14 (4) in order to promote and improve the opportunity for all Alaskans to live in safe,

1 sanitary, and energy efficient housing, coordination of the state's varied and disparate housing program  
2 initiatives is required;

3 (5) coordination of the state housing programs can be best effectuated by a merger of the  
4 housing programs of the Department of Community and Regional Affairs into the Alaska Housing  
5 Finance Corporation; and

6 (6) the replacement of two agencies, each dealing with a part of the state's housing  
7 programs, with a single agency, the Alaska Housing Finance Corporation, with an expanded mission,  
8 governed by a board of directors to make policy and to provide for the financing, acquisition,  
9 rehabilitation, construction, weatherization, and operation of housing for low- and moderate-income  
10 Alaskans and Alaskans in rural Alaska will serve a public purpose in benefitting the people of the state.

11 \* Sec. 2. PURPOSE. (a) To provide for the consolidation of housing programs under the Alaska  
12 Housing Finance Corporation,

13 (1) the provisions of secs. 3 - 6 of this Act; of AS 18.56.400 - 18.56.650, added by  
14 sec. 22 of this Act; and of secs. 44 and 45 of this Act transfer certain programs of the Department of  
15 Community and Regional Affairs related to housing to the expanded Alaska Housing Finance  
16 Corporation;

17 (2) the provisions of AS 18.56.700 - 18.56.810, added by sec. 22, and secs. 44 and 46  
18 of this Act transfer the responsibility for the operation of the senior citizen housing office and for the  
19 provision of senior citizens housing programs under AS 44.47.585 - 44.47.620 from the Department of  
20 Community and Regional Affairs into the expanded Alaska Housing Finance Corporation;

21 (3) the provisions of AS 18.56.850, added by sec. 22, and secs. 44 and 47 of this Act  
22 transfer the responsibility for development of home energy conservation and weatherization programs  
23 from the Department of Community and Regional Affairs into the expanded Alaska Housing Finance  
24 Corporation;

25 (4) the provisions of secs. 24 and 25 of this Act assign to the Alaska Housing Finance  
26 Corporation the exclusive responsibility for provision of replacement housing planning loans and a  
27 coordinate responsibility in the provision of assistance to state agencies for replacement housing under  
28 the state program that authorizes and directs relocation assistance due to acquisition of real property for  
29 state agency activities.

30 (b) With anticipated state revenue expected to decrease substantially during state fiscal year  
31 1993, the legislature looks to reduce general fund expenditures and to increase the state general fund

1 balance available during that fiscal year to meet the costs of state government operations, its loan  
2 programs, and its capital improvements program. The purpose of sec. 51 of this Act is to authorize the  
3 purchase by the Alaska Housing Finance Corporation, at a discount, of the mortgage notes now held by  
4 the Department of Community and Regional Affairs for the loans it has made under the department's  
5 various housing assistance programs set out in AS 44.47.370 - 44.47.560 and 44.47.585 - 44.47.635, and  
6 to require the deposit of amounts paid to the department for its notes into the state general fund. The  
7 purchase of the notes and transfer of money to the state general fund, as authorized by sec. 51 of this  
8 Act, when coupled with a transfer of revenue to the state expected to be approved by the board of  
9 directors of the Alaska Housing Finance Corporation during 1992, will increase the balance of the state  
10 general fund by approximately \$200,000,000, thereby materially reducing the expected state deficit for  
11 state fiscal year 1993.

12 (c) The provisions of secs. 28 - 40, 43, and 52 of this Act validate certain nonconforming and  
13 rural housing mortgage loans and loan commitments, redesignated as small community loans, entered  
14 into by the Department of Community and Regional Affairs after December 31, 1991, and before the  
15 effective date of those sections.

16 (d) It is the intent of the legislature that

17 (1) existing housing programs being merged into the Alaska Housing Finance Corporation  
18 continue without interruption, and that the program of weatherization assistance for low-income persons  
19 continue the use of subgrantees and contractors under 10 CFR 440.15; and

20 (2) appropriate training be provided to the staff and board of the corporation as necessary  
21 to effectuate the purpose of the merger.

22 (e) The Alaska Housing Finance Corporation is empowered to act in behalf of the state and its  
23 people in exercising the state housing programs and functions as a public purpose for the benefit of the  
24 people of the State of Alaska.

25 \* Sec. 3. AS 18.55.997(a) is amended to read:

26 (a) In addition to the powers authorized to a regional housing authority under  
27 AS 18.55.996, a regional housing authority may, in accordance with procedures and policies  
28 adopted and approved by the Alaska Housing Finance Corporation [DEPARTMENT OF  
29 COMMUNITY AND REGIONAL AFFAIRS], make loans for the purchase or development of  
30 residential housing in rural areas of the state, other than in an area where the corporation  
31 [DEPARTMENT] has a loan office. A loan shall be secured by collateral in an amount

1 acceptable to the corporation [DEPARTMENT OF COMMUNITY AND REGIONAL  
2 AFFAIRS]. The rate of interest on a loan authorized by this section may not exceed the interest  
3 rate on a loan originated or purchased under AS 18.56.400 - 18.56.600 [AS 44.47.370 -  
4 44.47.560].

5 \* Sec. 4. AS 18.55.997(b)(2) is repealed and reenacted to read:

6 (2) "rural" has the meaning given the term "small community" in AS 18.56.600.

7 \* Sec. 5. AS 18.55.998(a) is amended to read:

8 (a) There is created in the Alaska Housing Finance Corporation [DEPARTMENT OF  
9 COMMUNITY AND REGIONAL AFFAIRS] a supplemental housing development grant fund.  
10 Using corporate earnings or other available funds [SUBJECT TO THE AVAILABILITY OF  
11 APPROPRIATIONS FOR THE PURPOSE], the corporation [DEPARTMENT] shall make grants  
12 to regional housing authorities established under AS 18.55.996 for the cost of on-site sewer and  
13 water facilities, road construction to project sites, energy efficient design features in homes, and  
14 extension of electrical distribution facilities to individual residences.

15 \* Sec. 6. AS 18.55.998(d) is amended to read:

16 (d) The Alaska Housing Finance Corporation [DEPARTMENT] shall adopt regulations  
17 to carry out the purposes of this section. The provisions of AS 18.56.088(a) and (b) [THE  
18 ADMINISTRATIVE PROCEDURE ACT (AS 44.62)] apply to regulations adopted under this  
19 section.

20 \* Sec. 7. AS 18.55.998 is amended by adding a new subsection to read:

21 (e) In order to make grants authorized by (a) of this section in its administration of the  
22 supplemental housing development grant fund established by this section, the board of directors  
23 of the corporation shall identify in the corporation's proposed operating budget the money  
24 available to the corporation, including the corporation's own assets, to supplement available  
25 federal development money.

26 \* Sec. 8. AS 18.56.010(c) is amended to read:

27 (c) The legislature finds and declares further that, in accomplishing this purpose, the  
28 creation of the Alaska Housing Finance Corporation is essential to assist in the acquisition and  
29 development of land and the construction, rehabilitation, financing, management, maintenance,  
30 sale, and rental of dwelling units for persons of lower and moderate income or persons in remote,  
31 underdeveloped, or blighted areas and that these activities serve a public purpose in benefiting

1 the people of the state. [THE ALASKA HOUSING FINANCE CORPORATION IS  
2 EMPOWERED TO ACT ON BEHALF OF THE STATE AND ITS PEOPLE IN SERVING  
3 THIS PUBLIC PURPOSE FOR THE BENEFIT OF THE GENERAL PUBLIC.]

4 \* Sec. 9. AS 18.56.030(a) is repealed and reenacted to read:

5 (a) The corporation shall be governed by a board of directors consisting of

6 (1) the commissioner of revenue;

7 (2) the commissioner of community and regional affairs; and

8 (3) seven public members appointed by the governor, as follows:

9 (A) one member who represents the financial community or who is a  
10 licensed real estate broker under AS 08.88.171(a);

11 (B) one member who represents the interests of regional housing  
12 authorities;

13 (C) one member who represents special needs housing interests, including  
14 low-income and senior housing;

15 (D) one member who is a representative of the residential energy efficient  
16 homebuilding and weatherization interests in the state; and

17 (E) three public members, at least one of whom shall be a rural resident  
18 of the state.

19 \* Sec. 10. AS 18.56.030(c) is amended to read:

20 (c) The board members described in [(a)(2) AND] (a)(3) of this section serve two-year  
21 terms.

22 \* Sec. 11. AS 18.56.030 is amended by adding a new subsection to read:

23 (f) The governor shall appoint the members under (a)(3) of this section to give the board  
24 of directors a reasonable geographic balance among regions of the state. The members of the  
25 board appointed under (a)(3) of this section shall have recognized competence and wide  
26 experience in housing, finance, or other business management-related fields.

27 \* Sec. 12. AS 18.56.084 is amended to read:

28 Sec. 18.56.084. INTERNATIONAL BORROWING. For the purpose of obtaining access  
29 to international capital markets to borrow money for the special mortgage loan purchase program  
30 (AS 18.56.098), as an addition to the powers of the corporation under AS 18.56.090, the  
31 corporation may (1) establish or cause to be established, subsidiary corporations incorporated in

1 the state or in another state, or under the laws of a foreign jurisdiction; (2) invest in corporations  
2 established under this section; (3) issue bonds and borrow money for investments in corporations  
3 established under this section; (4) borrow from corporations established under this section; (5)  
4 guarantee the obligations of corporations established under this section; or (6) enter into  
5 agreements with corporations established under this section or with other persons. In exercising  
6 a power under this section, the corporation may not subject its assets to risk of loss through  
7 foreign currency exchange. A guarantee under this section constitutes a bond of the corporation  
8 as defined in AS 18.56.390 [AS 18.56.900].

9 \* Sec. 13. AS 18.56.088(c) is amended to read:

10 (c) The board may adopt regulations to carry out the purposes of this chapter, and shall  
11 adopt regulations necessary for the following purposes:

12 (1) determination of borrower eligibility including, but not limited to, income  
13 limitations and the determination of remote, underdeveloped, or blighted areas of the state;

14 (2) loan guidelines and terms including but not limited to maximum loan amounts  
15 and required loan-to-value ratios, but excluding mortgage loan interest rates;

16 (3) characteristics of housing eligible for loans or purchase of loans, including  
17 compliance with the requirements of AS 18.56.300;

18 (4) the qualifications of loan originators and servicers and the method of  
19 allocating amounts available for the purchase of loans; [AND]

20 (5) establishment of a procedure, including a fee schedule, for the commitment  
21 for one year or less of money for the purchase of an individual mortgage loan at a specific  
22 interest rate; and

23 (6) establishment of the program of housing assistance authorized by  
24 AS 18.56.090(b) including program regulations that, at minimum,

25 (A) establish priorities and criteria for providing money and other  
26 forms of authorized assistance in response to housing assistance proposals;

27 (B) define the forms of housing assistance authorized under  
28 AS 18.56.090(b);

29 (C) set out procedures to evaluate housing assistance proposals;

30 (D) set out procedures to approve the award of housing assistance;

31 and

1                                    (E) prescribe methods of monitoring the use of money paid out under  
2                                    AS 18.56.090(b) and the progress of activity under the approved housing assistance  
3                                    program.

4 \* **Sec. 14.** AS 18.56.089(a) is repealed and reenacted to read:

5                    (a) The provisions of AS 37.07 (Executive Budget Act)

6                                    (1) apply to

7    (A) the operating budget of the corporation;

8    (B) amounts payable from corporate earnings or assets of the corporation  
9 for grants or grant programs authorized by this chapter;

10    (C) interest rate subsidies and building subsidies as determined by the  
11 corporation, except subsidies payable from the corporation's arbitrage earnings;

12                                    (2) do not apply to activities of the corporation under this chapter except as  
13 provided in (1) of this subsection or as otherwise specifically provided in this chapter.

14 \* **Sec. 15.** AS 18.56.090(16) is amended to read:

15                                    (16) make and execute [AGREEMENTS,] contracts [,] and other instruments  
16 necessary or convenient in the exercise of the powers and functions of the corporation under this  
17 chapter, including contracts with any person, firm, corporation, governmental agency, or other  
18 entity;

19 \* **Sec. 16.** AS 18.56.090 is amended by adding new subsections to read:

20                    (b) The corporation may, subject to (c) of this section,

21                                    (1) reserve money to itself, or provide money for, or provide deferred loans,  
22 interest rate subsidies, building subsidies, participation financing through housing partnerships,  
23 and other forms of housing assistance as set out in regulations of the corporation to, another  
24 governmental agency, a municipality, a regional housing authority, or a private nonprofit  
25 organization, to pay for the design, construction, development, rehabilitation, or improvement of  
26 housing for persons of low and moderate income, for housing in remote, undeveloped, or blighted  
27 areas of the state, and for congregate and special needs housing;

28                                    (2) provide money for, and provide deferred loans, interest rate subsidies, building  
29 subsidies, participation financing through housing partnerships, and other forms of housing  
30 assistance as set out in regulations of the corporation to, corporations and project sponsors for  
31 congregate and special needs housing; and

1 (3) receive money for a purpose described in (1) or (2) of this subsection.

2 (c) The corporation may not provide money or another form of housing assistance  
3 authorized by (b) of this section unless the board of directors of the corporation identifies in the  
4 corporation's proposed operating budget the money available to the corporation, including the  
5 corporation's own assets, for the proposed housing assistance. The provisions of this subsection  
6 apply to

7 (1) subsidies authorized by the home ownership assistance program under  
8 AS 18.56.091;

9 (2) mortgage subsidies authorized by the graduated payment mortgage loan  
10 program under AS 18.56.098(c);

11 (3) interest rate deductions authorized in the housing development fund under  
12 AS 18.56.100(b)(1) and (l);

13 (4) money or another form of housing assistance payable from corporate earnings  
14 or assets of the corporation, other than money appropriated to the corporation for the specific  
15 purpose, for a program set out in AS 18.56.400 - 18.56.850.

16 \* Sec. 17. AS 18.56.096(c) is amended to read:

17 (c) The corporation may not make, participate in the making of, purchase, or participate  
18 in the purchase of a loan for a residential building if construction of the building began  
19 [BEGINS] after December 31, 1991, unless the building complies with the thermal and lighting  
20 energy standards required by AS 46.11.040. The corporation

21 (1) may adopt regulations to implement this subsection; and

22 (2) shall, by regulation, establish

23 (A) procedures by which the person responsible for the construction of the  
24 building may demonstrate that the building complies with the thermal and lighting energy  
25 standards, including

26 (i) self-certification, if the contractor responsible for the building  
27 construction provides satisfactory evidence that the contractor has completed a  
28 training program of the Alaska Craftsman Home Program or equivalent training  
29 program and the training program is satisfactory to the corporation  
30 [COMMISSIONER OF COMMUNITY AND REGIONAL AFFAIRS];

31 (ii) submission of the certificate of a registered architect, registered

1 engineer, or a building inspector, and the architect, engineer, or building inspector  
2 has completed a training program of the Alaska Craftsman Home Program or  
3 equivalent training program and the training program is satisfactory to the  
4 corporation [COMMISSIONER OF COMMUNITY AND REGIONAL  
5 AFFAIRS];

6 (iii) submission of the certificate of occupancy issued by the  
7 municipality in which the building is located, if the certificate is issued by a  
8 municipality in which the municipal building code meets or exceeds the thermal  
9 and lighting energy standards, as determined by the corporation  
10 [COMMISSIONER OF COMMUNITY AND REGIONAL AFFAIRS];

11 (iv) another method approved by the corporation  
12 [COMMISSIONER OF COMMUNITY AND REGIONAL AFFAIRS] in  
13 regulations adopted by the [COMMISSIONER AFTER CONSULTATION WITH  
14 THE EXECUTIVE DIRECTOR OF THE] corporation; and

15 (B) criteria by which the energy conservation standards may be met; for  
16 purposes of this subparagraph, the residential building complies with the energy standards  
17 if the residence has received a rating under the rating system developed by Energy Rated  
18 Homes of Alaska if, in the judgment of the corporation [COMMISSIONER OF  
19 COMMUNITY AND REGIONAL AFFAIRS], the rating meets or exceeds the thermal  
20 energy standards required by AS 46.11.040.

