

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILE 8672

1174 SCOMM 34: HOUSE SPEC. COMMITTEE ON STATE LOANS 1983-84

1 amount which, together with the amount then in the
2 fund, is not less than the capital reserve fund
3 requirement.

4 (c) In computing the amount of a capital reserve
5 fund for the purpose of this section, securities in
6 which all or a portion of the fund is invested shall be
7 valued by a reasonable method established by the
8 authority by resolution. Valuation shall include the
9 amount of interest earned or accrued as of the date of
10 the valuation.

11 (d) The chairman of the authority shall annually,
12 no later than January 2, certify in writing to the
13 governor and the legislature the amount, if any,
14 required to restore a capital reserve fund to the
15 applicable capital reserve fund requirement. The
16 legislature may appropriate to the authority the amount
17 certified by the chairman of the authority. The
18 authority shall deposit the amounts appropriated under
19 this subsection during a fiscal year in the proper
20 capital reserve fund. Nothing in this section creates
21 a debt or liability of the state.

22 (e) In this section, "capital reserve fund
23 requirement" means the amount required to be on deposit
24 in a capital reserve fund as of the date of computation
25 as determined by resolution of the authority.

26 (f) The authority may establish reserve funds,
27 other than capital reserve funds, to secure one or more
28 issues of its bonds. The authority may deposit in a
29 reserve fund established under this subsection the
30 proceeds of sale of its bonds or other money which may
31 be made available from any other source. A reserve
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1 fund established under this subsection must comply with
2 (a) - (c) of this section. The authority may allow a
3 reserve fund established under this subsection to be
4 depleted without complying with (d) of this section.

5 (g) The authority may not establish a capital
6 reserve fund if the costs of the project to be financed
7 with the proceeds of the bonds exceed \$10,000,000.

8 (h) The authority may not establish a capital
9 reserve fund to secure bonds for a project in an amount
10 in excess of \$1,000,000 unless at least 20 percent of
11 the principal amount of the loan for the project is
12 retained by a federal or state chartered financial
13 institution or the Alaska Commercial Fishing and
14 Agriculture Bank.

15 (i) The provisions of (g) and (h) of this section
16 shall not apply to capital reserve funds established to
17 secure bonds issued to finance housing projects.

18 * Sec. 6. AS 44.88 is amended by adding a new section
19 to read:

20 " Sec. 44.88.151. ADMINISTRATIVE PROCEDURE. (a)
21 Except for AS 44.62.310 and 44.62.312, regarding public
22 meetings, and AS 44.62.320(a) regarding legislative
23 review of regulations, the Administrative Procedure Act
24 (AS 44.62) does not apply to AS 44.88. The authority
25 shall make available to members of the public copies of
26 the regulations adopted under (b) - (e) of this
27 section. Within 45 days after adoption, the chairman
28 of the authority shall submit a regulation adopted
29 under (b) - (e) of this section to the chairman of the
30 Administrative Regulation Review Committee under AS
31 24.20.400 - 24.20.460. The provisions of AS
32

1 44.62.320(a) apply to regulations adopted under (b) -
2 (e) of this section.

3 (b) The authority may adopt regulations b. motion
4 or by resolution or in any other manner permitted by
5 its bylaws.

6 (c) The authority may adopt regulations to carry
7 out the purposes of this chapter, and shall adopt
8 regulations necessary for the following purposes:

9 (1) determination of borrower eligibility;

10 (2) loan guidelines and terms including but
11 not limited to maximum loan amounts and required loan-
12 to-value ratios, but excluding loan interest rates;

13 (3) characteristics of projects eligible for
14 loans or purchase of loans; and

15 (4) the qualifications of loan originators
16 and servicers and the method of allocating amounts
17 available for the purchase of loans.

18 (d) Except as provided in (e) of this section, at
19 least 15 days before the adoption, amendment, or repeal
20 of a regulation on a subject specified in (c)(1) - (4)
21 of this section, the authority shall give public notice
22 of the proposed action by publishing the notice in at
23 least three newspapers of general circulation in the
24 state and by mailing a copy of the notice to every per-
25 son who has filed a request for notice of proposed
26 regulations with the authority. The public notice must
27 include a statement of the time, place, and nature of
28 the proceedings for the adoption, amendment, or repeal
29 of the regulation and must include an informative sum-
30 mary of the proposed subject of the regulation. On the
31 date and at the time and place designated in the
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1 notice, the authority shall give each interested person
2 or his authorized representative, or both, the oppor-
3 tunity to present statements, arguments, or contentions
4 in writing, and shall give members of the public an
5 opportunity to present oral statements, arguments, or
6 contentions for a total period of at least one hour.
7 The authority shall consider all relevant matter pre-
8 sented to it before adopting, amending, or repealing a
9 regulation. At a hearing under this subsection, the
10 authority may continue or postpone the hearing to a
11 time and place which it determines. A regulation which
12 is adopted, or its amendment or repeal, may vary in
13 content from the informative summary specified in this
14 subsection if the subject matter of the regulation, or
15 its amendment or repeal, remains the same and the
16 original notice was written so as to assure that mem-
17 bers of the public are reasonably notified of the pro-
18 posed subject of the authority's action in order for
19 them to determine whether their interests could be
20 affected by the authority's action on that subject.

21 (e) A regulation or order of repeal on a subject
22 specified in (c) of this section may be adopted as an
23 emergency regulation or order of repeal if the autho-
24 rity makes a finding in its order of adoption or re-
25 peal, including a statement of the facts which consti-
26 tute the emergency, that the adoption of the regulation
27 or order of repeal is necessary for the immediate pre-
28 servation of the orderly operation of the authority's
29 loan and bonding programs. The requirements of (d) of
30 this section do not apply to the initial adoption of an
31 emergency regulation covering a subject specified in
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1 (c)(1) - (4) of this section; however, upon adoption of
2 an emergency regulation, the authority shall, within 10
3 days after adoption, give notice of the adoption in
4 accordance with (d) of this section. No emergency
5 regulation adopted under this subsection remains in
6 effect more than 120 days unless the authority complies
7 with (d) of this section during the 120-day period.

8 (f) A regulation adopted under (b) - (e) of this
9 section becomes effective immediately upon its adoption
10 by the authority, unless otherwise specifically provid-
11 ed by the order of adoption.