21 \* Sec. 18. AS 18.56.100(b) is amended to read:

22 (b) Consistent with AS 18.56.090, the corporation may make temporary and permanent  
23 loans from the housing development fund, at an interest rate or rates determined by the  
24 corporation, and with the security for repayment that is necessary and practicable, to purchase,  
25 make, or participate in the making of mortgage loans

26 (1) to borrowers who are sponsors [INDIVIDUALS], nonprofit corporations, or  
27 agencies of the state or a municipal government, for permanent loans to develop, build, repair,  
28 remodel, or rehabilitate residential housing that is to be used and occupied as congregate housing;  
29 or

30 (2) that are not federally insured or guaranteed for residential housing, if the  
31 corporation determines that the loans are not otherwise available, wholly or in part, from private

1 lenders upon reasonably equivalent terms and conditions.

2 \* Sec. 19. AS 18.56.200(d) is amended to read:

3 (d) The corporation shall include in its annual report under (b) of this section

4 (1) a summary of its efforts to implement a program to extend the operation of  
5 the [LOAN] programs authorized under this chapter to rural communities;

6 (2) an evaluation of the corporation's ability to fulfill the objectives of  
7 AS 18.56.010(b) - (e); and

8 (3) the amount of interest rate, building, and other subsidies for each  
9 program of the corporation for which subsidies are given.

10 \* Sec. 20. AS 18.56 is amended by adding a new section to read:

11 Sec. 18.56.220. DUTY TO ADVISE ABOUT CORPORATION'S PROGRAMS. The  
12 corporation shall make a reasonable effort, through seminars, training sessions, and other forms  
13 of technical assistance, to assist local governments, regional housing authorities, nonprofit  
14 organizations, and other organizations and individuals to understand the corporation's housing  
15 programs and the opportunities that exist to obtain financial assistance from the corporation.

16 \* Sec. 21. AS 18.56.300(d) is amended to read:

17 (d) This section does not apply to a nonconforming housing loan made or purchased  
18 by the corporation [UNDER AS 18.56.106].

19 \* Sec. 22. AS 18.56 is amended by adding new sections to read:

20 Sec. 18.56.390. DEFINITIONS FOR AS 18.56.010 - 18.56.390. In AS 18.56.010 -  
21 18.56.390, unless the context clearly indicates a different meaning,

22 (1) "adjustable rate mortgage loan" means a mortgage loan with respect to which  
23 the interest rate varies or is expected to vary from time to time by reference to an index or  
24 formula or other reference point;

25 (2) "bond" or "obligation" means a bond, bond anticipation note, or other note of  
26 the corporation authorized to be issued by the corporation under this chapter, or a mortgage  
27 participation certificate issued with respect to mortgages of the corporation;

28 (3) "construction loan" means a construction loan for land development or  
29 residential housing that is secured by a federally insured or guaranteed mortgage or that is  
30 insured or guaranteed by the United States or an instrumentality of the United States, or for  
31 which there is a commitment by the United States or an instrumentality of the United States to

1 insure or guarantee such a loan, or a construction loan for land development or residential  
2 housing which land development or residential housing will be secured by a mortgage loan;

3 (4) "development costs" means the costs approved by the corporation as  
4 appropriate expenditures that may be incurred by sponsors, builders, and developers of residential  
5 housing, before commitment and initial advance of the proceeds of a construction loan or of a  
6 mortgage loan, including but not limited to

7 (A) payments for options to purchase properties on the proposed  
8 residential housing site, deposits on contracts of purchase, or, with prior approval of the  
9 corporation, payments for the purchase of the properties;

10 (B) legal and organizational expenses, including payments of attorney fees,  
11 project manager, clerical, and other staff salaries, office rent, and other incidental  
12 expenses;

13 (C) payment of fees for preliminary feasibility studies and advances for  
14 planning, engineering, and architectural work;

15 (D) expenses for tenant surveys and market analyses; and

16 (E) necessary application and other fees;

17 (5) "governmental agency" means any department, division, public agency,  
18 political subdivision, or other public instrumentality of the state or the federal government;

19 (6) "housing development fund" means the housing development fund created by  
20 AS 18.56.100;

21 (7) "land development" means the process of acquiring land primarily for  
22 residential housing construction for persons of lower and moderate income and making, installing,  
23 or constructing nonresidential housing improvements, including water, sewer, and other utilities,  
24 roads, streets, curbs, gutters, sidewalks, storm drainage facilities, and other installations or works,  
25 whether on or off the site, that the corporation considers necessary or desirable to prepare the  
26 land primarily for residential housing construction;

27 (8) "mortgage" or "mortgage loan" means a mortgage loan for residential housing  
28 insured or guaranteed by the United States or an instrumentality of the United States or for which  
29 there is a commitment by the United States or an instrumentality of the United States to insure  
30 or guarantee such a mortgage, or if not so insured or guaranteed or if there is no such  
31 commitment, that is secured upon such terms and conditions as the corporation considers

1 necessary or practicable to insure all repayments;

2 (9) "persons of lower and moderate income" means a person or persons  
3 considered by the corporation to require assistance available under this chapter on account of  
4 insufficient or inadequate personal or family income or otherwise limited personal financial  
5 resources, taking into consideration, without limitation, such factors as

6 (A) the amount of the total income of the persons available for housing  
7 needs;

8 (B) the size of the family;

9 (C) the cost and condition of housing facilities available;

10 (D) standards established for various federal programs determining  
11 eligibility based on income of the persons; and

12 (E) the ability of the persons to compete successfully in the normal  
13 housing market and to pay the amounts at which private enterprise is providing decent,  
14 safe, and sanitary housing;

15 (10) "remote, underdeveloped, or blighted areas" means areas considered by the  
16 corporation to require assistance available under this chapter on account of insufficient  
17 availability of the residential housing necessary to promote, develop, or maintain the economic  
18 growth or potential of the area, taking into consideration, without limitation, the following:

19 (A) the population, resources, and environment of the area;

20 (B) the present availability and condition of residential housing in and near  
21 the area;

22 (C) the cost of construction and rehabilitation of residential housing in the  
23 area;

24 (D) the availability of other federal or state sponsored programs to  
25 facilitate the development of residential housing in the area; and

26 (E) the ability of residents of the area to finance the purchase of  
27 residential housing or to rent or lease residential housing at rates comparable to those in  
28 effect in other areas of the state;

29 (11) "residential building" or "residential housing"

30 (A) means a specific work or improvement undertaken primarily to  
31 provide dwelling accommodations without limitation as to form of lawful occupancy,

1 whether rental, under contract, fee ownership, cooperative housing, condominium, mobile  
2 home, or other lawful form of ownership;

3 (B) includes

4 (i) special needs housing; and

5 (ii) the acquisition, construction, or rehabilitation of land,  
6 buildings, and improvements to them, and other nonhousing facilities as may be  
7 incidental or appurtenant to the land or buildings;

8 (12) "special needs housing"

9 (A) means residential housing designed to meet the needs of persons with  
10 specific and special housing needs, including supportive services;

11 (B) includes

12 (i) housing for the elderly and individuals with a disability or  
13 mental illness;

14 (ii) emergency shelter for the homeless; and

15 (iii) transitional housing;

16 (13) "sponsors" means individuals, public and private corporations, associations,  
17 partnerships or other entities, whether or not operated for profit; and consumer housing  
18 cooperatives, associations, partnerships, or other entities organized under law for the primary  
19 purpose of providing housing to individuals and families of lower and moderate income; it  
20 includes organizations engaged in the production, origination, and development of residential  
21 housing units intended to qualify for financial assistance under 42 U.S.C. 1437f (sec. 8, Housing  
22 Act of 1937), as amended.

23 ARTICLE 2. HOUSING ASSISTANCE.

24 Sec. 18.56.400. POWERS OF CORPORATION RELATED TO HOUSING  
25 ASSISTANCE. The board may

26 (1) adopt regulations in accordance with AS 18.56.088 to implement  
27 AS 18.56.400 - 18.56.600;

28 (2) make and execute agreements, contracts, and other instruments necessary or  
29 convenient in the exercise of the powers and functions granted under AS 18.56.400 - 18.56.600;

30 (3) purchase or participate in the purchase of small community housing mortgage  
31 loans under AS 18.56.400 - 18.56.600;

1 (4) purchase or participate in the purchase of loans for building materials for  
2 small community housing under AS 18.56.400 - 18.56.600;

3 (5) procure insurance against loss in connection with the corporation's functions  
4 under AS 18.56.400 - 18.56.600;

5 (6) acquire real or personal property, or an interest in real or personal property,  
6 by purchase, transfer, or foreclosure, when the acquisition is necessary or appropriate to protect  
7 a loan in which the corporation has an interest; sell, transfer and convey that property to a buyer;  
8 and, if the sale, transfer or conveyance cannot be effected with reasonable promptness or at a  
9 reasonable price, rent or lease the property to a tenant pending the sale, transfer or conveyance;

10 (7) do all acts necessary, convenient or desirable to carry out the powers expressly  
11 granted or necessarily implied in AS 18.56.400 - 18.56.600;

12 (8) originate and service direct loans made to qualified buyers under  
13 AS 18.56.400 - 18.56.600.

14 Sec. 18.56.410. ALASKA ENERGY EFFICIENT HOME GRANT FUND. (a) There  
15 is established in the corporation the Alaska energy efficient home grant fund consisting of money  
16 appropriated to it by the legislature and deposited in it by the corporation. The corporation shall  
17 administer the Alaska energy efficient home grant fund under the provisions of this section.

18 (b) Subject to appropriation, the corporation may grant funds from the Alaska energy  
19 efficient home grant fund to agencies of the state or federal government, individuals, or  
20 businesses that retrofit existing single family dwellings or build new single family dwellings that  
21 meet criteria adopted by the corporation.

22 (c) The corporation shall adopt guidelines and procedures for the fund after consultation  
23 with the board of directors of the Alaska Craftsman Home Program.

24 Sec. 18.56.420. HOUSING ASSISTANCE LOAN FUND. (a) There is created in the  
25 corporation, as a revolving loan fund, the housing assistance loan fund consisting of money  
26 appropriated to it by the legislature and deposited in it by the corporation, and repayments of  
27 principal and interest on loans made or purchased from the assets of the fund. The corporation  
28 shall

29 (1) adopt regulations to administer the housing assistance loan fund under  
30 AS 18.56.400 - 18.56.600; and

31 (2) subject to appropriation, provide money for a rural assistance loan program

1 to originate, purchase, or participate in the purchase of

2 (A) small community housing mortgage loans;

3 (B) loans made for building materials for small community housing;

4 (C) loans made for renovations or improvements to small community  
5 housing;

6 (D) loans made for the construction of owner-occupied small community  
7 housing other than loans to builders or contractors or loans that compensate an owner for  
8 the owner's labor or services in constructing the owner's own housing.

9 (b) Money in the fund may be used by the legislature to make appropriations for costs  
10 of administering the housing assistance program.

11 Sec. 18.56.430. HOME OWNERSHIP ASSISTANCE FUND. (a) There is created in  
12 the corporation the home ownership assistance fund consisting of money appropriated to it by  
13 the legislature and deposited in it by the corporation. Money in the fund shall be used solely to  
14 assist persons of lower and moderate income to purchase or construct single-family homes  
15 financed under AS 18.56.400 - 18.56.600 by providing a subsidy to those persons.

16 (b) The subsidy provided by this section may not exceed the amount that is necessary  
17 to reduce the annual interest rate paid on the mortgage loan to six percent.

18 (c) A mortgage loan that is subsidized from the home ownership assistance fund may not  
19 exceed \$120,000.

20 (d) The corporation shall adopt regulations that establish maximum income-to-loan  
21 payment ratios for persons who apply for a subsidy under this section.

22 (e) In this section, "persons of lower and moderate income" means individuals considered  
23 by the corporation to require assistance under this section because of inadequate income or other  
24 limited personal financial resources, taking into consideration

25 (1) the amount of total income available for housing needs;

26 (2) the size of the family;

27 (3) the cost and condition of available housing;

28 (4) standards established in various federal programs for determining eligibility  
29 based on income;

30 (5) the ability to enter the private housing market and to pay market amounts for  
31 decent, safe, and sanitary housing; and

1 (6) other factors considered relevant by the corporation.

2 Sec. 18.56.440. LIMITATIONS ON USE OF HOUSING ASSISTANCE LOAN FUND.

3 The corporation may not use the money in the housing assistance loan fund to

4 (1) originate a direct loan or purchase or participate in the purchase of a small  
5 community housing mortgage loan that exceeds the limitations on mortgage loans purchased by  
6 the Federal National Mortgage Association as to principal amount or loan-to-value ratio;

7 (2) originate a direct loan or purchase or participate in the purchase of a loan  
8 made for building materials for small community housing

9 (A) that exceeds \$45,000 or exceeds

10 (i) 80 percent of the appraised value of the work completed on the  
11 small community housing for which the loan is made if the small community  
12 housing is pledged as collateral for the loan; or

13 (ii) 90 percent of the value of other property that is pledged as  
14 security for the loan and that is satisfactory to the corporation as collateral;

15 (B) unless the terms of the loan agreement require inspections and  
16 certifications, as required by regulations of the corporation, at the expense of the  
17 borrower; and

18 (C) unless the period of time allowed for repayment of the loan is equal  
19 to or less than 15 years;

20 (3) originate direct loans or purchase or participate in the purchase of a small  
21 community housing mortgage loan that is secured by real property the marketable title to which  
22 is shown under AS 18.56.480(b)(2) if the total amount of outstanding small community housing  
23 mortgage loans held by the corporation exceeds 10 times the amount of money in the restricted  
24 title loss reserve account established by AS 18.56.490;

25 (4) originate a direct loan for small community housing or purchase or participate  
26 in the purchase of a small community housing mortgage loan, other than a loan for the repair,  
27 remodeling, rehabilitation, or expansion of an existing owner-occupied residence, if the borrower  
28 has an outstanding housing loan made under a state loan program, other than a loan for  
29 nonowner-occupied housing under AS 18.56.580 or under former AS 44.47.520, that bears  
30 interest at a rate that was less than the prevailing market interest rate for similar housing loans  
31 at the time the loan was made;

1 (5) originate a direct mortgage loan or purchase or participate in the purchase of  
2 a mortgage loan for rental housing unless the borrower agrees not to discriminate against tenants  
3 or prospective tenants because of sex, marital status, changes in marital status, pregnancy,  
4 parenthood, race, religion, color, national origin, or status as a student;

5 (6) originate, purchase, or participate in a loan to a person who has a past due  
6 child support obligation established by court order or by the child support enforcement division  
7 under AS 25.27.160 - 25.27.220 at the time of application.

8 Sec. 18.56.450. OPERATING LOSS RESERVE ACCOUNT. (a) There is established  
9 an operating loss reserve account for the purpose of meeting legal expenses incurred through the  
10 foreclosure of properties acquired by the corporation under AS 18.56.400(6) and making repairs  
11 to these properties so that they may be sold to new buyers.

12 (b) The operating reserve loss account consists of money appropriated to it by the  
13 legislature and deposited in it by the corporation. To the extent that money is paid out of the  
14 operating loss reserve account for the purposes stated in this section, this money shall be replaced  
15 with money received as interest on loans authorized by AS 18.56.400 - 18.56.600.

16 Sec. 18.56.460. SECURITY FOR LOANS. (a) The corporation shall adopt regulations  
17 in accordance with AS 18.56.088 establishing acceptable security for loans originated or  
18 purchased in whole or in part under AS 18.56.420.

19 (b) A person may pledge as security for the repayment of a loan originated or purchased  
20 in whole or in part under AS 18.56.420 a preference right that person holds to receive title to  
21 land the person occupies as a primary place of residence, primary place of business, subsistence  
22 campsite, or as headquarters for reindeer husbandry. The preference right must be conveyed to  
23 the person by the Native corporation to which the land was granted under 43 U.S.C. 1613  
24 (Alaska Native Claims Settlement Act) before it may be pledged as security under this  
25 subsection. The corporation shall prescribe procedures and standard forms for establishing,  
26 pledging, and appraising the value of a preference right held by a person to secure the repayment  
27 of a loan originated or purchased in whole or in part under AS 18.56.420.

28 Sec. 18.56.470. INTEREST ON LOANS. (a) The interest rate on a mortgage loan  
29 originated or purchased in whole or in part under AS 18.56.420 for small community housing  
30 is one percent less than the interest rate, as determined under AS 18.56.098(g)(1) - (4), on a  
31 mortgage loan purchased under AS 18.56.098(a) from the proceeds of the most recent applicable

1 issue of taxable bonds before the origination or purchase of the mortgage loan originated or  
2 purchased under AS 18.56.420.

3 (b) Notwithstanding the requirements of (a) of this section, if there has not been an  
4 applicable issue of taxable bonds issued within six months before the origination or purchase of  
5 a loan under this section, the corporation may estimate the interest rate that an issue of taxable  
6 bonds would bear.

7 Sec. 18.56.480. TITLE. (a) Before the corporation originates or purchases a small  
8 community housing mortgage loan in whole or in part, the corporation may require a borrower  
9 to show marketable title to real property offered as security for the loan to be purchased.

10 (b) A borrower may show marketable title to real property for the purposes of (a) of this  
11 section

12 (1) by purchasing title insurance from a title insurance company authorized to do  
13 business in the state; or

14 (2) by delivering to the corporation a copy of a letter of intent signed by an  
15 authorized representative of the United States Department of the Interior that shows the transfer  
16 of title to the property from the United States government to the borrower if

17 (A) the borrower is an Alaska Native; and

18 (B) title to the property was originally transferred from the United States  
19 government, directly or indirectly, to the borrower under federal law.

20 (c) For the purposes of this section, a deed which federal law prohibits or limits the  
21 power to transfer or encumber and which would otherwise constitute marketable title to real  
22 property is considered marketable title to real property if the United States Bureau of Indian  
23 Affairs or another appropriate federal agency waives immunity under the federal law from  
24 foreclosure or other alienation of the real property.

25 Sec. 18.56.490. RESTRICTED TITLE LOSS RESERVE ACCOUNT. (a) There is  
26 established in the corporation the restricted title loss reserve account. The restricted title loss  
27 reserve account consists of money appropriated to it by the legislature and deposited to it by the  
28 corporation, and shall be administered by the corporation.

29 (b) The corporation may withdraw money from the restricted title loss reserve account  
30 in an amount equal to the loss to the corporation on a small community housing mortgage loan  
31 originated or purchased in whole or in part by the corporation if marketable title to the real

1 property used to secure the loan was shown under AS 18.56.480(b)(2). Money withdrawn from  
2 the restricted title loss reserve account under this section shall be deposited in the housing  
3 assistance loan fund.

4 Sec. 18.56.500. FIRE INSURANCE. Before purchasing or participating in the purchase  
5 of a small community housing mortgage loan, the corporation may require the borrower to agree  
6 to purchase and maintain fire insurance for the real property for which the loan is made in an  
7 amount not less than the outstanding principal balance of the loan.

8 Sec. 18.56.510. LOAN ORIGINATION AND SERVICING. (a) Before purchasing or  
9 participating in the purchase of a small community housing mortgage loan, the corporation shall  
10 enter into a loan servicing agreement with the private financial institution from which the loan  
11 is to be purchased.

12 (b) The corporation may execute service agreements with private lending institutions or  
13 with regional native housing authorities established under AS 18.55.996 to service loans  
14 originated by the corporation or loans originated under AS 18.55.997.

15 (c) Under the servicing agreement, the private financial institution or the regional native  
16 housing authority shall administer the loan and may charge the corporation a negotiated  
17 origination or servicing fee on the corporation's share of the loan. When appropriate, the private  
18 financial institution or the regional native housing authority may also charge the borrower a  
19 reasonable originator fee not to exceed one percent.

20 Sec. 18.56.520. APPRAISALS. Before originating or purchasing or participating in the  
21 purchase of a small community housing mortgage loan, the corporation may have or may require  
22 the borrower to have an appraisal made of the fair market value of the real property, including  
23 structures on the real property, for which the loan is made. In conducting an appraisal under this  
24 section, the appraiser shall give full value to insulation and other features of construction in  
25 structures on the real property that add to the energy efficiency of the structures.

26 Sec. 18.56.530. ENERGY AUDIT EXEMPTION. In making loans under AS 18.56.400 -  
27 18.56.600, the corporation is exempt from the requirements of AS 46.11.050(b).

28 Sec. 18.56.540. TOLL-FREE TELEPHONE NUMBER. For the purposes of  
29 administration of AS 18.56.400 - 18.56.600, the corporation shall arrange for and maintain a  
30 toll-free telephone number for the corporation so that private financial institutions and their  
31 borrowers may contact the corporation from any location in the state by telephone without a toll

1 charge.

2 Sec. 18.56.550. FIELD OFFICES; CONTRACT SERVICES; ASSISTANCE TO  
3 OTHERS. (a) The corporation may establish field offices under AS 18.56.400 - 18.56.600, may  
4 hire one or more lending officers, and may contract for the services of

5 (1) real property appraisers who are familiar with housing and construction in  
6 small communities; and

7 (2) engineers who are familiar with engineering problems in arctic and subarctic  
8 regions.

9 (b) The personnel described in (a) of this section may make visits to the regions  
10 established under AS 18.56.570(a) to provide preconstruction and post-construction inspections  
11 of real property for which loans are originated or purchased by the corporation in whole or in  
12 part under AS 18.56.420 and to provide assistance to private financial institutions and their  
13 borrowers in the regions. Authority for final approval of loans may not be exercised by the  
14 personnel described in this section.

15 Sec. 18.56.560. DEMONSTRATION PROJECTS AND INFORMATION. The  
16 corporation may enter into agreements with public and private agencies to provide demonstration  
17 projects and information concerning housing construction in each of the regions established under  
18 AS 18.56.570(a).

19 Sec. 18.56.570. REGIONAL ALLOCATION. (a) The corporation, by regulations  
20 adopted in accordance with AS 18.56.088, shall establish and may amend the boundaries of  
21 reasonably compact and contiguous regions in the state.

22 (b) Unless otherwise required by an appropriation, the corporation shall allocate the  
23 money in the housing assistance loan fund among the regions established under (a) of this section  
24 for the purpose of originating or purchasing each type of loan described in AS 18.56.420. In  
25 making an allocation under this subsection, the corporation shall consider the past and potential  
26 lending activity of private financial institutions in the region as well as the need for loans in the  
27 region. The corporation may reallocate the money among the regions as the corporation  
28 considers necessary.

29 Sec. 18.56.580. LOANS FOR NONOWNER OCCUPIED HOUSING. (a) In addition  
30 to the powers authorized by AS 18.56.400, the corporation may adopt regulations under  
31 AS 18.56.088 allowing the use of money in the housing assistance loan fund to make loans for

1 the purchase or development of nonowner occupied housing in small communities.

2 (b) The rate of interest on a loan authorized by this section may not exceed 10-1/2  
3 percent a year.

4 (c) The principal amount of loans made for nonowner occupied housing under this  
5 section may not exceed 20 percent of the total principal amount of loans made for small  
6 community housing under AS 18.56.400 - 18.56.600.

7 (d) In this section

8 (1) "development" means the construction of a new residence or the repair,  
9 remodeling, rehabilitation, or expansion of an existing residence;

10 (2) "nonowner occupied housing" means a single-family residence or a  
11 multi-family residence having up to eight dwelling units and that is not occupied by the owner;  
12 the corporation may modify this definition if it determines that there is a special need for  
13 nonowner occupied housing and that a change in the definition is necessary to enable the  
14 corporation to meet that need.

15 Sec. 18.56.590. ANNUAL REPORT. To further ensure effective budgetary decision  
16 making by the legislature, the corporation shall present a complete accounting of the housing  
17 assistance revolving fund to the legislature each year by January 10. The accounting must consist  
18 of an audit by an independent outside auditor for that year. The accounting must include a full  
19 description of all mortgage loan interest and principal repayments and program receipts for  
20 purposes of programs under AS 18.56.400 - 18.56.600, including mortgage loan commitment  
21 fees, received by or accrued to the corporation during the preceding fiscal year, and all income  
22 earned on assets held by the corporation for purposes of programs under AS 18.56.400 -  
23 18.56.600 during that period.

24 Sec. 18.56.600. DEFINITIONS. In AS 18.56.400 - 18.56.600,

25 (1) "housing" means owner-occupied, single-family housing and owner-occupied  
26 duplexes in which not more than 25 percent of the gross floor area is or will be devoted to  
27 commercial use;

28 (2) "small community" means a community with a population of 5,500 or less  
29 that is not connected by road or rail to Anchorage or Fairbanks, or with a population of 1,400  
30 or less that is connected by road or rail to Anchorage or Fairbanks; in this paragraph, "connected  
31 by road" does not include a connection by the Alaska marine highway system.

1                   ARTICLE 3. LOW COST AND LOW INCOME MULTIPLE FAMILY  
2                                   HOUSING DEVELOPMENT FUND.

3                   Sec. 18.56.650. LOW COST AND LOW INCOME MULTIPLE FAMILY HOUSING  
4 DEVELOPMENT. (a) There is created in the corporation a low cost and low income multiple  
5 family housing development fund. Subject to appropriation the corporation shall make grants to  
6 municipalities or public or private nonprofit corporations designated as tax exempt under 26  
7 U.S.C. 501(c)(3) and (4) (Internal Revenue Code of 1954) for the purpose of developing low  
8 cost, low income multiple family housing.

9                   (b) Application for a grant under (a) of this section shall be in the form prescribed by  
10 the corporation. The application

11                                   (1) shall demonstrate the need for low cost, low income multiple family housing  
12 in the area to be served, the feasibility of the proposed project; and

13                                   (2) must include an adequate management plan that shall demonstrate the ability  
14 of the eligible recipient to sustain the proposed project.

15                   (c) A low cost and low income multiple family housing project developed under this  
16 section

17                                   (1) shall be prepared in accordance with facility procurement policies developed  
18 by the Department of Transportation and Public Facilities under AS 35.10.160 - 35.10.200; and

19                                   (2) is a public facility under AS 35.10.160 - 35.10.200.

20                   (d) The corporation shall adopt regulations under AS 18.56.088 to carry out the purposes  
21 of this section.

22                   (e) In this section, "low cost and low income multiple family housing"

23                                   (1) means a specific work or improvement undertaken primarily to provide  
24 multiple family dwelling accommodations for low income persons;

25                                   (2) includes the acquisition, construction, or rehabilitation of land, buildings,  
26 improvements, and other nonhousing facilities that are incidental or appurtenant to the housing.

27                                   ARTICLE 4. SENIOR HOUSING OFFICE.

28                   Sec. 18.56.700. SENIOR HOUSING OFFICE. (a) There is established in the  
29 corporation a senior housing office. The office shall promote a comprehensive response to the  
30 needs of senior citizens for adequate, accessible, secure, and affordable housing in the state. In  
31 order to fulfill this purpose, the office may

- 1 (1) study the needs of senior citizens in the state for housing to meet their needs;
- 2 (2) seek financial assistance from appropriate sources for the development of
- 3 housing alternatives for senior citizens;
- 4 (3) administer the senior housing loan program established under AS 18.56.700 -
- 5 18.56.799;
- 6 (4) cooperate and coordinate with other public and private agencies to respond
- 7 to the housing needs of senior citizens;
- 8 (5) offer public education programs to increase the awareness of alternatives to
- 9 large residential facilities for senior citizens;
- 10 (6) provide information to senior citizens to help them understand their financial
- 11 alternatives related to homes they might already own and to help them coordinate with other
- 12 senior citizens in finding housing alternatives, including information and coordination on home
- 13 equity conversion and home sharing; and
- 14 (7) disseminate information to construction contractors to educate them about
- 15 remodeling projects that would meet the needs of many senior citizens for accessible and secure
- 16 housing.

17 (b) In order to avoid duplication of efforts and to benefit from the commission's  
18 expertise, the office shall consult with the Older Alaskans Commission in the performance of the  
19 office's duties under AS 18.56.700 - 18.56.799 so that the housing needs of senior citizens can  
20 be met most efficiently and effectively.

21 Sec. 18.56.710. SENIOR HOUSING REVOLVING FUND. (a) The senior housing  
22 revolving fund is established. The revolving fund consists of appropriations made to it by the  
23 legislature, the proceeds of bonds sold under AS 18.56.790 as they are deposited into it by the  
24 corporation for specific projects, and money or other assets transferred to the revolving fund by  
25 the corporation. The corporation may pledge amounts deposited in the revolving fund for bonds  
26 issued under AS 18.56.790 and used by the corporation for making, purchasing, or participating  
27 in

- 28 (1) senior housing mortgage loans;
- 29 (2) loans made for building materials for senior housing;
- 30 (3) loans made for renovation or improvement of or for senior housing, including
- 31 loans for renovation or improvement of congregate or individual residences; and

1 (4) loans made for the construction of senior housing.

2 (b) For each loan proposed to be made under AS 18.56.700 - 18.56.799, the corporation  
3 shall determine the financial feasibility of the project for which the loan would be used and the  
4 extent to which the project would meet senior housing needs in the area for which it is proposed.

5 Sec. 18.56.720. INTEREST RATE. The interest rate on loans made under  
6 AS 18.56.700 - 18.56.799 that are funded by a bond issue under AS 18.56.790 is equal to the  
7 cost of funds of that bond issue plus

8 (1) two percentage points for a construction loan;

9 (2) one-half of one percentage point for a permanent loan.

10 Sec. 18.56.730. CONDITIONS ON LOANS. (a) The corporation shall adopt regulations  
11 under AS 18.56.088(a) and (b) establishing acceptable security for loans originated or purchased  
12 in whole or in part under AS 18.56.700 - 18.56.799.

13 (b) The corporation

14 (1) may condition a loan under AS 18.56.700 - 18.56.799 on an agreement by the  
15 borrower to maintain the financed project as senior housing for a time period specified by the  
16 corporation; and

17 (2) shall establish by regulation the criteria it will use for specifying time periods  
18 under (1) of this subsection and for determining under what circumstances the time periods can  
19 be decreased after the loan is made.

20 Sec. 18.56.740. FIRE INSURANCE. Before purchasing or participating in the purchase  
21 of a senior housing mortgage loan, the corporation shall require the borrower to agree to purchase  
22 and maintain fire insurance for the real property for which the loan is made in an amount not less  
23 than the outstanding principal balance of the loan.

24 Sec. 18.56.750. LOAN ORIGINATION AND SERVICING. (a) Before purchasing or  
25 participating in the purchase of a senior housing loan, the corporation shall enter into a loan  
26 servicing agreement with the private financial institution from which the loan is to be purchased.

27 (b) The corporation may execute service agreements with private lending institutions or  
28 with regional native housing authorities established under AS 18.55.996 to service loans  
29 originated by the office.

30 (c) Under the servicing agreement, the private financial institution or the regional native  
31 housing authority shall administer the loan and may charge the corporation a negotiated

1 origination or servicing fee on the office's share of the loan. When appropriate, the private  
2 financial institution or the regional native housing authority may also charge the borrower a  
3 reasonable origination fee not to exceed one percent.

4 Sec. 18.56.760. APPRAISALS. Before originating or purchasing or participating in the  
5 purchase of a senior housing mortgage loan, the corporation may have or may require the  
6 borrower to have an appraisal made of the fair market value of the real property, including  
7 structures on the real property, for which the loan is made. In conducting an appraisal under this  
8 section, the appraiser shall give full value to insulation and other features of construction in  
9 structures on the real property that add to the energy efficiency of the structures.

10 Sec. 18.56.770. TOLL-FREE TELEPHONE NUMBER. The corporation shall arrange  
11 for and maintain a toll-free telephone number for senior housing purposes so that private financial  
12 institutions and their borrowers may contact the office from any location in the state by telephone  
13 without a toll charge.

14 Sec. 18.56.780. CONTRACTING FOR SERVICES. The corporation may contract for  
15 the services of persons who will assist the office in performing its duties under AS 18.56.700 -  
16 18.56.799.