12 (g) The provisions of (b) - (e) of this section
13 do not apply to regulations governing interest rates on
14 the authority's loan programs.

15 * Sec. 7. AS 44.88 is amended by adding a new section to
16 read:

17 Sec. 44.88.153. MULTI-FAMILY HOUSING DEVELOPMENT
18 FUND. (a) The multi-family housing development fund
19 is established in the authority. The multi-family
20 housing development fund is a trust fund in furtherance
21 of the purposes of AS 44.88.070(b) and the powers con-
22 ferred in AS 44.88.085. The multi-family housing
23 development fund consists of money or assets appropri-
24 ated or transferred to the authority and other money or
25 assets deposited in it by the authority.

26 (b) The authority may establish sub-accounts
27 within the multi-family housing development fund.

28 (c) Money and other assets of the multi-family
29 housing development fund may be used to secure bonds of
30 the authority, and shall be held and invested by the
31 authority in the types of investments described in AS
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1 37.10.070(a) and AS 39.35.110(a)(9) and (14) or as
2 specified in a trust agreement or bond resolution
3 securing bonds issued for a housing project, or shall
4 be used to purchase loans for housing projects.

5 (d) The authority may transfer between the enter-
6 prise development fund and the multi-family housing
7 development fund money and other assets held in either
8 fund.

9 (e) The provisions of AS 44.88.155(d) shall not
10 apply to housing projects or to the application of
11 moneys or other assets held in the multi-family housing
12 development fund.

13 (f) The authority may adopt regulations for the
14 administration of the multi-family housing development
15 fund which may include, without limitation, provisions
16 for fees and agreements relating to application, loan
17 commitment, servicing, and origination of loans by
18 other lenders.

19 (g) The authority may enter into agreements as to
20 the use of the money in the multi-family housing de-
21 velopment fund, including without limitation, trust or
22 custody arrangements with banks or trust companies. It
23 may also pledge, assign, or grant the agreement,
24 interests under an agreement, or interests in the
25 multi-family housing development fund as may be neces-
26 sary or appropriate to provide for payment and security
27 for bonds of the authority.

28 * Sec. 8. AS 44.88.159(a) is amended to read:
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30 Sec. 44.88.159. INTEREST RATES. (a) The interest
31 rate on a loan for a project other than a housing
32 project financed from the proceeds of tax-exempt bonds

1 or expected [EXCEPTED] by the authority to be financed
2 from the proceeds of tax-exempt bonds is equal to the
3 cost of funds to the authority. In this subsection
4 "cost of funds" means the true interest cost expressed
5 as a rate on tax-exempt bonds of the authority plus an
6 additional percentage as determined by the authority to
7 represent the allocable expenses of operation, costs of
8 issuance, and loan servicing.

9 * Sec. 9. AS 44.88.220(5) is amended to read:

10 (5) "project" other than a housing project

11 means

12 (A) a plant or facility used or intend-
13 ed for use in connection with making, processing,
14 preparing, or producing in any manner, goods, pro-
15 ducts or substances of any kind or nature or in
16 connection with developing or utilizing a natural
17 resource, or extracting, smelting, transporting,
18 converting, assembling or producing in any manner,
19 minerals, raw materials, chemicals, compounds,
20 alloys, fibers, commodities and materials, pro-
21 ducts or substances of any kind or nature, any
22 plant or facility used or intended for use as an
23 industrial park or in connection with air and
24 water transportation, or any plant or facility for
25 the prevention, limitation or control of air or
26 water pollution, for the disposal of sewage or
27 solid waste, for the local furnishing of gas, or
28 for the furnishing of water;

29 * Sec. 10. AS 44.88.220(9) is amended to read:

30 (9) "project applicant" means a business
31 enterprise or enterprises proposing to
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1 (A) use or occupy a project, other than
2 a housing project; or

3 (B) agree to permit others to use or
4 occupy a project other than a housing project;

5 * Sec. 11. AS 44.88.220 is amended by adding a new sub-
6 paragraph (17) to read:

7 (17) "housing project" means a specific
8 building, structure, work or improvement of five or
9 more units (including a multi-family dwelling) under-
10 taken primarily to provide rental dwelling accomoda-
11 tions, including the acquisition, construction or re-
12 habilitation of land, buildings and improvements to
13 such accommodations and such other non-housing facil-
14 ities as may be incidental or appurtenant to such land
15 or accommodations;

16 * Sec. 12. This Act takes effect immediately in accor-
17 dance with AS 01.10.070(c).
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FHA Insured Program

While similar to the uninsured program structure, certain differences exist as a result of special features of FHA 221(d)(4) multi-family mortgage insurance outlined below.

FHA Insured Mortgage Loans

- Par Amount:** Up to 90% of HUD/FHA estimated replacement cost of the project. AIDA funded portion would be 100% without bank participation.
- Maturity:** Stated maturity up to 40 years or three-fourths of the economic life of the project, whichever is less. Growing equity amortization formula, based on 3% annual increase, will result in full amortization well before 20th year.
- Interest Rate:** Same as uninsured program or 11%.
- Security:** First Deed of Trust, assignment of rents and Insurance from FHA on face amount of mortgage loan.
- Fees:** Approximately 1% of mortgage par value at closing and 1/4 of 1% annually represent insurance premiums. All other costs similar to uninsured program.

AIDA Bonds:

FHA insured loans will secure a separate AIDA multi-family issue and will allow the bonds to be rated above the "A" rating generally received by AIDA. Interest cost savings should equal 1/2 of 1% each year.

5.75 Ratchet modifier

AHFC Low Case

	current	5/82	7/82	ratchet here ↓ 10/82 ↓ 3/83	
CF	19.411	17.250	16.750	17.000	17.250
SR	12.375	12.375	12.375	→ 12.625 →	12.875
LS	7.035	4.875	4.375	4.375	4.375

LS with ratchet modifier (No change)	17.250	16.750	17.000	17.250
	12.375	12.375	12.625	12.875
	4.875	4.375	4.375	4.375

AHFC High Case

	~~current~~	5/82	7/82	10/82	3/83
CF	19.411	17.000	16.500	18.000	18.500
SR	12.375	12.375	12.375	13.875	14.375
LS	7.035	4.625	4.125	4.125	4.125

LS with Ratchet modifier	17.000	16.500	18.000	18.500
	12.375	12.375	12.625	12.875
	4.625	4.125	5.375	5.625

A very high case ratchet only	17.000	17.500	19.000	19.500
	12.375	12.875	14.375	14.875
	4.625	4.625	4.625	4.625

LS with Ratchet modifier	17.000	17.500	19.000	19.500
	12.375	12.625	12.875	13.500
	4.625	4.875	6.125	6.000
			- 5.750	5.750
			.375	.250
			+ 12.875	+ 13.500
			13.250	13.750



Official Business

Alaska State Legislature

Senate

Labor & Commerce Committee

Pouch V
State Capitol
Juneau, Alaska 99811

FCC SB 666:

General Summary of Commercial Fishing Loan Provisions:

- 1) Repeals Fishermans Mortgage and Note Fund and transfers assets and liabilities to to the commercial fishing revolving loan fund;
- 2) Establishes 2 main loan categories:
 - a) AS 16.10.310 (a) (1) (A): Loans to \$300,000 for entry permits
 - b) AS 16.10.310 (a) (1) (B) or (C): Loans to economically dependent fisherman for purchase/upgrading/gear/vessels and entry permits up to \$100,000
 - c) Person who qualifies for a loan under (B) or (C) may receive a loan under (A) for an entry permit providing the total of the loans does not exceed \$300,000;
 - d) Proposed amendments to the bill detail provisions for loans received before the effective date of the act, and loans subsequent to the effective date of the act;
- 3) Provides for appraised value of collateral for which loans may be made; under conventional circumstances, 90% of the appraised value; there is a provision for loans to 100% of the appraised value of collateral for an entry permit, and that provision is subject to restricted criteria; (16.10.310 (a) (1) (B)).
- 4) Provides for an increase in the interest rates on commercial fishing loans; 10½%

for Sen. Mulcahy
information on
not a work draft
material from HCSSB 666 am H is bracketed
new material is underlined

Sec. 8. AS 16.10.310 is repealed and reenacted to read:

Sec. 16.10.310. POWERS OF THE DEPARTMENT. (a) The department may

(1) make loans to

(A) individual commercial fishermen who have been state residents for a continuous period of five years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370 and have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for any one of the past five years, and who actively participated in the fishery during that period, for the purchase of entry permits;

(B) an individual who has been a state resident for a continuous period of five years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, who (i) because of lack of training or lack of employment opportunities in the area of residence does not have occupational opportunities available other than commercial fishing; or (ii) is economically dependent on commercial fishing for a livelihood and commercial fishing has been a traditional way of life for him in Alaska, for the repair, restoration or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of vessels;

(C) corporations, partnerships, or joint ventures, 100 percent of which are owned by individual commercial fishermen who have been state residents for a continuous period of five years immediately preceding the date of application for a loan under AS 16.10.310(a)(1)(B) [AS 16.10.300 - 16.10.370] and have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for any one of the past five years, and who actively participated in the fishery during that period, for the

repair, restoration or upgrading of existing vessels and gear, for the purchase of gear, and for the construction and purchase of vessels;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt regulations necessary to carry out its functions;

(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons;

(5) enter into agreements with private lending institutions, other state agencies, or agencies of the federal government, to carry out the purposes of AS 16.10.300 - 16.10.370;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of the state.

(b) The department shall consult with the Department of Fish and Game on regulations and procedures established under this chapter.

Sec. 9. AS 16.10.320(a) is repealed and reenacted to read:

(a) A loan under AS 16.10.310 - 16.10.370

[(1) made to

(A) an individual described in AS 16.10.310(a)(1)(A) may not exceed \$300,000;

(B) an individual, corporation, partnership, or joint venture described in AS 16.10.310(a)(1)(B) or (C) may not exceed \$100,000;]

(1) [(2)] may not exceed a term of 15 years;

(2) [(3)] may not bear interest exceeding 10 and one-half percent;

(3) [(4)] shall [may] be secured by a first priority lien and appropriate security agreement; and

(4) [(5)] may not exceed 90 [75] percent of the appraised value of the collateral used to secure the loan, except that a loan granted under AS 16.10.333 for the purchase of an Alaska limited entry permit may not exceed an amount determined in accordance with (f) or (h) of this section.

Sec. 10. AS 16.10.320(d) is amended to read:

(d) A loan may not be made to a borrower under AS 16.10.300 - 16.10.370 if it would result in an outstanding debt of the borrower to the commercial fishing revolving loan fund in excess of \$300,000 [\$500,000, EXCLUDING OUTSTANDING DEBT INCURRED UNDER (c) OF THIS SECTION. A BORROWER UNDER AS 16.10.300 - 16.10.370 MAY USE UP TO 49 PERCENT OF THE AMOUNT BORROWED TO REFINANCE ANY OUTSTANDING LOANS OF THE BORROWER REGARDLESS OF THE SOURCE OF THE LOANS, IF THE OUTSTANDING LOANS WERE MADE FOR ANY OF THE PURPOSES DESCRIBED IN AS 16.10.310]. A loan to an associate of the borrower is considered to be a loan to the borrower.]

Sec. 10. AS 16.10.320(d) is repealed and reenacted to read:

(d) Loans made to a borrower under AS 16.10.310(a)(1)(A) may not exceed a total of \$300,000. Loans made to a borrower under AS 16.10.-310(a)(1)(B) or (C) may not exceed a total of \$100,000. A loan to an associate of the borrower is considered to be a loan to the borrower.

For the purposes of this section, "associate of the borrower" means

(1) a corporation or other organization of which the borrower is an officer, director or partner, or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities;

(2) a person who is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities of the borrower;

(3) a trust or other estate in which the borrower has a

substantial beneficial interest or as to which the borrower serves as trustee or in a similar fiduciary capacity.

Sec. 11. AS 16.10.320(e) [AS 16.20.320(e)] is amended to read:

(e) Two or more individual commercial fishermen who each satisfy the requirements specified in AS 16.10.310(a)(1)(B) [AS 16.10.310(a)(1)-(A)] may jointly obtain a commercial fishing loan for the construction of a fishing vessel or the purchase of an existing fishing vessel.

Loans granted under this subsection

(1) may not exceed the amount specified in (d) [(a)(1)] of this section multiplied by the number of qualified commercial fishermen applying for the loan;

(2) may not exceed a term of 15 years;

(3) shall be secured by a first priority lien and appropriate security agreement;

(4) may not bear interest exceeding 10 [NINE] and one-half percent; and

(5) may not exceed 90 [75] percent of the appraised value of the collateral used to secure the loan.