17 Sec. 18.56.790. BONDS FOR SENIOR HOUSING. (a) Under the procedures of this  
18 chapter, the corporation may issue bonds in a total amount not exceeding \$30,000,000 to fund  
19 senior housing loans made under AS 18.56.700 - 18.56.799 that are approved by the corporation  
20 under (b) of this section.

21 (b) Before issuing its bonds under this section, the corporation shall compile a list of  
22 approved senior housing projects that it has determined are financially feasible and meet housing  
23 needs for senior citizens as required under AS 18.56.710(b).

24 (c) The proceeds of bonds issued under this section for approved projects shall be  
25 deposited in the senior housing revolving fund administered by the senior housing office under  
26 AS 18.56.700 - 18.56.799 on a schedule determined by the corporation.

27 (d) There is established in the corporation a senior housing bond account. The account  
28 consists of proceeds of bonds issued under this section, money appropriated to the account,  
29 repayments of principal the corporation collects for a loan made under AS 18.56.700 - 18.56.799  
30 that was funded by bonds issued under this section, and the corporation's right, title, and interest  
31 in property financed through a loan made under AS 18.56.700 - 18.56.799 that was funded by

1 bonds issued under this section. The corporation may pledge assets in the account and in the  
2 senior housing revolving fund for the payment of bonds issued under this section and may use  
3 money in the account for payment of the bonds.

4 (e) In this section, "bond" has the meaning given in AS 18.56.390.

5 Sec. 18.56.799. DEFINITIONS. In AS 18.56.700 - 18.56.799,

6 (1) "office" means the senior housing office established under AS 18.56.700;

7 (2) "senior housing"

8 (A) means construction or improvement undertaken primarily to provide  
9 dwelling accommodations for persons 60 years of age or older, including conventional  
10 housing, housing for frail elderly, group homes, congregate housing, residential horizontal  
11 property regimes organized under AS 34.07, residential cooperatives organized under  
12 AS 10.15 or AS 34.08, residential condominiums organized under AS 34.08, and other  
13 housing that meets special needs of the elderly;

14 (B) includes acquisition, construction, or rehabilitation of land, buildings,  
15 improvements, and other nonhousing facilities that are incidental or appurtenant to the  
16 housing described in (A) of this paragraph.

17 ARTICLE 5. SENIOR CITIZENS HOUSING DEVELOPMENT FUND.

18 Sec. 18.56.800. DECLARATION OF PURPOSE. There exists in the state a serious  
19 shortage of decent, safe and sanitary residential housing available at low or moderate prices or  
20 rentals to persons 60 years of age or older. There also exists in the state organizations whose  
21 purposes are to provide the kinds of housing needed to alleviate this shortage. Development  
22 work to provide such housing involves substantial expense that is often beyond the resources of  
23 the organizations.

24 Sec. 18.56.810. SENIOR CITIZENS HOUSING DEVELOPMENT. (a) There is created  
25 in the corporation a senior citizens housing development fund. Subject to direct appropriation  
26 or through proceeds of a bond issue, the corporation shall make grants to municipalities or public  
27 or private nonprofit corporations designated as tax exempt under 26 U.S.C. 501(c)(3) and (4)  
28 (Internal Revenue Code of 1954) for the purpose of developing senior citizen housing. A grant  
29 from the proceeds of a bond issue may be made only to municipalities.

30 (b) Application for a grant under (a) of this section shall be in the form prescribed by  
31 the corporation. The application

1 (1) shall demonstrate the need for senior citizen housing in the area to be served  
2 and the feasibility of the proposed project; and

3 (2) must include an adequate management plan that shall demonstrate the ability  
4 of the eligible recipient to sustain the proposed project.

5 (c) A senior citizen housing project developed under this section

6 (1) shall be prepared in accordance with facility procurement policies developed  
7 by the Department of Transportation and Public Facilities under AS 35.10.160 - 35.10.200; and

8 (2) is a public facility under AS 35.10.160 - 35.10.200.

9 (d) The corporation shall adopt regulations to carry out the purposes of this section. The  
10 provisions of AS 18.56.088(a) and (b) apply to regulations adopted under this section.

11 (e) In this section, "senior citizen housing" has the meaning given "senior housing" in  
12 AS 18.56.799.

### 13 ARTICLE 6. ENERGY CONSERVATION.

14 Sec. 18.56.850. HOME ENERGY CONSERVATION AND WEATHERIZATION  
15 PROGRAM. (a) The corporation shall plan, study, implement, and assist programs for home  
16 energy conservation and weatherization including, without limitation, the

- 17 (1) Alaska craftsman home program;  
18 (2) energy rated homes of Alaska program;  
19 (3) home energy loan program;  
20 (4) rural capital retrofit program; and  
21 (5) low income weatherization program.

22 (b) In the development of a home energy conservation or weatherization program under  
23 (a) of this section, the corporation may not consider the value of Alaska longevity bonus  
24 payments under AS 47.45 or permanent fund dividends under AS 43.23 in determining whether  
25 a person meets income guidelines established under AS 18.56.088 and (a) of this section for a  
26 state or, to the extent permitted by federal law, a federal energy conservation or weatherization  
27 program.

28 \* Sec. 23. AS 18.56.900 is repealed and reenacted to read:

29 Sec. 18.56.900. DEFINITIONS. In this chapter,

- 30 (1) "board" means the board of directors of the corporation;  
31 (2) "corporation" means the Alaska Housing Finance Corporation created by this

1 chapter.

2 \* Sec. 24. AS 34.60.135 is amended to read:

3 Sec. 34.60.135. PLANNING LOANS FOR ADDITIONAL HOUSING. In addition to  
4 the other programs authorized by this chapter, the Alaska Housing Finance Corporation [A  
5 STATE AGENCY] may make loans in order to encourage and facilitate the construction or  
6 rehabilitation of housing to meet the needs of displaced persons. These loans are a part of the  
7 federally assisted project cost and may be made to nonprofit, limited dividend, or cooperative  
8 organizations, or to public bodies. The loans may be made only for necessary and reasonable  
9 expenses, before construction, for planning and obtaining federally insured mortgage financing  
10 for the rehabilitation or construction of housing for displaced persons. The loans may not exceed  
11 80 percent of the reasonable costs expected to be incurred in planning, and in obtaining financing  
12 for housing for displaced persons. Reasonable costs include but are not limited to costs for  
13 preliminary surveys and analysis of market needs, preliminary architectural fees, site acquisition,  
14 application and mortgage commitment fees, and construction loan fees and discounts. Loans to  
15 an organization established for profit shall bear interest at a market rate established by the Alaska  
16 Housing Finance Corporation [STATE AGENCY]. All other loans shall be without interest.  
17 The Alaska Housing Finance Corporation [STATE AGENCY] shall require repayment of loans  
18 made under this section [,] under terms and conditions that it may prescribe [ESTABLISHED  
19 BY THE STATE AGENCY]. Repayment shall be made upon completion of the project or  
20 sooner, and except in the case of a loan to an organization established for profit, the Alaska  
21 Housing Finance Corporation [STATE AGENCY] may cancel any part or all of a loan if the  
22 corporation determines [FOLLOWING A DETERMINATION BY THE STATE AGENCY] that  
23 a permanent loan to finance the rehabilitation or construction of the housing cannot be obtained  
24 in an amount adequate for repayment of the loan.

25 \* Sec. 25. AS 34.60.137 is amended to read:

26 Sec. 34.60.137. HOUSING REPLACEMENT ASSISTANCE AS LAST RESORT. If a  
27 federal aided program or project cannot proceed to actual construction because comparable  
28 replacement sale or rental housing is not available, and the state agency determines that housing  
29 cannot otherwise be made available, the agency may take, or may request the Alaska Housing  
30 Finance Corporation to take, action necessary or appropriate to provide the housing either by  
31 use of funds authorized for the project or by use of money available to the corporation.

1 \* Sec. 26. AS 44.21.230(a)(9) is amended to read:

2 (9) give assistance, on request, to the senior housing office in the Alaska Housing  
3 Finance Corporation [DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS] in  
4 administration of the senior housing loan program under AS 18.56.710 - 18.56.799  
5 [AS 44.47.587 - 44.47.609] and in the performance of the office's other duties under  
6 AS 18.56.700 [AS 44.47.585]; and

7 \* Sec. 27. AS 44.21.240(6) is amended to read:

8 (6) "senior citizen housing" has the meaning given "senior housing" in  
9 AS 18.56.799 [AS 44.47.620(e)].

10 \* Sec. 28. AS 44.47.370 is amended to read:

11 Sec. 44.47.370. POWERS OF COMMISSIONER. The commissioner may

12 (1) adopt regulations in accordance with the Administrative Procedure Act  
13 (AS 44.62) to implement AS 44.47.370 - 44.47.560;

14 (2) make and execute agreements, contracts, and other instruments necessary or  
15 convenient in the exercise of the commissioner's powers and functions under AS 44.47.370 -  
16 44.47.560;

17 (3) purchase or participate in the purchase of small community  
18 [NONCONFORMING AND RURAL] housing mortgage loans under [IN ACCORDANCE  
19 WITH] AS 44.47.370 - 44.47.560;

20 (4) purchase or participate in the purchase of loans for building materials for  
21 small community [NONCONFORMING AND RURAL] housing under [IN ACCORDANCE  
22 WITH] AS 44.47.370 - 44.47.560;

23 (5) procure insurance against loss in connection with the director's functions  
24 under AS 44.47.370 - 44.47.560;

25 (6) acquire real or personal property, or an interest in real or personal property,  
26 by purchase, transfer, or foreclosure, when the acquisition is necessary or appropriate to protect  
27 a loan in which the department has an interest; sell, transfer, and convey that property to a buyer;  
28 and, if the sale, transfer, or conveyance cannot be effected with reasonable promptness or at a  
29 reasonable price, rent or lease the property to a tenant pending the sale, transfer, or conveyance;

30 (7) do all acts necessary, convenient or desirable to carry out the powers expressly  
31 granted or necessarily implied in AS 44.47.370 - 44.47.560;

1 (8) originate and service direct loans made to qualified buyers under [IN  
2 ACCORDANCE WITH] AS 44.47.370 - 44.47.560.

3 \* Sec. 29. AS 44.47.380(a) is amended to read:

4 (a) There is created in the department, as a revolving loan fund, the housing assistance  
5 loan fund consisting of money appropriated to it by the legislature and repayments of principal  
6 and interest on loans made or purchased from the assets of the fund. The commissioner shall  
7 administer the housing assistance loan fund under [IN ACCORDANCE WITH] AS 44.47.370 -  
8 44.47.560 and shall use the money in the housing assistance loan fund to originate, purchase, or  
9 participate in the purchase of

10 (1) small community [NONCONFORMING AND RURAL] housing mortgage  
11 loans;

12 (2) loans made for building materials for small community [NONCONFORMING  
13 AND RURAL] housing;

14 (3) loans made for renovations or improvements to small community  
15 [NONCONFORMING AND RURAL] housing;

16 (4) loans made for the construction of owner-occupied small community  
17 [NONCONFORMING AND RURAL] housing other than loans to builders or contractors or loans  
18 that compensate an owner for the owner's labor or services in constructing the owner's own  
19 housing.

20 \* Sec. 30. AS 44.47.390 is amended to read:

21 Sec. 44.47.390. LIMITATIONS ON USE OF HOUSING ASSISTANCE LOAN FUND.

22 The commissioner may not use the money in the housing assistance loan fund to

23 (1) originate a direct loan or purchase or participate in the purchase of a small  
24 community [NONCONFORMING OR RURAL] housing mortgage loan that exceeds the  
25 limitations on mortgage loans purchased by the Federal National Mortgage Association as to  
26 principal amount or loan-to-value ratio;

27 (2) originate a direct loan or purchase or participate in the purchase of a loan  
28 made for building materials for small community [NONCONFORMING OR RURAL] housing

29 (A) that exceeds \$45,000 or exceeds

30 (i) 80 percent of the appraised value of the work completed on the  
31 small community [NONCONFORMING OR RURAL] housing for which the loan

1 is made if the small community [NONCONFORMING OR RURAL] housing is  
2 pledged as collateral for the loan; or

3 (ii) 90 percent of the value of other property that is pledged as  
4 security for the loan and that is satisfactory to the commissioner as collateral;

5 (B) unless the terms of the loan agreement require inspections and  
6 certifications, as required by regulations of the commissioner, at the expense of the  
7 borrower; and

8 (C) unless the period of time allowed for repayment of the loan is equal  
9 to or less than 15 years;

10 (3) originate direct loans or purchase or participate in the purchase of a small  
11 community [NONCONFORMING OR RURAL] housing mortgage loan that is secured by real  
12 property the marketable title to which is shown under [IN ACCORDANCE WITH] AS  
13 44.47.420(b)(2) if the total amount of outstanding small community [NONCONFORMING AND  
14 RURAL] housing mortgage loans held by the department exceeds 10 times the amount of money  
15 in the restricted title loss reserve account (AS 44.47.430);

16 (4) originate a direct loan for small community [NONCONFORMING OR  
17 RURAL] housing or purchase or participate in the purchase of a small community  
18 [NONCONFORMING OR RURAL] housing mortgage loan, other than a loan for the repair,  
19 remodeling, rehabilitation, or expansion of an existing owner-occupied residence, if the borrower  
20 has an outstanding housing loan made under a state loan program, other than a loan for  
21 nonowner-occupied housing under former AS 44.47.520, that bears interest at a rate that was less  
22 than the prevailing market interest rate for similar housing loans at the time the loan was made;

23 (5) originate a direct mortgage loan or purchase or participate in the purchase of  
24 a mortgage loan for rental housing unless the borrower agrees not to discriminate against tenants  
25 or prospective tenants because of sex, marital status, changes in marital status, pregnancy,  
26 parenthood, race, religion, color, national origin, or status as a student;

27 (6) originate, purchase, or participate in a loan to a person who has a past due  
28 child support obligation established by court order or by the child support enforcement division  
29 under AS 25.27.160 - 25.27.220 at the time of application.

30 \* Sec. 31. AS 44.47.410(b) is amended to read:

31 (b) The interest rate on a mortgage loan originated or purchased in whole or in part under

1 AS 44.47.380 for small community [RURAL] housing is one percent less than the interest rate,  
2 as determined under AS 18.56.098(g)(1) - (4), on a mortgage loan purchased under  
3 AS 18.56.098(a) from the proceeds of the most recent applicable issue of taxable bonds before  
4 the origination or purchase of the mortgage loan originated or purchased under AS 44.47.380.

5 \* Sec. 32. AS 44.47.420(a) is amended to read:

6 (a) Before the commissioner originates or purchases a small community  
7 [NONCONFORMING OR RURAL] housing mortgage loan in whole or in part, the commissioner  
8 may require a borrower to show marketable title to real property offered as security for the loan  
9 to be purchased.

10 \* Sec. 33. AS 44.47.430(b) is amended to read:

11 (b) The commissioner may withdraw money from the restricted title loss reserve account  
12 in an amount equal to the loss to the department on a small community [NONCONFORMING  
13 OR RURAL] housing mortgage loan originated or purchased in whole or in part by the  
14 department if marketable title to the real property used to secure the loan was shown under [IN  
15 ACCORDANCE WITH] AS 44.47.420(b)(2). Money withdrawn from the restricted title loss  
16 reserve account under this section shall be deposited in the housing assistance loan fund.

17 \* Sec. 34. AS 44.47.440 is amended to read:

18 Sec. 44.47.440. FIRE INSURANCE. Before purchasing or participating in the purchase  
19 of a small community [NONCONFORMING OR RURAL] housing mortgage loan, the  
20 commissioner may require the borrower to agree to purchase and maintain fire insurance for the  
21 real property for which the loan is made in an amount not less than the outstanding principal  
22 balance of the loan.

23 \* Sec. 35. AS 44.47.470 is amended to read:

24 Sec. 44.47.470. APPRAISALS. Before originating or purchasing or participating in the  
25 purchase of a small community [NONCONFORMING OR RURAL] housing mortgage loan, the  
26 commissioner may have or may require the borrower to have an appraisal made of the fair  
27 market value of the real property, including structures on the real property, for which the loan  
28 is made. In conducting an appraisal under this section, the appraiser shall give full value to  
29 insulation and other features of construction in structures on the real property that add to the  
30 energy efficiency of the structures.