Sec. 12. AS 16.10.320(f) is amended to read:

(f) Except as permitted in (h) of this section a [A] loan made [granted] under AS 16.10.310(a)(1)(A) and (B) [AS 16.10.333(a)] for the purchase of an Alaska limited entry permit may not exceed 90 percent of the appraised value of the collateral used to secure the loan.

Sec. 13. AS 16.10.320 is amended by adding a new subsection to read:

(h) A loan under AS 16.10.333(a) may be made for up to 100 percent of the appraised value of the collateral used to secure the loan if the borrower demonstrates that he has at least three years of experience as a commercial fisherman in the fishery to which the entry permit applies; as used in this paragraph, "three years of experience as a commercial

fisherman in the fishery" means that for an accumulated total of three fishing seasons in the same fishery the person has actively participated in the commercial harvest of fish under the direction of a limited entry permit holder.]

Sec. 13. AS 16.10.320 is amended by adding new subsections to read:

(h) A loan for an entry permit under AS 16.10.310(a)(1)(B) may be made for up to 100 percent of the appraised value of the collateral used to secure the loan if the borrower demonstrates that (1) he has at least three years of experience as a commercial fisherman in the fishery to which the entry permit applies; and (2) he has not owned an Alaska limited entry permit in the year immediately preceding the application for the loan. In this subsection "three years of experience as a commercial fisherman in the fishery" means that for an accumulated total of three fishing seasons in the same fishery the borrower has actively participated in the commercial harvest of fish under the direction of a limited entry permit holder.

(i) If a loan is made to a borrower under AS 16.10.310(a)(1)(A), a subsequent loan may not be made to the borrower or an associate of the borrower under AS 16.10.310(a)(1)(B) or (C). If a loan is made to a borrower under AS 16.10.310(a)(1)(B) or (C), a subsequent loan may be made to the borrower or an associate of the borrower under AS 16.10.310(a)(1)(A) if the total of the loans received by the borrower or the associate under AS 16.10.310 does not exceed \$300,000.

48. The following laws are repealed: AS 03.10.030(b) and (d);

16.10.320(c) and (g), 16.10.342(b), and 16.10.650 - 16.10.720 [16.10.560 - 16.10.720].

49. AS 44.47.410 does not apply to a rural housing mortgage loan made under AS 44.47.360 - 44.47.560 until January 1, 1983. Before January 1, 1983, the interest rate on a rural mortgage housing loan made under AS 44.360 - 44.47.560 is eight and three-quarters percent. After September 15, 1982, the Department of Community and Regional Affairs may not make a commitment for a rural housing mortgage loan for an interest rate that is less than the interest rate determined under AS 44.47.410. A loan commitment made by the Department of Community and Regional Affairs after the effective date of this Act and before September 16, 1982, may not exceed six months in length.

50. All assets of the fishermen's mortgage and note fund (AS 16.650) are transferred to the commercial fishing revolving loan fund (AS 16.10.340). Repayments of principal and interest on loans made from the fishermen's mortgage and note fund shall be deposited into the commercial fishing revolving loan fund by the commissioner of the Department of Commerce and Economic Development as they are received.

51. A borrower who receives a loan before the effective date of this Act under AS 16.10.650 - 16.10.720 may receive a loan under

(1) AS 16.10.310(a)(1)(A) after the effective date of this Act if the total of the loans received by the borrower under AS 16.10.650 - 16.10.720 and AS 16.10.310(a)(1)(A) does not exceed \$300,000;

(2) AS 16.10.310(a)(1)(B) or (C) if the total of the loans received by the borrower under AS 16.10.650 - 16.10.720 and AS 16.10.310(a)(1)(B) or (C) does not exceed \$100,000.

52. A borrower who receives a loan under AS 16.10.310 before the effective date of this Act may receive a loan under

(1) AS 16.10.310(a)(1)(B) or (C) after the effective date of

Act if the total of the loans received by the borrower under AS 16.10.-
before the effective date of this Act and AS 16.10.310(a)(1)(B) or (C)
the effective date of this Act does not exceed \$100,000;

(2) AS 16.10.310(a)(1)(A) after the effective date of this Act
the total of the loans received under AS 16.10.310 before the effective
of this Act and AS 16.10.310(a)(1)(A) after the effective date of this
does not exceed \$300,000.

Sec. 53. Notwithstanding AS 16.10.320(i) and secs. 51 and 52 of this
the total of all loans that a borrower receives under (1) AS 16.10.650 -
0.720; (2) AS 16.10.310 before the effective date of this Act; and (3)
6.10.310 after the effective date of this Act, may not exceed \$300,000.

Sec. 54. In secs. 51 - 53 of this Act a loan to an associate of a
ower is considered to be a loan to the borrower. In this section
ociate of a borrower" has the same meaning set out under AS 16.10.320(d).

Sec. 55 [50]. This Act takes effect immediately in accordance with
16.10.070(c).

207- 576-1636.

Lehman Brothers Kuhn Loeb
Incorporated

55 Water Street
New York, N.Y. 10041

Revised: April 13, 1982

MUNICIPALITY OF ANCHORAGE
MULTI-FAMILY MASTER LENDER PARTICIPATION PROGRAM*
(The "Program")
PROGRAM OUTLINE

1. GENERAL PROGRAM DESCRIPTION:

- A. Proposed Bond Issue Size: \$50,000,000; Final bond issue size to be determined on basis of lender/developer interest and market demand study) see III-C and V-B)
- B. Proposed Sale Date: Approximately May 24, 1982, depending on bond market conditions.
- C. Program Overview: Tax-exempt housing revenue bonds will be issued by the Municipality of Anchorage (the "Issuer") for the purpose of providing permanent financing on newly constructed, qualified multi-family rental housing units (the "Developments") within the Issuer's boundaries. The local Anchorage banks and other financial institutions (the "Local Lenders") will provide, at market rates, 100% of construction loans to the developer (the "Developer"). The Permanent financing of the units will be shared between Rainier Bank (the "Master Lender") at 90% of loan, and Local Lenders at 10% of loan.

The Local Lenders' 10% portion of the permanent financing loan coupled with the Master Lender's 90% portion must achieve a blended rate of 13% or less.