31 \* Sec. 36. AS 44.47.490(a) is amended to read:

1 (a) The commissioner may establish field offices under this chapter, may hire one or  
2 more lending officers, and, under AS 36.30 (State Procurement Code), may contract for the  
3 services of

4 (1) real property appraisers who are familiar with housing and [RURAL]  
5 construction in small communities; and

6 (2) engineers who are familiar with engineering problems in arctic and subarctic  
7 regions.

8 \* Sec. 37. AS 44.47.520(a) is amended to read:

9 (a) In addition to the powers authorized by AS 44.47.370 the commissioner may adopt  
10 regulations allowing the use of money in the housing assistance loan fund to make loans for the  
11 purchase or development of nonowner occupied housing in small communities [RURAL AREAS  
12 OF THE STATE].

13 \* Sec. 38. AS 44.47.520(c) is amended to read:

14 (c) The principal amount of loans made for nonowner occupied housing under this  
15 section may not exceed 20 percent of the total principal amount of loans made for small  
16 community [NONCONFORMING AND RURAL] housing under AS 44.47.370 - 44.47.560.

17 \* Sec. 39. AS 44.47.520(d) is amended to read:

18 (d) In this section,

19 (1) "development" means the construction of a new residence or the repair,  
20 remodeling, rehabilitation, or expansion of an existing residence;

21 (2) "nonowner occupied housing" means a single-family residence or a  
22 multi-family residence having up to eight dwelling units [, THAT IS NOT NONCONFORMING  
23 HOUSING,] and is not occupied by the owner; the commissioner may modify this definition if  
24 the commissioner determines that there is a special need for nonowner occupied housing and that  
25 a change in the definition is necessary to enable the department to meet that need.

26 \* Sec. 40. AS 44.47.560 is amended to read:

27 Sec. 44.47.560. DEFINITIONS. In AS 44.47.370 - 44.47.560,

28 (1) [REPEALED

29 (2) REPEALED

30 (3)] "housing" means owner-occupied, single-family housing and owner-occupied  
31 duplexes in which not more than 25 percent of the gross floor area is or will be devoted to

1 commercial use;

2 (2) "small community" [(4) "NONCONFORMING HOUSING" MEANS  
3 HOUSING THAT DOES NOT CONFORM TO MINIMUM BUILDING STANDARDS UNDER  
4 ANY STATE OR FEDERAL PROGRAM THAT PROVIDES LOANS FOR HOUSING  
5 PURCHASES;

6 (5) "RURAL"] means

7 [(A)] a community [IN THE SECOND, THIRD, OR FOURTH JUDICIAL  
8 DISTRICT OF THE STATE] with a population of 5,500 [4,500] or less that is not  
9 connected by road or rail to Anchorage or Fairbanks [;] or with a population of  
10 1,400 or less that is connected by road or rail to Anchorage or Fairbanks; in  
11 this paragraph "connected by road" does not include a connection by the  
12 Alaska marine highway system

13 [(B) A COMMUNITY IN THE FIRST JUDICIAL DISTRICT OF THE  
14 STATE WITH A POPULATION OF 4,500 OR LESS;

15 (6) "RURAL HOUSING" MEANS HOUSING WHETHER OR NOT IT IS  
16 NONCONFORMING HOUSING THAT IS LOCATED IN A RURAL AREA OF THE STATE].

17 \* Sec. 41. AS 46.11.040 is amended to read:

18 Sec. 46.11.040. APPLICABILITY OF THERMAL AND LIGHTING ENERGY  
19 STANDARDS TO RESIDENTIAL BUILDINGS. State financial assistance may not be approved  
20 or granted for the construction of or purchase of a loan for a residential building if construction  
21 of the building began [BEGINS] after December 31, 1991, unless

22 (1) the building is in compliance with thermal and lighting energy standards;

23 (2) the building is in compliance with the building code of a municipality and the  
24 standards for thermal and lighting energy of the municipal building code meet or exceed the  
25 thermal and lighting energy standards;

26 (3) the building

27 (A) is constructed under an exception to the municipal building code  
28 granted because the exception will result in increased energy efficiency; or

29 (B) is located or is to be located in an area where thermal and lighting  
30 energy standards are not justified because of the high cost of implementation of the  
31 standards, with specific consideration given to the availability of inexpensive home

1 heating energy sources, as determined under regulations adopted by the Alaska Housing  
2 Finance Corporation [COMMISSIONER OF COMMUNITY AND REGIONAL  
3 AFFAIRS]; or

4 (4) the applicant agrees, in writing, that the building will be brought into  
5 compliance with thermal and lighting energy standards within one year of conveyance.

6 \* Sec. 42. AS 46.11.900(8) is amended to read:

7 (8) "thermal and lighting energy standards" means the thermal and lighting energy  
8 standards

9 (A) established by the American Society of Heating, Refrigeration, and  
10 Air Conditioning Engineers as revised

11 (i) by the commissioner of transportation and public facilities under  
12 AS 44.42.020(a) for public facilities; or

13 (ii) by the Alaska Housing Finance Corporation  
14 [COMMISSIONER OF COMMUNITY AND REGIONAL AFFAIRS] for  
15 buildings and structures that are not public facilities; or

16 (B) developed in regulations adopted

17 (i) by the commissioner of transportation and public facilities under  
18 AS 44.42.020(a) for public facilities; or

19 (ii) by the Alaska Housing Finance Corporation  
20 [COMMISSIONER OF COMMUNITY AND REGIONAL AFFAIRS] for  
21 buildings and structures that are not public facilities.

22 \* Sec. 43. AS 44.47.410(a) is repealed.

23 \* Sec. 44. AS 18.56.083, 18.56.210(a)(10), AS 44.47.050(a)(18), 44.47.050(b), 44.47.370, 44.47.378,  
24 44.47.380, 44.47.382, 44.47.390, 44.47.395, 44.47.400, 44.47.410(b), 44.47.420, 44.47.430, 44.47.440,  
25 44.47.460, 44.47.470, 44.47.475, 44.47.480, 44.47.490, 44.47.500, 44.47.510, 44.47.520, 44.47.530,  
26 44.47.560, 44.47.585, 44.47.587, 44.47.589, 44.47.591, 44.47.593, 44.47.595, 44.47.597, 44.47.599,  
27 44.47.601, 44.47.603, 44.47.609, 44.47.610, 44.47.620, 44.47.630 and 44.47.635 are repealed.

28 \* Sec. 45. TRANSITIONAL PROVISIONS RELATING TO TRANSFER OF HOUSING  
29 PROGRAMS FROM THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS. (a) All  
30 contracts, rights, liabilities, bonds, notes, or other obligations of the Department of Community and  
31 Regional Affairs under former AS 44.47.370 - 44.47.560 and 44.47.635 created by or under a law

1 amended or repealed by this Act and in effect on the effective date of this section, remain in effect  
2 notwithstanding this Act's taking effect, with all contracts, rights, liabilities, bonds, notes, or other  
3 obligations of the Department of Community and Regional Affairs incurred under former AS 44.47.370 -  
4 44.47.560 and 44.47.635 becoming contracts, rights, liabilities, bonds, notes, and other obligations of the  
5 Alaska Housing Finance Corporation.

6 (b) All records, equipment, appropriations, and other property of the Department of Community  
7 and Regional Affairs held under former AS 44.47.370 - 44.47.560 and 44.47.635 shall be transferred to  
8 the Alaska Housing Finance Corporation to implement the provisions of this Act.

9 (c) Employees of the Department of Community and Regional Affairs responsible for  
10 administration of the programs set out in former AS 44.47.370 - 44.47.560 and 44.47.635 become  
11 employees of the Alaska Housing Finance Corporation on the effective date of this section.

12 (d) Notwithstanding sec. 51(b) of this Act, on the effective date of this section, the cash balance  
13 of the housing assistance loan fund of former AS 44.47.380, exclusive of the loan purchases made under  
14 sec. 51(a) of this Act, becomes the cash balance of the housing assistance loan fund established in  
15 AS 18.56.420, added by sec. 22 of this Act.

16 \* Sec. 46. TRANSITIONAL PROVISIONS RELATING TO TRANSFER OF SENIOR CITIZEN  
17 HOUSING PROGRAMS FROM THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS.

18 (a) All contracts, rights, liabilities, bonds, notes, or other obligations of the Department of Community  
19 and Regional Affairs under former AS 44.47.585 - 44.47.620 created by or under a law amended or  
20 repealed by this Act and in effect on the effective date of this section, remain in effect notwithstanding  
21 this Act's taking effect, with all contracts, rights, liabilities, bonds, notes, or other obligations of the  
22 Department of Community and Regional Affairs incurred under former AS 44.47.585 - 44.47.620  
23 becoming contracts, rights, liabilities, bonds, notes, and other obligations of the Alaska Housing Finance  
24 Corporation.

25 (b) All records, equipment, appropriations, and other property of the Department of Community  
26 and Regional Affairs secured under former AS 44.47.585 - 44.47.620 shall be transferred to the Alaska  
27 Housing Finance Corporation to implement the provisions of this Act.

28 (c) Employees of the Department of Community and Regional Affairs responsible for  
29 administration of the programs set out in former AS 44.47.585 - 44.47.620 become employees of the  
30 Alaska Housing Finance Corporation on the effective date of this section.

31 (d) All bonds issued under former AS 18.56.083 and in effect on the effective date of this

1 section remain in effect notwithstanding this Act's taking effect.

2 \* Sec. 47. TRANSITIONAL PROVISIONS RELATING TO TRANSFER OF HOME ENERGY  
3 CONSERVATION AND WEATHERIZATION PROGRAMS FROM THE DEPARTMENT OF  
4 COMMUNITY AND REGIONAL AFFAIRS. (a) All contracts, rights, liabilities, bonds, notes, or other  
5 obligations of the Department of Community and Regional Affairs under AS 44.47.050(a)(18) and  
6 44.47.050(b) created by or under a law repealed by secs. 43 and 44 of this Act and in effect on the  
7 effective date of this section, remain in effect notwithstanding this Act's taking effect, with all contracts,  
8 rights, liabilities, bonds, notes, or other obligations of the Department of Community and Regional  
9 Affairs incurred under AS 44.47.050(a)(18) and 44.47.050(b) becoming contracts, rights, liabilities,  
10 bonds, notes, and other obligations of the Alaska Housing Finance Corporation.

11 (b) All records, equipment, appropriations, and other property of the Department of Community  
12 and Regional Affairs secured under AS 44.47.050(a)(18) and 44.47.050(b) shall be transferred to the  
13 Alaska Housing Finance Corporation to implement the provisions of AS 18.56.850, added by sec. 22 of  
14 this Act, and sec. 44 of this Act.

15 (c) Employees of the Department of Community and Regional Affairs responsible for  
16 administration of the home energy conservation and weatherization programs set out in  
17 AS 44.47.050(a)(18) and 44.47.050(b), repealed by sec. 44 of this Act, become employees of the Alaska  
18 Housing Finance Corporation on the effective date of this section.

19 \* Sec. 48. TRANSITIONAL PROVISION: MEMBERSHIP OF ALASKA HOUSING FINANCE  
20 CORPORATION BOARD OF DIRECTORS. (a) Notwithstanding AS 18.56.030(a)(3)(A) - (E),  
21 repealed and reenacted by sec. 9 of this Act, the public members of the board of directors of the Alaska  
22 Housing Finance Corporation who are serving on the effective date of this section continue to serve their  
23 unexpired terms. Thereafter, the governor shall fill vacancies on the board of directors among the  
24 members under the provisions of AS 18.56.030(a)(3)(A) - (E), as repealed and reenacted by sec. 9 of  
25 this Act, and AS 18.56.030(f), added by sec. 11 of this Act.

26 (b) Notwithstanding AS 18.56.030(c), of the members first appointed to fill the additional seats  
27 on the board of directors authorized by AS 18.56.030(a)(3), amended by sec. 9 of this Act, one shall be  
28 appointed for a term of one year and two shall be appointed for a term of two years. The governor shall  
29 specify the length of the term of each member.

30 \* Sec. 49. TRANSITIONAL PROVISION: REPORT OF TRANSFERRED ASSETS. The  
31 Department of Community and Regional Affairs shall prepare or direct the preparation of all necessary

1 financial reports of the assets to be transferred by it under this Act as of the close of business on the day  
2 before the effective date of the transfer.

3 \* Sec. 50. ALASKA STATE HOUSING PLANNING COMMISSION. (a) The Alaska State  
4 Housing Planning Commission is established within the Office of the Governor. The commission  
5 consists of five members as follows:

- 6 (1) a representative of the Office of the Governor, designated by the governor;
- 7 (2) the commissioner of commerce and economic development;
- 8 (3) the commissioner of community and regional affairs;
- 9 (4) a representative of the Alaska Housing Finance Corporation, designated by the board  
10 of directors of the corporation; and
- 11 (5) a public member who is a representative of low income, homeless, or special needs  
12 housing interests.

13 (b) In addition to the members specified in (a) of this section, the governor may invite the  
14 United States Department of Housing and Urban Development to designate a representative of that  
15 department to serve with the Alaska State Housing Planning Commission in an advisory capacity.

16 (c) The Alaska State Housing Planning Commission shall

17 (1) assist with the merger of the state housing programs as set out in this Act to ensure  
18 that housing program service delivery is maintained efficiently and without interruption during the  
19 transitional period; and

20 (2) make recommendations to the legislature regarding further statutory changes that may  
21 be necessary or appropriate to enhance the delivery of housing programs and services in the state.

22 (d) A majority of the members appointed under (a) of this section constitutes a quorum for  
23 organization of the commission and for conducting the business and exercising the powers of the  
24 commission. The commission shall elect a chair from among its membership. The commission shall  
25 meet at the call of the chair.

26 \* Sec. 51. ALASKA HOUSING FINANCE CORPORATION MAY PURCHASE HOUSING LOANS  
27 OF DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS. (a) Subject to existing law, the  
28 Alaska Housing Finance Corporation may purchase, at an appropriate discount mutually satisfactory to  
29 the board of directors of the Alaska Housing Finance Corporation and the commissioner of community  
30 and regional affairs, the mortgage loans and other housing-related loans that are held on the effective  
31 date of this section by the Department of Community and Regional Affairs for the loans it has made

1 under the department's various housing assistance programs set out in AS 44.47.370 - 44.47.560 and  
2 44.47.585 - 44.47.635. In determining an appropriate discount applicable to the purchase price of the  
3 loans, the corporation and the commissioner shall take into consideration the cash balance in the housing  
4 assistance loan fund on the day before the effective date of this section and the corporation's retention  
5 of sufficient unreserved assets of the corporation to capitalize the housing assistance loan fund as  
6 reconstituted in AS 18.56.420, added by sec. 22 of this Act.

7 (b) The commissioner of community and regional affairs shall deposit the full amount received  
8 from the purchase made under (a) of this section in the state general fund.

9 \* Sec. 52. VALIDATION OF CERTAIN LOANS OF THE DEPARTMENT OF COMMUNITY AND  
10 REGIONAL AFFAIRS. (a) Sections 28 - 40 and 43 of this Act are retroactive to January 1, 1992, and  
11 apply to all loans and loan commitments for small community housing loans made after December 31,  
12 1991.

13 (b) Notwithstanding (a) of this section, nonconforming housing loans made by the Department  
14 of Community and Regional Affairs under AS 44.47.370 - 44.47.560 after December 31, 1991, and  
15 before the effective date of this section are valid.

16 \* Sec. 53. Section 50 of this Act is repealed July 1, 1993.

17 \* Sec. 54. Sections 28 - 40, 43, and 49 - 52 of this Act take effect immediately under  
18 AS 01.10.070(c).

19 \* Sec. 55. Except as provided in sec. 54 of this Act, this Act takes effect July 1, 1992.

5/9/92



# Alaska State Legislature

## HOUSE OF REPRESENTATIVES

Official Business

State Capitol  
Juneau, AK 99801-1182

*Amendments JFC*

TO: Senator Pat Pourchot, Co-Chair  
 Senator Jay Kerttula, Co-Chair  
 Senate Finance Committee

FROM: Senator Pat Rodey  
 Representative Kay Brown

DATE: May 9, 1992

SUBJ: Proposed Senate Finance Amendments to HB 152

The purpose of this memorandum is to proposed a package of amendments to SCS CS HB 152 (CRA) that we believe responds to the concerns expressed by members of the committee.

AHFC Grant Powers (Adams Amendment #1)

This proposed amendment has two parts. #1

*ADOPT*

Part 1 - The first part would delete certain language that was referenced by the department of Law as the existing legal basis relied upon by AHFC in making homeless shelter grants. The proposed legislation would expressly clarify that the corporation may make grants only as authorized by the legislature subject to the Executive Budget Act.

**Recommendation:** The amendment should be adopted in concert with the other provisions of the bill that clarify AHFC's grant authority.

*NOT  
included*

Part 2 - The second part would delete Section 91. After consultation with Senator Adams' staff, and in recognition that subsection (c) of Section 91 subjects the corporation to the Executive Budget Act when it seeks to exercise the authorities in Section 91, it appears that deletion of this section is not needed. ✓

**Recommendation:** In light of subsection (c) of Section 91, it is recommended that this part of the amendment not be adopted.

AHFC Reporting Requirements (Adams #2)

ADOPT #2

This amendment would clarify certain reporting requirements regarding the corporation's assets.

**Recommendation:** This amendment should be adopted.

Purchase of the HAD Portfolio (Hoffman Amendment)

ADOPT #3

The effect of this amendment would be to clarify that the corporation may purchase the HAD portfolio under existing statutory authority and, if it did so, would retain these loans and provide for some method of mortgage insurance (possibly self-insure).

**Recommendation:** This amendment should be adopted.

Corporation Board Composition (Brown #1)

ADOPT #4

This amendment would provide for a nine member board with two (2) commissioners (Revenue and DCRA) and seven (7) public members to be appointed by the governor.

**Recommendation:** This amendment should be adopted.

Transition Commission Composition (Brown #2)

ADOPT #5

This amendment would provide for a five (5) member temporary Alaska State Housing Planning Commission that would assist with the transition. The Commission would sunset July 1, 1993.

**Recommendation:** This amendment should be adopted.

Title Amendment (Rodey #1)

ADOPT #6

ADOPT

This amendment would correct an inadvertent title change made in the Senate Community and Regional Affairs Committee CS.

**Recommendation:** This amendment should be adopted.

Application of the Executive Budget Act (Rodey #2)

ADOPT #7

This amendment would clarify the applicability of the Executive Budget Act to the corporation's activities as they pertain to ASHA and clarify that the EBA applies to non-federal activities.

**Recommendation:** This amendment should be adopted.

# /

Insert another new section after section 80:

AS 18.56.010 (c): The legislature finds and declares that, in accomplishing this purpose, the creation of the Alaska Housing Finance Corporation is essential to assist in the acquisition and development of land and the construction, rehabilitation, financing, management, maintenance, sale and rental of dwelling units for persons of lower and moderate income or persons in remote, underdeveloped or blighted areas and that these activities serve a public purpose in benefitting the people of the state. [The Alaska Housing Finance Corporation is empowered to act on behalf of the state and its people in serving the public purpose for the benefit of the general public.]

Part #1

Add another section after 88:

AS 18.56.090 (16) make and execute [agreements,] contracts, and other instruments necessary or convenient in the exercise of the powers and functions of the corporation under this chapter, including contracts with any person, firm, corporation, governmental agency or other entity;

Part #2

Delete section 91 in its entirety.

A M E N D M E N T

#2

OFFERED IN THE SENATE

BY SENATOR ADAMS

TO: SCS CSHB 152 (CRA)

Page 42, following line 7:

Insert a new bill section to read:

\*\* Sec. 91. AS 18.56.089(b) is amended to read:

(b) To further ensure effective budgetary decision making by the legislature, the corporation shall

(1) annually review the corporation's assets, including the assets of the Alaska housing finance revolving fund under AS 18.56.082, to determine whether assets of the corporation exceed an amount required to fulfill the purposes of the corporation as defined in AS 18.55 and this chapter; in making its review, the board shall determine whether, and to what extent, assets in excess of the amount required to fulfill the purposes of the corporation during the next fiscal year are available without

(A) breaching any agreement entered into by the corporation;

(B) materially impairing the operations or financial integrity of the corporation; or

(C) materially affecting the ability of the corporation to

(i) stabilize the market price of and demand for residential housing;

and

(ii) ensure an adequate long-term supply of residential housing for persons of lower and moderate income; and

(2) present to the legislature by January 10 of each year a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund under AS 18.56.082, and a report of the review and determination made under (1) of this subsection; the accounting shall be audited by an independent outside auditor and must include a full description of all mortgage loan interest and principal repayments and program receipts, including

AMENDMENT  
SCS CSHB 152(CRA)

BY HOFFMAN

SECTION 137 LINE 3 PAGE 76  
DELETE, REFERENCE TO A.S. 18.56.210(a)(10),

SECT.145 LINE 8 PAGE 80

ALASKA HOUSING FINANCE CORPORATION MAY PURCHASE HOUSING  
LOANS OF DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS.  
[(a) Notwithstanding AS 18.56.210(a)(10). ] SUBJECT TO EXISTING  
LAW, the Alaska Housing Finance Corporation may purchase, at an  
appropriate discount mutually satisfactory to the board of directors of  
the Alaska Housing Finance Corporation and the Commissioner of  
Community and Regional Affairs, the mortgage loans and other.....

DELETE SECTION (e)  
LINE 6 THRU 9 ON PAGE 77

AMENDMENT

by BROWN #1

Page 39, line 20 through page 39, line 31

Delete all material.

Insert:

"(a) The corporation shall be governed by a board of directors consisting of

(1) the commissioner of revenue;

(2) the commissioner of community and regional affairs;

(3) seven public members appointed by the governor as follows:

(A) one member who represents the financial community or who is a licensed real estate broker under AS 08.88.171 (a);

(B) one member that represents the interests of regional housing authorities;

(C) one member who represents special needs housing interests, including low-income and senior housing;

(D) one member who is a representative of the residential energy efficient homebuilding and weatherization interests in the state; and

(D) three public members, at least one of whom shall be a rural resident of the state."

Make corresponding referencece amendments to other sections.

(A) mortgage loan commitment fees received by or accrued to the corporation during the preceding fiscal year; [,] and

(B) all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund."

Renumber the following bill sections accordingly.

Renumber internal bill section references accordingly.

## AMENDMENT

by BROWN #2

Page 79, line 6 after "Section 141" through Page 80, line 13 delete all material.

Insert:

ALASKA STATE HOUSING PLANNING COMMISSION. (a) The Alaska State Housing Planning Commission is established within the Office of the Governor. The commission consists of five members

- (1) a representative of the Office of the Governor, designated by the governor;
- (2) the commissioner of commerce and economic development;
- (3) the commissioner of community and regional affairs;
- (4) a representative of the Alaska Housing Finance Corporation, designated by the board of directors of the corporation; and
- (5) a public member, appointed by the governor, who is a representative of low income, homeless, or special needs housing interests.

(b) In addition to the members specified in (a) of this section, the governor may invite the United States Department of Housing and Urban Development to designate a representative of that department to serve with the Alaska State Housing Planning Commission in an advisory capacity.

(c) The Alaska State Housing Planning Commission shall

(1) assist with the merger of the state housing programs as set out in this Act to ensure that housing program service delivery is maintained efficiently and without interruption during the transitional period; and

(2) make recommendations to the legislature regarding further statutory changes that may be necessary or appropriate to enhance the delivery of housing programs and services in the state.

(d) A majority of the members appointed under (a) of this section constitutes a quorum for organization of the commission and for conducting the business and exercising the powers of the commission. The commission shall elect a chair from among its membership. The commission shall meet at the call of the chair.

AMENDMENT

by RODEY #2

Page 42, line 4, after "earnings;"

Insert:

"(D) non-federal activities of the corporation under AS18.55.010 -  
18.55.960."

# /

Amendment for HB 152

By Adams

Insert another new section after section 80:

AS 18.56.010 (c): The legislature finds and declares that, in accomplishing this purpose, the creation of the Alaska Housing Finance Corporation is essential to assist in the acquisition and development of land and the construction, rehabilitation, financing, management, maintenance, sale and rental of dwelling units for persons of lower and moderate income or persons in remote, underdeveloped or blighted areas and that these activities serve a public purpose in benefitting the people of the state. [The Alaska Housing Finance Corporation is empowered to act on behalf of the state and its people in serving the public purpose for the benefit of the general public."]

Add another section after 88:

AS 18.56.090 (16) make and execute [agreements,] contracts, and other instruments necessary or convenient in the exercise of the powers and functions of the corporation under this chapter, including contracts with any person, firm, corporation, governmental agency or other entity;

Delete section 91 in its entirety.

# MEMORANDUM

State of Alaska

Department of Law

TO: Barry Hulin  
Executive Director  
Alaska Housing Finance Corp.

DATE: February 3, 1992

FILE NO: 661-92-0410

TEL NO: 269-5200

SUBJECT: AHFC grant authority

FROM:

Joseph McKinnon *JM*  
Assistant Attorney General  
Commercial Section-Anchorage

You have asked whether the Alaska Housing Finance Corporation (AHFC) has the power to enter into an agreement with the Municipality of Anchorage to provide transitional housing for homeless families with children. We have concluded that AHFC does have such authority.

On December 17, 1991, AHFC entered into a grant agreement with the Municipality of Anchorage. The agreement calls for the Municipality to provide certain services to meet the temporary housing needs of homeless families with children. It authorizes the Municipality to "renovate structures to meet basic health and safety requirements, rent or purchase necessary equipment and furnishings, pay for social work, shelter supervision and maintenance services, purchase foodstuffs, pay utilities (including heat, light and telephone) or other such items and activities as may be customarily associated with the operation of an emergency shelter for the homeless."

As a legislatively created agency, AHFC is limited in its operations to those powers which are expressly conferred or necessarily implied. 3A Sands, Sutherland Statutory Construction, §65.02 (4th Ed. 1986). In interpreting the extent of an agency's powers, courts have tended to adopt a strict interpretation of statutes where administrative agencies seek to exercise powers that tend to interfere with established property rights, freedom of contract or personal freedom and liberty. Id. However, where the statutory purpose is the promotion of the broad public welfare, courts are inclined towards a broad and liberal interpretation to aid in the beneficial purposes of an enactment. Id. at §65.03.

We believe that AHFC has statutory authorization to enter into an agreement for the operation of a transitional housing facility. AHFC has received a very broad grant of authority at AS 18.56.010.

661-92-0410

Sec. 18.56.010. Findings and purpose. (a) There exists a serious shortage of decent, safe and sanitary residential housing available at low and moderate prices or rentals to persons of lower and moderate income. There also exist within the state remote, underdeveloped and blighted areas where the development of decent, safe and sanitary housing is necessary to economic growth. These conditions are inimical to the safety, health, welfare and prosperity of the residents of the state and to the sound growth of urban and rural communities.

(b) The legislature finds and declares that private enterprise has not been able to provide, without assistance, an adequate supply of decent, safe and sanitary homes at prices or rents that persons of lower or moderate income can afford, or to achieve rehabilitation of much of the present housing for persons of lower and moderate income, or to provide without assistance the housing necessary to promote the economic growth of remote, underdeveloped or blighted areas, and that existing state and federal programs are inadequate to meet the housing needs of persons of lower and moderate income or of remote, undeveloped or blighted areas. It is imperative that the supply of housing necessary to promote the economic growth of remote, underdeveloped or blighted areas be increased and that coordination and cooperation among private enterprise, state and local government be encouraged to sponsor, build and rehabilitate residential housing for these persons.

(c) The legislature finds and declares that, in accomplishing this purpose, the creation of the Alaska Housing Finance Corporation is essential to assist in the acquisition and development of land and the construction, rehabilitation, financing, management, maintenance, sale and rental of dwelling units for persons of lower and moderate income or persons in remote, underdeveloped or blighted areas and that these activities serve a public purpose in benefitting the people of the state. The Alaska Housing Finance Corporation is empowered to act on behalf of the state and its people in serving this public purpose for the benefit of the general public. (Emphasis Added.)

The language of AS 18.56.010(c) is somewhat unusual. "Findings and purpose" sections are generally statements of policy describing the legislature's reasons for adopting a particular

661-92-0410

statute. They usually do not include language which purports to empower agency action. The legislature's use of the word "empowered," however, is important. There is a presumption that every word, sentence, or provision in a statute was intended for some useful purpose and has some force and effect, that no superfluous words or provisions were used and that some effect is to be given to each. Alaska Transp. Com'n. v. AIRPAC, Inc., 685 P.2d 1248 (Alaska 1984). It must be presumed that, by specifically using language of empowerment in AS 18.56.010(c), the legislature was making an affirmative grant of power to the corporation.

Where a statute delegating power to an administrative agency does not expressly define the extent of that power, it may be implied from the general policy and purposes underlying the legislative enactment. State, Department of Labor v. University of Alaska, 664 P.2d 575 (Alaska 1983). AS 18.56.010(c) declares that the "acquisition and development of land and the construction, rehabilitation, financing, management, maintenance, sale and rental of dwelling units for persons of lower and moderate income" are activities that serve a public purpose. AHFC is then specifically "empowered to act on behalf of the state and its people in serving this public purpose." We interpret this provision as empowering AHFC to take those actions which reasonably promote the specific activities set forth at AS 18.56.010(c).

The agreement with the Municipality of Anchorage is for the purpose of rehabilitating, managing and maintaining residential housing for lower income persons. These activities fall within the scope of those set forth at AS 18.56.010(c). We believe that AS 18.56.090(16), when read in conjunction with AS 18.56.010, authorizes AHFC to enter into the agreement. AS 18.56.090(16) provides:

Sec. 18.56.090. General Powers. In addition to other powers granted in this chapter, the corporation may, for the purposes of providing housing for persons of lower and moderate income or persons located in remote, underdeveloped, or blighted areas of the state and for its other corporate purposes,

(16) make and execute agreements, contracts, and other instruments necessary or convenient in the exercise of the powers and functions of the corporation under this chapter, including contracts with any person firm, corporation, governmental agency or other entity;

661-92-0410

This section authorizes AHFC not only to make and execute contracts, but also to make and execute "agreements." The legislature did not specify the distinction between agreements and contracts but obviously intended to draw one. Any statutory construction of this section should attempt to give effect to both words. Alaska Transp. Com'n, supra.

Black's Law Dictionary (5th Ed. 1979) defines "agreement" as "a concord of understanding and intention between two or more parties with respect to the effect upon their relative rights and duties of certain past or future facts or performances." Black's notes that "[a]lthough often used as synonymous with 'contract', agreement is a broader term; e.g. an agreement might lack an essential element of a contract."

The word "agreement" is generally the term used to describe the understanding between the donor and recipient of a grant. This is consistent with Black's definition. Because grants generally involve donative intent, they often lack the essential elements of a contract such as bargained for consideration. We believe the use of the word "agreement" in AS 18.56.090(16) evidences a legislative intent to authorize the use of grants by AHFC to carry out its statutory purposes.

You have also asked us to comment on several specific aspects of the agreement. Funds included in the agreement for renovation of the armory site are appropriate expenditures. The definition of "residential housing" at AS 18.56.900(13) specifically includes rehabilitation of land, buildings and improvements to them within its terms. In any event, the rehabilitation of the armory is only incidental to the primary purpose of providing housing for lower income persons and, therefore, is authorized by AS 18.56.090(22).

The agreement also allows the Municipality to use funds to provide social work services for residents. The specific nature of these services is unclear from the agreement itself. However, if the services are directed towards assisting residents in progressing from transitional to permanent housing, they would fall within the scope of AS 18.56.090(14) which authorizes AHFC to provide advisory services to residents of transitional housing.

Most troublesome is the grant provision which authorizes expenditures for foodstuffs for shelter residents. There is little, if anything, in AHFC's enabling legislation which envisions expenditures on foodstuffs. In this instance, however, we believe that they are permissible. It is not unusual for homeless shelters, either directly or in coordination with other agencies,

Barry Hulin  
AHFC

February 3, 1992  
Page 5

661-92-0410

to provide food to residents. If not inherent in the nature of housing for the homeless, it is at least not uncommon. We believe that an expenditure by AHFC for foodstuffs is permissible in these very limited circumstances.