- * All items herein are subject to the actual terms and provisions of the final Lender Loan documents, the Mortgage Loan Documents and the Indenture, and may be altered by pending Federal or State regulations and subsequent Federal or State legislation.

On the closing of the bond sale, the Trustee will invest the proceeds with Master Lender under a Guaranteed Investment Contract at a predetermined rate.

The Master Lender will obtain the tax-exempt funds from the Issuer through investments by the Issuer in Certificates of Deposit (CDs) of the Master Lender. These CDs will bear variable maturities estimated to coincide with debt service requirements of the Issuer on the bonds (see II-E). The CDs will bear a fixed interest rate approximately equal to the average effective interest rate on the bonds. The 90% Master Lender Loan rate will be 1% above this fixed CD rate.

The term of the bonds will be 10 years or such shorter term as may be later determined by the Issuer and its underwriters to be necessary to achieve desired interest rates in the bond market.

- D. Type of Multi-Family Housing: Newly constructed rental housing only. All developments will be required to be used as rental housing for as long as the 90% loan from the Master Lender is outstanding. At least 20% of the units in all Developments must be occupied by or reserved for lower income tenants for a period of 20 years following completion of construction. (See IV-P regarding regulatory agreements and deed restrictions).

II. MASTER LENDER PARTICIPATION

- A. Approval of Local Lenders and Developers: Master Lender will employ its customary real estate loan underwriting standards in approving Local Lender and Developer participation in the Program. These standards are described generally in Exhibit A to this outline. For Local Lenders, the standards relate generally to financial strength and multi-family lending and servicing experience. For Developments/Developers the standards relate principally to debt coverage, experience, reputation, financial strength and reasonableness of Development's construction and operating cost projections.
- B. Stand-By Commitment: Prior to the bond sale, the Master Lender will issue its stand-by commitment to provide 90% financing for acceptable, qualified Developments for which the loan can be closed within three (3) years following delivery of the bonds. For issuing this stand-by commitment, the Master Lender will receive from the Local Lenders, a commitment fee equal to 1% of such commitment amount. The Local Lender may pass this commitment fee on to the Developers of the Developments.
- C. Master Lender Loan Rate and Terms: The Master Lender will provide its 90% permanent loan at a fixed annual interest rate not to exceed 1% above the interest rate paid the Issuer on the CDs (see II-E following). The term of the 90% loan will be up to approximately 10 years, depending on the bond issue maturity. The 90% Master Lender Loan will be repayable monthly by the Developer on the basis of a ____ year amortization, with the total unpaid principal balance becoming due and payable approximately 60 days prior to the final maturity of the bonds.

- D. Refinancing Master Lender Loan at Maturity: Master Lender agrees, up to two years prior to the maturity of Developer Loan, to discuss with Developer, if desired by the Developer, the refinancing of the Development at prevailing market rates. The Master Lender further agrees that it will negotiate such refinancing in good faith and will employ its then-existing loan underwriting criteria and standards.
- E. Advancement of Bond Proceeds to Master Lender: The Issuer (through the trustee bank) will advance lendable loan (bond) proceeds from guaranteed investment contract to the Master Lender simultaneous with the closing of the 90% Master Lender Loan to the Developer. The advance will be in the form of an investment in CDs of the Master Lender, such CDs carrying a fixed interest rate, payable semi-annually, of approximately the average interest rate on the bonds. The maturities of the CDs will be scheduled to parallel estimated debt service requirements on the bonds. To guarantee the availability of funds for bond debt service requirements, the Master Lender will issue, at no cost to the Issuer, its stand-by Letter of Credit (or similar binding, enforceable agreement) to provide an interim loan to the Issuer to meet debt service requirements in the event CD maturities mismatch with such debt service requirements. The interest rate on this interim loan will be equal to the interest rate on the CDs. The proceeds of the CDs, when they mature, will be used to liquidate the interim loan to the Issuer.
- F. Originating and Servicing of 90% Permanent Loan: At its option, the Master Lender may originate and service its own 90% loan or may delegate such responsibility to the Local Lenders. In either event, the Master Lender will receive a 2% origination fee from the Developer at time of closing the 90% permanent loan. Whichever lender services the 90% permanent loan will be entitled to a servicing fee payable monthly by the Developer equal to 1/8 of 1% of the outstanding principal balance of the entire permanent loan amount.

III. LOCAL LENDER PARTICIPATION

- A. Approval of Local Lenders: Prior to participation in the Program, Local Lenders will be subject to approval by both the Issuer and the Master Lender (see II-A).
- B. Approval of Developers/Developments: Participating Local Lenders will be expected to apply their customary real estate underwriting standards in approving Developers/Developments for participation in the Program. However, in all instances the Master Lender must also approve the Developers/Developments before it will issue its 90% Permanent Loan Takeout Agreement.
- C. Loan Allocation and Commitment Fee: Prior to the bond sale, the Local Lenders will apply for participation in the Program. Specific multi-family developments need not be identified at this time. On the basis of these applications and approval by the Master Lender of the Local Lender's participation in the Program, the Issuer will allocate projected available funds to the Local Lenders (projected available funds to be determined on the basis of Local Lender requests and

Market Demand Survey). In no instances will each Local Lender's allocation be less than \$250,000 or more than the amount requested. Upon receiving its allocation and prior to the bond sale, the Local Lender will execute a Lender Loan Commitment Agreement and will pay a 3 1/2% Commitment Fee, 2 1/2% to the Issuer and 1% to the Master Lender. This Commitment Fee may be in the form of a third-party bank's letter of credit, to be replaced by a cashiers or certified check at time of delivery of the bonds. The 3 1/2% commitment fee may be passed on by the Local Lender to the Developer.

Should a permanent loan agreement not be entered into by the Local Lenders within 22 months following the sale of bonds, the Trustee may reallocate the unused funds among the other program lenders.

- D. Construction Loan Term, Rate and Closing Requirements: Construction of the units must begin within 2 years following the sale of bonds. The construction loan can be closed at any time following delivery of the bonds, but not later than three years following delivery of the bonds. Prior to closing the construction loan, the Master Lender must approve the Developer/Development and issue its 90% Permanent Loan Takeout Agreement.

Should the Development not be completed in accordance with the terms and specifications of such Agreement, the Master Lender is under no obligation to execute the permanent loan takeout agreement.