JM:cmh

FAILED 5/9/92  
#1

AMENDMENT

OFFERED IN THE SENATE  
TO: SCS CSHB 152(CRA)

BY SENATOR ADAMS

#8

Page 2, lines 4 - 5:

Delete "and the Department of Community and Regional Affairs"

Page 2, line 6:

Delete "three"  
Insert "two"

Page 2, line 9:

Delete "weatherization,"

Page 2, line 22, through page 3, line 2:

Delete all material.

Page 3, line 3:

Delete "(4) the provisions of secs. 105 and 106"  
Insert "the provisions of secs. 97 and 98"

Page 3, lines 8 - 20:

Delete all material.

Reletter the following subsections accordingly.

Page 3, line 21:

Delete "secs. 117 - 129, 136, and 147"  
Insert "secs. 107 - 119, 124, and 131"

ATTACH A

Page 3, lines 26 - 28:

Delete all material.

Page 3, line 29:

Delete "(2)"

Page 38, lines 20 - 30:

Delete all material.

Renumber the following bill sections accordingly.

Page 39, line 1:

Delete "AS 18.56.600"

Insert "AS 44.47.560"

Page 39, lines 2 - 20:

Delete all material.

Renumber the following bill sections accordingly.

Page 40, lines 19 - 31:

Delete all material.

Renumber the following bill sections accordingly.

Page 43, line 1:

Delete ";

Insert "."

Page 43, line 2, through page 44, line 9:

Delete all material.

Renumber the following bill sections accordingly.

Page 45, line 15, through page 62, line 28:

Delete all material.

Renumber the following bill sections accordingly.

Page 68, lines 14 - 22:

Delete all material.

Renumber the following bill sections accordingly.

Page 74, line 27, through page 75, line 31:

Delete all material.

Renumber the following bill sections accordingly.

Page 76, lines 2 - 8:

Delete all material and insert:

"\* Sec. 125. AS 18.55.020, 18.55.030, 18.55.050, 18.55.070, 18.55.430, 18.55.640, 18.55.950(2); AS 39.50.200(b)(12); and AS 44.99.200(b)(5) are repealed."

Page 76, line 22, through page 78, line 17:

Delete all material.

Renumber the following bill sections accordingly.

Page 78, line 20:

Delete "sec. 82"

Insert "sec. 78"

Page 78, line 23:

Delete "sec. 82"

Insert "sec. 78"

Page 78, line 24:

Delete "sec. 86"

Insert "sec. 82"

Page 78, lines 25 - 26:

Delete "Each of the following"

Insert "The Alaska State Housing Authority"

Page 78, line 27:

Delete "by them"

Insert "by it"

Page 78, lines 28 - 30:

Delete all material after "transfer"

Insert "."

Page 80, lines 8 - 22:

Delete all material.

Renumber the following bill sections accordingly.

Page 80, line 30:

Delete "Sections 117 - 129 and 136"

Insert "Sections 107 - 119 and 124"

Page 81, line 5:

Delete "Section 144"

Insert "Section 129"

Page 81, line 6:

Delete "Sections 117 - 129, 136, 143 - 145, and 147"

Insert "Sections 107 - 119, 124, 128, 129, and 131"

Page 81, line 8:

Delete "Section 90"

Insert "Section 85"

Page 81, line 9:

Delete "secs. 149 and 150"

Insert "secs. 133 and 134"

New Amendment

#1

SEN

JONES - New section to amend AS 44.83.398(g)...4 dam pool project. This amendment forgives a utility that was "a part of the initial project ... Tyee and Swan Lake Projects" from their proportionate share of the debt service until they are intertied.

SKC-92 pm  
5-10-92  
5-10-92

~~ADOPTED~~  
~~SHILTON~~

HB 152

By Adams

Amend Brown #2 from yesterday's packet of amendments:

under (a) 4 delete representative of the Alaska Housing Finance Corporation, designated by the board of directors;

Insert: a public member, appointed by the Governor, who is a representative of rural housing interests;

under b) line 3 after department insert:  
and the Alaska Housing Finance Corporation to designate a representative



May 8, 1992

The Honorable Jalmar Kerttula, Co-Chair  
Senate Finance Committee  
State Capitol Building, Room 518  
Juneau, AK 99801-1182

The Honorable Pat Pourchot, Co-Chair  
Senate Finance Committee  
State Capitol Building, Room 516  
Juneau, AK 99801-1182

Dear Senators Kerttula and Pourchot:

Re: ASHA Comments on SCS CRHB 152(CRA)

Thank you for the opportunity to provide comments to the Senate Finance Committee concerning the latest version of HB 152. One of ASHA's major concerns is the sunset clause of ASHA's exemption from the Executive Budget Act (EBA). ASHA has considered itself exempt from the EBA, basically due to our existence prior to Statehood.

However, of even greater importance is the fact that Anchorage HUD officials have expressed their concern. During the work sessions, HUD stated their objections, in writing, to the public housing financial process being subject to legislative approval and ASHA's inclusion in the EBA. ASHA's exemption from the EBA should not automatically sunset in two years. The present provision could unnecessarily jeopardize future HUD funding. We request the language be amended to authorize periodic legislative review of this exemption, or to exempt the provisions of A.S. 18.55 from the EBA.

Our second concern is the composition of the Board of Directors. We are dismayed there is not a low-income housing representative on the Board. Although the Commissioner of the Department of Health and Social Services (DHSS) does provide representation for low-income social services, we believe that the Commissioner of Commerce would provide the continuity related to complex Public Housing programs necessary for direction in this new Corporation.

Finally, we agree with the expansion of the Planning Commission to include representation from all aspects of the community and state, especially low income representation. However, the inclusion of the Commissioner of DHSS would bring an even greater degree of communication and commitment to the Commission.

Thank you for your consideration. Please call me at 786-6270 if you wish to discuss these issues further.

Sincerely,  
ALASKA STATE HOUSING AUTHORITY  
*Wayne Mundy*  
Wayne Mundy  
Acting Executive Director

- c: Senator Duncan
- Senator Adams
- Senator Hoffman
- Senator Shultz
- Senator Vehling

\*\*\*\*\*

**DIVISION OF LEGAL SERVICES**

**LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA**

5/09/92

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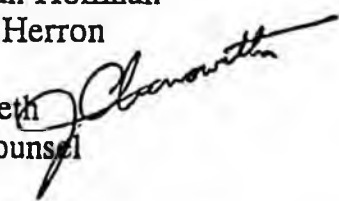
240 Main Street, Suite 500  
Juneau, Alaska 99801-2101

**MEMORANDUM**

May 5, 1992

**SUBJECT:** AHFC purchase of Community & Regional Affairs housing assistance loan fund loan portfolio

**TO:** Senator Lyman Hoffman  
ATTN: Bob Herron

**FROM:** Jack Chenoweth   
Legislative Counsel

As we discussed, it is not necessary that the legislature pass a law to authorize or to require the Alaska Housing Finance Corporation to purchase the housing assistance loan fund portfolio of the Department of Community and Regional Affairs. AHFC may purchase those loans under current law. However, in order to do so, AHFC must meet two conditions that are set out in AS 18.56.210(a)(10):

(a) If the board of directors determines that it is in the best interest of the corporation, the corporation may take appropriate action under this section to stabilize the market price of and demand for residential housing in the state. To accomplish the purposes of this section, the corporation may

...  
(10) purchase loans from the housing assistance loan fund (AS 44.47.380) if and only if:

(A) the payments of principal and interest on the loans are deposited in a separate fund of the corporation to be used for the purposes, and subject to the standards and criteria, of AS 44.47.360 - 44.47.560 as those statutes provided on June 10, 1988; and

(B) the corporation has established a source of mortgage insurance for new loans subject to the provisions of AS 44.47.360 - 44.47.560;

....

If AHFC demonstrates compliance with those provisions, its board of directors may purchase all or a portion of the department's loan portfolio.

ATTACH C

Senator Lyman Hoffman  
May 5, 1992  
Page 2

Under the statute quoted, AHFC must use the principal and interest payments it receives on the loans it is holding to make new loans under the same criteria (AS 44.47.360 - 44.47.560).

My understanding is that the department may use the money it receives from AHFC for its giving up the loan portfolio to originate new loans from the housing assistance loan fund.

SCS CSHB 152 (State Affairs) would merge the Department of Community and Regional Affairs loan programs into AHFC. Under sec. 129 of that bill, AHFC would be authorized to acquire the housing assistance loan fund assets without being further subject to the requirements of AS 18.56.210(a)(10). Since, after June 30, the department would be getting out of the business of making mortgage loans, the money received by the department from AHFC for the portfolio's purchase would be transferred into the general fund.

JBC:gc  
92-353.glc



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May 8, 1992

Senator Pat Pourchot, Co-chairman  
Senate Finance Committee  
Alaska State Legislature  
Room 516/518 Capitol  
Juneau, AK 99801-1182

Re: CS(Q) for HB 152

Dear Senator Pourchot:

The Board of Directors of the Alaska Association of REALTORS® opposes the passage of CS(Q) for HB 152 as it is currently proposed and written. Our concerns are many. This is legislation of huge proportion and it has serious housing implications. It is our concern that this legislation has not had nearly the consideration that such proposals should have, although we are appreciative that a few of our concerns have recently been addressed.

We are very much aware of the intent of the proposal; however, the combining of all of the entities without further regard to the effect of current statute or financial impact may produce such a cumbersome body that no effective housing efforts are accomplished at all.

We are further concerned that an attempt to streamline and consolidate should, by responsible business practices, reduce staff and have a positive budget impact on the new corporation. To this date, no one has been able to assure us that this will be the case.

Please be assured that affordable housing for all Alaskans is, as always, a major goal of the Alaska Association of REALTORS®. We are not opposed to the concept that this bill brings forward, but we are concerned that further work must be done

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Senator Pat Pourchot  
May 8, 1992  
Page 2

to accomplish what we believe to be the intent. We would welcome the opportunity to have input into the development of a consolidated housing program that would be effective.

Sincerely,



Dale A. Price  
President

cc: Senate Finance Committee

**DIVISION OF LEGAL SERVICE**

**LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA**

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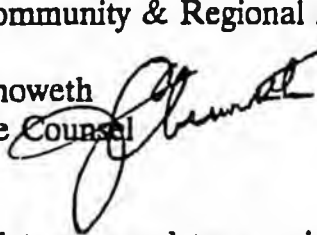
240 Main Street, Suite 500  
Juneau, Alaska 99801-2101

**MEMORANDUM**

May 1, 1992

**SUBJECT:** SCS CSHB 152 (State Affairs): responses to specific questions.

**TO:** Senator Steve Frank, Chair  
Senate Community & Regional Affairs Committee

**FROM:** Jack Chenoweth  
Legislative Counsel 

This memorandum is intended to respond to a series of topics and questions we discussed on Tuesday.

**Basis of bill draft:**

This office's approach to preparation of the initial drafts of this measure was simply one of shifting responsibility for various specified housing-related programs from the agencies and corporations that presently have responsibility for them to the Alaska Housing Finance Corporation. In doing so, I attempted to assure that, in making that transfer, the substantive authority under which the various agencies and corporations operated their programs was neither augmented nor diminished when it was reassigned to AHFC. In other words, the basic tenet of the original effort was not to make significant substantive changes in the powers and responsibilities of AHFC. Insofar as it was possible to do so, the corporation would take over from the agencies the responsibilities for these programs without gaining or losing any significant degree of authority in the process.

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<sup>1/</sup> We approached this so mechanically that we have produced at least one absurd result.

At the bottom of p. 44 and top of p. 45 of the State Affairs CS, we amended AS 18.56.210(a)(10), making a set of conforming or technical changes. However, this section of the bill retains AS 18.56.210(a)(10), a dated set of conditions or limitations on AHFC's purchase of loans from the housing assistance loan fund of Community and Regional Affairs. Elsewhere in the bill--p. 49, line 25--the housing assistance loan fund itself is reconstituted within AHFC. In retrospect, I suggest that since AHFC is to have the control of the housing assistance loan fund, there would seem to be no good reason to retain the loan purchase requirements of AS 18.56.210(a)(10).

(continued...)

Most of the bill in the version that was reported from the Senate State Affairs Committee still reflects this basic approach.

Substantive changes have been made in the final version of the State Affairs Committee-authored bill. The obvious ones include those that you and I briefly discussed as well as changes to the size and composition of the board of directors of AHFC.

Ability of corporation to receive and expend money without prior legislative appropriation:

In Tuesday's discussion, we identified several sections of the bill that, explicitly or by implication, provide latitude to AHFC to retain amounts repaid as loan principal and earned income and to use the money for a variety of corporate purposes without the necessity of a prior legislative appropriation. <sup>2/</sup>

Briefly, under article IX, section 7 of the state constitution, the proceeds of a state tax or license may not be dedicated to a special purpose. The provision has been expanded to cover virtually all sources of public revenues. State v. Alex, 646 P.2d 203 (Alaska 1982). In its deliberations, the court considered the development of the

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<sup>1/</sup>(...continued)

At the same time, the State Affairs CS repeals AS 18.56.210(a)(10). See p. 71, line 11.

The committee should determine what it wants to do on this point and we will, of course, draft accordingly. If the committee takes no action, I would urge repeal AS 18.56-210(a)(10), retaining the repeal provision on page 71 and eliminating bill section 92.

<sup>2/</sup> Of particular note are two provisions.

The first is the change made in bill section 77, at p. 38, lines 25 and 26, replacing reference to "Subject to availability of appropriations for the purpose" with "Using corporate earnings or other available funds" as a source of grants for utility and infrastructure investment under the supplemental housing development grant fund. This provision is further subject to language in bill section 79, requiring the board of directors to "identify in the corporation's proposed operating budget" the money available to supplement available federal money for these supplemental housing development grant purposes.

Bill section 88, new in this bill, adding a subsection to AHFC's general powers, would provide the corporation explicit authority to reserve from its own assets or otherwise receive money in order to address a wide range of functions. It is not clear to me whether AHFC's exercise of power under this grant of authority would be regarded as within the scope of the corporation's operating budget for which legislative submission and approval would be required under AS 18.56.089(a), or whether it would be covered by the "revolving fund" exception of AS 18.56.082.

language of article IX, section 7 during proceedings of the 1955-56 Constitutional Convention, noting that the spokesman for the Convention's Finance and Taxation Committee had indicated that the purpose of a proposed change in the section's language was one intended to

. . . allow for the setting up of certain special funds, such as sinking funds for the repayment of bonds, but to prohibit the earmarking of any special tax to that sinking fund. 4 Alaska Constitutional Convention Proceedings 2363. Thus, the change did not seek to exempt some sources of revenue from the prohibition, but was intended instead to allow necessary dedication of funds once they were received and placed in the general fund.

Alex, supra, at 210.

A 1982 Opinion of the Attorney General, issued after the Alex decision, provides a thorough discussion of the applicability of the dedicated funds provision. The Attorney General's Opinion specifically discusses the applicability of the dedicated funds provision to several categories of earned income.

The first involves the handling of money appropriated to a revolving loan fund or special reserve fund or account, reflecting the return to the fund by borrowers of repaid principal. The opinion concludes that

. . . the better view is that the dedication prohibition does not apply to money once appropriated by the legislature, regardless of whether the appropriation contemplates that the money will be expended.

Opinion of the Attorney General, November 30, 1982, at 12. "Under this reasoning," the Opinion concluded on this point,

. . . there would be no unlawful dedication involved in the return to a revolving loan fund of principal payments on loans. The initial appropriation would suffice to authorize the use of that money for loans until the legislature reappropriates the unobligated assets of the fund or abolishes the fund.

Opinion, at 13. <sup>3/</sup>

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<sup>3/</sup> The Opinion suggests further that

A strong argument can be made that money once appropriated, regardless of the mechanism utilized, loses its character as revenue for the

(continued...)

The opinion separately considers income generated or earned by the management of specific funds or accounts, a return that the opinion characterizes as "derivative income." Suggesting that its decision finds support both in reference to generally accepting accounting principles and in economic theory, the opinion makes the point that

. . . derivative income ought not to be considered revenue subject to the dedicated funds prohibition.