The Construction loan will be "taken-out" by the permanent loan (see III-E following) when the Development is completed and occupancy reaches ____%.

Any losses sustained on the total construction loan are borne entirely by the Local Lender.

- E. Permanent Loan Term, Rate and Closing Requirements: Also as part of its commitment agreement, the Local Lender will agree to provide 10% of the permanent loan takeout. The remaining 90% will be provided by the Master Lender. The interest rate on the Local Lender's 10% takeout loan will generally be at market rate, but will be fixed at time of bond sale so that the 90% tax-exempt financed rate and 10% market rate achieve a blended rate on the permanent financing of 13% or less.

The term of the permanent loan will vary between seven and nine years, depending on the final maturity of the bonds and the length of the construction period. The permanent loan (both the 90% and 10% portions) are repayable monthly based on a ____ amortization schedule, with the final unpaid balance becoming due and payable approximately 60 days prior to the final maturity on the bonds.

A 2% permanent loan origination fee will be payable by the Developer to the Local Lender upon closing the permanent loan. Such fee will be calculated on the Local Lenders 10% portion of the permanent loan.

Any losses sustained on the permanent loan are borne 10% by the Local Lender and 90% by the Master Lender.

- F. Originating and Servicing Loans: Local Lenders will originate and service their own construction loans. No servicing fee is chargeable to the Developer on the construction loan.

At its option, the Master Lender may request/allow the Local Lender to originate and service the permanent loan. In any event, the Local Lender receives the 2% permanent loan origination fee applicable to its 10% portion of the permanent loan. If servicing the permanent loan at the request of the Master Lender, the Local Lender will be entitled to charge the Developer an annual servicing fee (payable monthly) equal to 1/8 of 1%. The full amount of the servicing fee is retained by the lender servicing the loan.

IV. DEVELOPER/DEVELOPMENT PARTICIPATION

- A. Construction Start: Construction may begin only after passage of the Issuer's formal resolution of intent to issue bonds and the Issuer's designation of the Development as one to be financed under the Program. Such designation may occur after the actual issuance of the bonds.
- B. Reimbursement of Previously Incurred Costs: Under Federal tax law, cost incurred by the Developer prior to the bond sale can only be included (reimbursed) in the 90% portion of the mortgage loan to the maximum extent of 10% of such loan amount.
- C. Master Lender's Approval of Developments to Receive Permanent Financing: Developments need not be specifically identified until the Master Lender issues its 90% Permanent Loan Takeout Agreement, prior to closing the construction loan.
- D. Geographical Area: Property may be located anywhere within the boundaries of the Issuer's jurisdiction.
- E. Fees Paid by Developer: (i) 2 1/2% Commitment fee payable by Local Lenders to the Issuer and 1% Commitment Fee payable to the Master Lender prior to bond sale. Local Lender may pass on such Commitment Fees to the Developer; (ii) 2% Permanent Loan Origination Fee payable by developer to Master Lender and Local Lender (90%; 10% respectively at closing of permanent loan), and (iii) 1/8 of 1% Servicing Fee payable by Developer to Master Lender for servicing agent (Local Lender).
- F. Disbursement of Lender Loan Proceeds: An Issuer will disburse the 90% portion of the loan relating to a particular Development to the Master Lender at time of the permanent loan closing (or such earlier time as may be determined by an Issuer to be in the best interest of the Program).
- G. Loan Terms: The term of any construction loan period will be for the construction period plus the time necessary to achieve ____% occupancy, but in no event longer than 36 months following the bond

issuance date. The term for any permanent mortgage loan will be for approximately ten (10) years, less the length of the period between delivery of the bonds and the start of the permanent loan period.

- H. Repayment of Mortgage Loan by Developers:** Developers will pay construction loan interest monthly during the construction period and permanent loan interest and principal to servicer monthly following completion of construction, based on a _____ amortization schedule, with the total unpaid principal balance becoming due and payable approximately 60 days prior to the final maturity of the bonds.
- I. Interest Rate on Developer Loans:** The mortgage loan from the Master Lender and Local Lender to a developer during the permanent loan period will be made at a blended rate of 13% or less per annum, excluding the servicing fee.
- J. Prepayment of Permanent Mortgage Loan:** Beginning in the 7th year and continuing every 6 months thereafter, the Trustee will randomly select mortgages totaling 1/6 of the dollar value of bonds sold and, after giving 13 months prior notice, inform mortgage holders of the intention to call their loan on a specified date. The total amount of prepayments allowed for any 6 month interval shall be reduced by optional prepayments permitted under the program.

Mortgage holders may elect to prepay beginning in the 8th year and continuing every 6 months thereafter until the 10th year; the trustee shall limit such prepayment amounts to approximately 1/6 of the dollar value of bonds sold in any 6 month period. Mortgage holders electing to prepay must give the Trustee a 14 month advance notice of their request to prepay.

- K. Income Restrictions on Tenants:** At least 20% of the units in each development financed under the program must be occupied by "Lower Income Tenants" as that term is defined by 167 (K)(3)(B) of the Internal Revenue Code (generally persons or families whose income is 80% of the area median income or less, such income being adjusted annually). Projected adjusted gross annual income will be used to determine compliance with the 20% income restriction just cited. The information is to be obtained during the tenant application process and sworn to (notarized) by the applicant.
- L. Recertification of Tenant Income/Annual Audit:** No recertification of tenant income is necessary following original occupancy. As long as an initially qualified Lower Income Tenant occupies a unit in the Development (not necessarily his or her original unit), the tenant/unit continue to qualify under the Development's income restrictions. However, the trustee bank will conduct an annual compliance audit of each Development financed under the Program.

- M. Tenant Acceptance: As long as the same standards applied to the 20% restricted income tenants are applied uniformly throughout the Development, the Developer may reject any tenant on the basis of bad credit, poor job history, and other reasons evidencing tenant undesirability.
- N. Selection of Income Restricted Units: Specific units meeting income restriction requirements may be redesignated by the Developer from time-to-time (with notice to the bond trustee), so long as at least 20% of the units within the Development are so designated for 20 years.
- O. Violation of Income Restriction Requirements: Mortgage loan documents between the Master Lender, trustee and Developer(s) will include a variety of mechanisms for enforcing the income restriction requirements. A violation of such requirements would constitute an event of default under the mortgage loan, subject to reasonable and standard notice and cure provisions prior to any foreclosure action on the mortgage.
- P. Regulatory Agreements and Deed Restrictions: The Developers, the Issuer and the bond trustee will enter into a Regulatory Agreement and the Developers will be required to record certain deed restrictions requiring use of each Development for 20 years following completion of construction of such Development in which at least 20% of the units are occupied by lower income rental tenants. The Regulatory Agreement may be enforced ultimately by default and acceleration of the mortgage note. The deed restrictions, which run the land, may be enforced by any available judicial proceedings.
- Q. Required Advertising for Income Restricted Units: As long as a Developer is in compliance with the 20% income restriction requirement, no special advertising would be required.
- R. Underwriting Standards for Mortgage Loans to Developer: The Master Lender and Local Lender are expected to apply customary, generally acceptable, underwriting standards to the Developer on the construction and permanent loans.
- S. Condominium Conversions: Condominium conversions are not allowed as long as the permanent loan is outstanding (see IV-J regarding prepayments).
- T. Number of Units: In general the minimum number of units in a Development is 20; the maximum number is 100. However, the Master Lender will judge each Development on its merit, regardless of the number of units. Also, Local Lender underwriting criteria may supersede this minimum and maximum as provided in Section VI.
- U. Developer Equity: A developer must provide sufficient equity in a Development such that the equity contribution is 25% of accepted appraised value and allows a 1.20 debt service coverage after 45% gross income is set aside for operating expenses.

The Program is exploring alternate opportunities to assist Developers with the required equity contribution through either a subordinated loan or an equity participation.

V. Failure to Close Permanent Loan: If a Developer fails to meet the requirements of the 90% Permanent Loan Takeout Agreement, including the failure to complete and obtain a _____% occupancy in the Development within 36 months following delivery of the bonds, the Master Lender is no longer obligated to provide Program financing for the Development. Permanent financing must be secured from the Local Lender or alternative sources at prevailing rates.

W. Development Building Requirements: All developments must be located in sites designed as R3 or R4 zoned properties as of January 1, 1982 in order to be considered for selection.

All developments must meet Anchorage energy conservation requirements which generally stipulate that bond proceeds cannot be used to build electrical heat facilities; more efficient heating systems must be constructed.

In accordance with Anchorage Ordinance # _____, 1 out of every 20 units must be designed for the handicapped.

V. ISSUER AND TRUSTEE PARTICIPATION:

A. Investment of Bond Proceeds: Until used for required purposes under the Indenture, including the making of 90% loans, the trustee will invest bond proceeds pursuant to an Investment Agreement executed at time of delivery of the bonds.

B. Market Demand Study: Prior to issuing the bonds, the Issuer will require that a market demand study be conducted to augment existing data, such study to aid in sizing the bond issue and to help ensure that oversupply conditions do not occur.

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SUMMARY

The attached exhibits review three different alternatives on the use of Alaska Industrial Development Authority funds to provide the required cash infusion necessary today to finance multi-family housing in Anchorage and the State of Alaska.

Option A - Cash Contribution used to make a subordinated loan to the project

With no payments on the 2nd mortgage for 10 years and the required coverage of debt service by 120%, there would be a projected deficit for the project in years 2 - 5. In addition, in year 11, the projected debt service payments on the 1st mortgage and the 2nd mortgage are estimated to exceed the net operating income (assuming 120% coverage) by \$61,910. This assumes a 14% interest rate on the 2nd mortgage. If we were to assume a 10.25% rate on the 2nd mortgage the projected deficit in year 11 is eliminated. *threshold for proj. loss (ie, if 3 > rate, 3% deficit in yr 11)*

Option B - Cash Contribution used to make an equity investment in the project at the start of construction. *L = to that of developer*

As in Option A, assuming a required coverage of debt service by 120%, there is an annual deficit projected. Assuming only a 5% annual appreciation in the value of the project, AIDA and the project's developer, as equal partners, would realize a 9.6% return on their initial investments of \$245,000 each, if the project were sold at the end of the 10th year. If we were to assume a 7.5% appreciation in the project's value, the return would increase to 13.9%. In both scenarios, additional yield would be realized from periodic project cash flow surpluses.

Option C - Cash Contribution used to make an equity investment in the project annually from years 2 - 10.

There is projected to be an annual project cash flow deficiency (assuming 120% coverage) ranging from \$59,040 in year 2 to \$600 in year 10. At the start of construction, AIDA would establish an escrow fund with the bond trustee in the estimated amount of \$283,310 which is the aggregation of the projected deficits in years 2 - 10. These funds would be invested at the highest yield possible and be available to meet any project deficits. The advantage of this approach versus Option B is the delayed timing of AIDA's actual investment in the project. It is estimated that AIDA would realize a 9.8% return in its staggered investment (assuming a 5% appreciation in (project value). Commencing with the actual creation of the escrow fund, AIDA would be realizing investment earnings on this fund until funds are required to cover any project deficits. These investment earnings significantly supplement the 9.8% yield cited above.

*tax benefits for AIDA's share could be "sold" by selling
our equity to a 32% PF investor; funds can
be recycled*