Opinion, at 15. Thus, the opinion would tolerate the placing of interest income generated by a fund back into that fund without an appropriation by the legislature, finding that it would not violate the purpose of article IX, section 7, allowing the legislature to have control of state revenue.

However, the opinion recognized that the use of derivative income without legislative appropriation might have its limits:

A difficulty that arises from the view that the dedicated funds prohibition is not applicable to interest or investment income on separate funds is that it permits steadily increasing amounts of money to be received and used by state departments and agencies without legislative control through the annual budget process. This is precisely the problem posed by the dedication of revenue sources which the drafters sought to avoid. For this reason, while we are not certain about the likely income, we doubt that a blanket exception for derivative income would be approved by the courts.

Opinion, at 16. The Attorney General did indicate that, although "the significance of that [derivative] income in properly managing the state's budget leads us to the conclusion that our framers would have considered it to be within the dedicated fund prohibition," the matter "was not free from doubt." Opinion, at 17. The Department of Law related that

. . . until the question [of whether or not the dedicated funds prohibition is applicable to derivative income] is ruled on by the courts, we

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3/(...continued)

purpose of the dedicated funds prohibition because the purpose of the prohibition, i.e. that the legislature retain control over state revenues, has been satisfied.

will defend legislative action dedicating, by general law, derivative income to the funds which "earned" them.

Opinion, at 17. So far as I know, that continues to be the Department's position.

To round out this discussion, I would note that pledges of revenue to support bond financing are recognized and treated as exempt from the dedicated fund provision for, although these may constitute a form of dedication, it is a dedication based on bond covenants creating a contractual relationship between the parties.

Applicability of, and exemptions from, Executive Budget Act:

Let me summarize what I believe to be an accurate picture of the relationship between the Executive Budget Act and the housing programs authorized by the statutes that are affected by this bill.

If this bill were to become law:

-- the operating budget of the Alaska Housing Finance Corporation would explicitly be subject to the Executive Budget Act;

-- the balance of AHFC's Alaska housing finance revolving fund--a source of money that may be expended by the board of directors of the corporation "for the purposes of the corporation, set out in this chapter (i.e. AS 18.56)"--would continue to operate free of constraints of AS 37.07; in other words, it would not be subject to the Executive Budget Act;

-- AHFC's activities in conjunction with the former ASHA programs that are being transferred to it (but that are still set out in AS 18.55) would explicitly not be subject to the Executive Budget Act;

-- the addition of the material in subsection (b) to AS 18.56.090, made by bill section 88, would impliedly allow the corporation to exercise responsibility over these projects, through the housing finance revolving fund and through the statutes applicable to the specific programs being transferred to AHFC, without reference to the Executive Budget Act.

\*

First: Today, under AS 18.56.089(a)

The operating budget of the corporation [Alaska Housing Finance Corporation] is subject to AS 37.07 (Executive Budget Act).

(Emphasis added.) <sup>4/</sup>

By contrast, apart from its internal operations, AHFC enjoys authority to manage its day-to-day affairs without significant additional legislative involvement through the appropriations process. The corporation's ability to do so is confirmed by AS 18.56.082:

The Alaska housing finance revolving fund is established in the corporation. The revolving fund consists of appropriations made to the revolving fund by the legislature, money or other assets transferred to the revolving fund by the corporation, and unrestricted repayments of principal on loans made or purchased by the corporation. Amounts deposited in the revolving fund shall be expended for the purposes of the corporation, set out in this chapter.

Thus, except for the appropriations made to the revolving fund by the legislature, AHFC determines the size of that fund by determining what money or other assets it shall transfer into it, and also determines how the balance of the revolving fund shall be used.

Third, the ASHA statutes, dating from an earlier era, do not contain similar language. ASHA has not heretofore enjoyed the breadth of authority to operate its programs comparable to that provided by AS 18.56.082 to AHFC, and presumably ASHA has not enjoyed an exception or exemption in any respect from the provisions of the Executive Budget Act. By my reading of the measure, that is about to change. In this measure, bill section 87 would amend AS 18.56.089. While maintaining the current language applicable to "the operating budget of the corporation [i.e. AHFC]", the amendment would draw a clear line around the former ASHA programs that are being assumed by AHFC and extend to them the benefits of exemption from the Executive Budget Act.

Fourth: AS 18.56.090(b), added by bill section 88, complements and extends AHFC's ability to influence housing policy through its use and application of the assets of its housing finance revolving fund, AS 18.56.082. Proposed AS 18.56.090(b) gives the corporation the ability to "reserve" money, to "receive" money, and to "provide"

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<sup>4/</sup> The statute offers no definition of the phrase "operating budget of the corporation."

money for a range of various specified purposes that generally conform to the powers relating to programs being transferred to the corporation. If the source of that money is understood to be the housing finance revolving fund, then the corporation would have complete authority to shape and support housing policy for the state without having to rely, in any significant way, on prior legislative appropriations.

The broad authority requested under proposed AS 18.56.090(b) poses a potential problem of constitutional magnitude. The 1982 Opinion of the Attorney General distinguishes between the return to a revolving fund of principal payments on loans--the Attorney General explains that the initial appropriation would suffice, constitutionally, to support the reuse of that money for other loans (presumably of the kind authorized by the loan program)--versus the return to a revolving fund of "derivative income"--the Opinion does state that the use of derivative income without a related appropriation is subject to possible challenge. Reliance on AS 18.56.090(b) to justify an expanded use of the housing finance revolving fund without the necessary appropriation appears to stretch the objectives to which the fund may be put to its extreme limits, if not beyond them. <sup>5/</sup>

\*

Before leaving this topic, I want to note that, under existing provisions of law and in additional language crafted and added in this measure, AHFC enjoys latitude to use these exceptions to the prohibition against dedicated funds. Existing law--AS 18.56.083 for senior housing projects (in this bill, AS 18.56.083 is repealed and replaced, in bill section 95, by AS 18.56.790) and AS 18.56.110 for other purposes for which the corporation is authorized to conduct its business--permits the issuance of revenue bonds. In these bonding areas, the legislature has set constraints on issuance of the amounts of bonds. In existing AS 18.56.083 (and AS 18.56.790 in this bill), that limitation is expressed as a maximum of \$30 million. In AS 18.56.110(g), it is a limitation based on the ceiling imposed by the prior fiscal year's authorized issuance.

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<sup>5/</sup> AHFC may take comfort from the annual appropriation set out in the "front section" of the Act making appropriations for the operation of state government. Sec. 18, ch. 73, SLA 1991, is probably typical:

All unrestricted mortgage loan interest payments and all other receipts, including, without limitation, mortgage loan commitment fees, received by or accrued to the Alaska Housing Finance Corporation during the fiscal year 1992, and all income earned on assets of the corporation, are appropriated to the Alaska housing finance revolving fund (AS 18.56.082) for the purposes described in AS 18.56.

Purchase of Department of Community & Regional Affairs housing loan portfolio:

The issue is, as I believe I mentioned, one of a mandatory versus permissive purchase and one of timing. As the Senate State Affairs CS is drafted, bill section 129 has only one substantive feature--it sets aside the two preconditions that must be met under AS 18.56.210(a)(10) before AHFC may purchase the Department of Community and Regional Affairs' housing loan portfolio. Everything else in that section effectively affirms that the directors of AHFC may purchase that portfolio, without setting a date or deadline for that. I know that the Senate has eyed that loan portfolio purchase--the transfer of money from AHFC to Community and Regional Affairs for deposit into the general fund--as an aid to balancing the FY 1993 budget and wonder whether leaving the matter and timing of that loan portfolio purchase to the discretion of the board of directors may not compromise those budget balancing efforts. I also wonder whether AHFC's board will be motivated to make the purchase when, on July 1, 1992, the loan portfolio will pass from the department to the corporation by virtue of sec. 123 of the Act.

If, under AS 18.56.089(b)(1), the board of directors has completed its annual review of the corporation's assets to determine whether assets of the corporation exceed an amount required to fulfill the purposes of the corporation, it should be able to say, with certainty, whether there are corporate assets in excess of the amount required to fulfill the purposes of the corporation that are available to the legislature without breaching any agreement entered into by the corporation or materially impairing the operations or financial integrity of the corporation. If there are assets available, **the committee (or the legislature) may want to direct the portfolio's purchase.**

Protection of legislature's oversight role with respect to public building project construction:

ASHA currently enjoys authority to engage in the construction of public building projects. This bill transfers the public building project construction authority to AHFC. AS 18.55.100(d) provides the legislature with a significant role in that process:

(d) Notwithstanding (a)(7) and (15) of this section, a proposed public building project shall be submitted by the authority to the legislature for review. The authority may proceed with the public building project only if it is approved by law. An appropriation does not constitute approval by law for purposes of this subsection.

Since subsection (d) is retained, substantively unchanged (the revisor of statutes is directed to substitute "corporation" for "authority"), the legislature's oversight role with respect to public building projects authorized under AS 18.55 is not diminished by this measure.

Senator Steve Frank

May 1, 1992

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**No action is required** if the committee concludes that the "public building project" construction authority should shift to AHFC as indicated in the previous committee substitute.

Implication of omission of reference to "public building project" from bill title:

This is an Act that, as its title says, relates to "housing," and "housing" is at the heart of virtually all the measure's provisions. But it is also a bill that treats a transfer of the authority for construction of "public building projects" by shifting the responsibility for them from ASHA to AHFC. The SCS (State Affairs) title is faithful to the version passed by the House. Accordingly, it omits any reference to the disposition of public building projects. That is, in my judgment, a potentially fateful omission. **The committee may want to incorporate a title change and prepare and introduce a concurrent resolution waiving the applicable Uniform Rules in order to accommodate that title change.**

\* \* \*

In response to specific requests from you and staff, I want to address several bill sections.

I was asked to speak to bill section 92. Appreciate that AS 18.56.300 is a section imposing construction standards on housing eligible for AHFC-assisted loans, while AS 18.56.300(d) makes an exception as to the application of those standards for the corporation's nonconforming housing loan program. Initially, the only change in the section was one adding the words "or purchased." The State Affairs Committee then asked that the reference to "AS 18.56.106" be deleted (i.e. shown in brackets) and reference to "nonconforming" be added, so that the bill section reads as presented. Existing AS 18.56.106 establishes a nonconforming loan program. However, the deletion of the cross-reference to that specific program and the substitution of "nonconforming" may have the effect of broadening the exemption to cover not just nonconforming housing loans under AS 18.56.106 but also those that fit within the definition of AS 18.56.600(2)--page 57, lines 4 and 5. That definition, of course, supports the nonconforming housing loan program that is being transferred in this bill from the Department of Community and Regional Affairs (AS 44.47.370 - 44.47.560) to AHFC (AS 18.56.400 - 18.56.600). In short, the substitution would except or exclude from the construction standards requirements the rural nonconforming housing that until now has been handled through Community and Regional Affairs.

I was asked to speak to bill section 94, and have done so, including my recommendation, in footnote #1.

One other question related to a reference in the bill to "special needs housing." This reference appears, as a definition, in bill section 95 at page 48, lines 9 - 16, and

Senator Steve Frank  
May 1, 1992  
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substantively, within the definition of "residential building" in the immediately preceding paragraph. This is a "new" definition in that it is a term that is here defined for the first time. (This is not a definition transferred over from existing AS 18.56.900.) By virtue of its linkage to the existing definition of "residential building" in proposed AS 18.56.390(12) (coupled with the expansion of the defined term from "residential housing" to "residential building or residential housing"), it expands the definition of those two terms wherever they appear in AS 18.56.010 - 18.56.300. <sup>6/</sup> The net effect would be to place special needs housing on the same level as other forms of dwelling accommodations for purposes of housing program operation under AS 18.56.

\* \* \*

I have one drafting concern: AS 18.56.089(b) considers the relationship between AHFC and the legislature. It directs the corporation to conduct an annual examination of its assets and report certain information to the legislature sufficient for the legislature to determine whether any of the assets should be transferred to the state's general fund for other uses. As drafted, AS 18.56.089(b) only requires AHFC to conduct an examination with reference to its activities under "this chapter" (that is, under AS 18.56). Since, under this bill, AHFC will be assuming responsibilities under AS 18.55, should AS 18.56.089(b) be amended to broaden the evaluation so that it takes into account activities under AS 18.55 and this chapter?"

JBC:pl  
92-318.plm

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<sup>6/</sup> The terms "residential building" and "residential housing," carrying a meaning expanded by the addition of "special needs housing" may be found in AS 18.56.089(b)(1)(C), 18.56.090(1) - (3), 18.56.095(h)(1), 18.56.096(c), 18.56.100(b), 18.56.135, various paragraphs in 18.56.210(a), and 18.56.300.

DEPARTMENT OF COMMUNITY AND  
REGIONAL AFFAIRS

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May 1, 1992

The Honorable Steve Frank  
Alaska State Legislature  
State Capitol Building, Rm. 417  
Juneau, Alaska 99811

RE: HB 152, Housing Program Consolidation

Dear Senator Frank:

As you are preparing to hear HB 152 in the Senate Community and Regional Affairs Committee, this seems a good time to assemble the various bits of information about the DCRA housing loan programs that are scattered throughout the record on this bill and two other pieces of legislation, HB 431 and SB 402, that also pertain to our rural housing loan program.

Paul Fuhs has already testified at various hearings that the Hickel administration supports the consolidation of all housing programs under AHFC. The purpose of this letter is to clarify for the Senate CRA committee the nature and scope of the DCRA rural housing loan program so that the program does not become lost or diluted when it moves to AHFC under the proposed legislation.

#### History of the Program

The housing assistance loan fund in DCRA was created under legislation enacted in 1980 to respond to the housing needs of rural Alaska that were not being met by AHFC. AHFC focused its activities on urban Alaska where loans meeting conventional lending criteria could be made. The housing assistance loan fund was capitalized during FY81-FY88 with \$192,650,000 in general funds. During the same period, the housing assistance loan fund repaid to the general fund \$90,076,800. The specifics of the funding for and repayment by the housing assistance loan fund are found on Attachment A. Historically, DCRA has made loans totalling between \$22 and \$28 million annually. All costs of administration for the loan program are paid for from proceeds of the loan fund.

Letter to Senator Frank  
May 1, 1992  
Page Two

### Scope of the Program

According to the March 31, 1992 analysis of the housing assistance loan portfolio, the total number of loans outstanding was 1877, and the outstanding principal balance of those loans totalled \$181,607,119.30. A breakdown of the statewide distribution on loans in the portfolio is found in Attachment B. Please note that at one time nonconforming loans in urban areas were made from the housing assistance loan fund. There are still active loans in the portfolio from Anchorage, Fairbanks and Ketchikan for that reason. At present, loans made in the Ketchikan Gateway Borough and Kodiak Island Borough are only made outside of the city limits of Ketchikan and Kodiak.

The ability of DCRA to make rural housing loans is limited by the definition of "rural" in AS 44.47.560. The present definition has a 4500 population cap on the size of community in which DCRA can make loans and prohibits our making loans in communities connected to Anchorage or Fairbanks by road or rail. Nome and Bethel are now over the 4500 population cap and are not now eligible for loans under our program.

HB 431 and SB 402 are companion bills that amend the definition of "rural" to raise the maximum community population to 5500 and allow us to serve small communities connected by road or rail to Anchorage or Fairbanks. The two bills differ slightly in the population allowed. SB 402 allows us to serve communities of up to 1500 that are connected by road or rail to Anchorage or Fairbanks. In HB 431, the House Finance committee lowered the limit to 1400 in order to exclude North Pole which has alternate funding sources for home loans. The House Finance committee also added a clarification that "connected by road" does not include a connection by the Alaska Marine Highway system. Attachment C lists the communities shown on the 1992 DCRA community/borough map that may be served under the definition of "rural" as a community with a population of up to 1400 residents that is connected by road or rail to Anchorage or Fairbanks. Please note also that the House Finance version of HB 431 changed the term "rural" to "small community." All of these changes should be picked up in HB 152 so that there is consistency between the definitions. I have gone over these changes with Rick Solie, aide to Senator Frank, so that I will not need to take the committee's time on this issue.