PROJECTED ANNUAL INCOME STATEMENT

	Year <u>1</u>	Year <u>2</u>	Year <u>3</u>	Year <u>4</u>	Year <u>5</u>	Year <u>6</u>	Year <u>7</u>	Year <u>8</u>	Year <u>9</u>	Year <u>10</u>	Year <u>11</u>
REVENUES											
\$680 per month starting rental income x 12 months x 39 units <i>up 5% / yr</i>	\$244,800	\$257,040	\$269,890	\$283,390	\$297,560	\$312,440	\$328,060	\$344,460	\$361,680	\$379,760	
PENSES											
Operating expenses at 40% of rental income <i>incl? reserve for replacement & 5% vacancy</i>	<u>97,920</u>	<u>102,820</u>	<u>107,960</u>	<u>113,360</u>	<u>119,020</u>	<u>124,980</u>	<u>131,220</u>	<u>137,780</u>	<u>144,670</u>	<u>151,900</u>	
NET OPERATING INCOME	<u>\$146,880</u>	<u>\$154,220</u>	<u>\$161,930</u>	<u>\$170,030</u>	<u>\$178,540</u>	<u>\$187,460</u>	<u>\$196,840</u>	<u>\$206,680</u>	<u>\$217,010</u>	<u>\$227,860</u>	
Minimum debt service allowed to provide a 120% coverage	<u>\$122,400</u>	<u>\$128,520</u>	<u>\$134,940</u>	<u>\$141,690</u>	<u>\$148,780</u>	<u>\$156,220</u>	<u>\$164,030</u>	<u>\$172,230</u>	<u>\$180,840</u>	<u>\$189,880</u>	
Section A -											
Annual projected debt service	<u>145,150</u>	<u>145,150</u>	<u>145,150</u>	<u>145,150</u>	<u>145,150</u>	<u>145,150</u>	<u>145,150</u>	<u>145,150</u>	<u>145,150</u>	<u>145,150</u>	<u>251,790</u>
Estimated deficit assuming 120% coverage test	<u>\$(22,750)</u>	<u>\$(16,630)</u>	<u>\$(10,210)</u>	<u>\$(3,460)</u>	<u>\$ 3,630</u>	<u>\$ 11,070</u>	<u>\$ 18,880</u>	<u>\$ 27,080</u>	<u>\$ 35,690</u>	<u>\$(61,910)</u>	
Section B -											
Annual projected debt service	<u>144,240</u>	<u>144,240</u>	<u>144,240</u>	<u>144,240</u>	<u>144,240</u>	<u>144,240</u>	<u>144,240</u>	<u>144,240</u>	<u>144,240</u>	<u>144,240</u>	<u>103,300</u>
Estimated deficit assuming 120% coverage test	<u>\$(21,840)</u>	<u>\$(15,720)</u>	<u>\$(9,300)</u>	<u>\$(2,550)</u>	<u>\$ 4,540</u>	<u>\$ 11,980</u>	<u>\$ 19,790</u>	<u>\$ 27,990</u>	<u>\$ 36,600</u>	<u>\$ 86,580</u>	
Section C -											
Annual projected debt service	<u>181,440</u>	<u>181,440</u>	<u>181,440</u>	<u>181,440</u>	<u>181,440</u>	<u>181,440</u>	<u>181,440</u>	<u>181,440</u>	<u>181,440</u>	<u>181,440</u>	<u>129,940</u>
Estimated deficit assuming 120% coverage	<u>\$(59,040)</u>	<u>\$(52,920)</u>	<u>\$(46,500)</u>	<u>\$(39,750)</u>	<u>\$(32,660)</u>	<u>\$(25,220)</u>	<u>\$(17,410)</u>	<u>\$(9,210)</u>	<u>\$ (600)</u>	<u>\$ 59,940</u>	

ASSUMPTIONS

PROJECT COST AND UNDERWRITING CRITERIA

- Project consists of 30 two bedroom units each containing 800 square feet.
- Total construction cost is estimated at \$60 per square foot reflecting a total project cost of \$1,440,000.
- Developer Equity Requirement is 17% of total project costs.
- First Mortgage Loan Amount:

Cost of Construction - \$1,440,000

Equity Contribution:

By Developer - 245,000

Mortgage Loan Amount - \$1,195,000

PROJECT INCOME AND OPERATING CRITERIA

- Projected starting rental rates are \$.80 square foot or \$680 per month rent on each unit.
- Project expenses are estimated at 40% of Rental Income. (Initially \$272 per month for each unit)
- Project Operating Income should exceed Project Debt service by a coverage of 1.20 times.
- Rental Rates are expected to increase 5% annually each year with expenses still estimated at 40% of Rental Income.

PROJECT APPRECIATION

- Value in 10 years
 - Assuming 5% appreciation - \$2,345,610
 - Assuming 7.5% appreciation - \$2,967,890
 - Assuming 10% appreciation - \$3,734,990

OPTION A

- . AIDA makes a subordinated deferred interest loan to the project equal to 20% of mortgage loan amount:

Estimated Mortgage Loan - \$1,195,000
 x 20%
 \$ 239,000 - 2nd mortgage

\$1,195,000
- 239,000
\$ 956,000 - 1st Mortgage

- . The first mortgage carries an interest rate of 13% and amortizes over a 15 year period with a balloon payment at the end of year 10. The outstanding principal balance of \$602,700 at the end of year 10 will be refinanced at a rate of 17% for an additional 25 years.
 - . Annual Debt Service (1st 10 years) - \$145,150
 - . Annual Debt Service (years 11-35) - \$103,990
- . The second mortgage carries an interest rate of 14% compounded semi-annually. This loan does not have any principal amortization during the first 10 years and all interest payments are capitalized onto the outstanding principal balance. At the end of year 10, the outstanding balance on this loan will be \$924,850. This loan balance will be repaid monthly based on a 15 year amortization schedule at the same 14% interest rate.
 - . Annual Debt Service (1st 10 years) - \$0
 - . Annual Debt Service (years 11-25) - \$147,800

OPTION B

- . AIDA makes an equity investment in the project equal to 17% of the total project cost. This investment would make AIDA and the project's developer equal partners.

Total Project Cost - \$1,440,000
 x 17%
 \$ 245,000

\$1,440,000
-245,000 Developer's Contribution
-245,000 AIDA's Contribution
\$ 950,000

- . The first mortgage carries an interest rate of 13% and amortizes over a 15 year period with a balloon payment at the end of year 10. The outstanding principal balance of \$598,730 at the end of year 10 will be refinanced at a rate of 17% for an additional 25 years.

- . Annual Debt Service (1st 10 years) - \$144,240
- . Annual Debt Service (years 11-35) - \$103,300

- . AIDA desires to realize a return on its equity investment of 14% compounded semi-annually. If at the end of year 10, AIDA has not received any return on its equity, its investment would have grown to \$948,070. As a 50% equity investor, AIDA would look to the sale or refinancing of the project to realize the desired return on its investment. If we assumed that the project appreciated 5% each year for 10 years, its value would be estimated at \$2,345,610. After payment of the outstanding 1st mortgage of \$598,730, the investors would share equally in the balance of \$1,746,880. AIDA's 50% share (\$873,440) would yield it an approximately 9.6% return on its investment (after principal repayment). Based on the project projections for years 1-10, AIDA should be entitled to additional payments out of excess cash flow.

OPTION C

- . AIDA will make an equity investment in the project equal to the projected deficit in years 1-10 between the amount available for debt service (assuming 120% coverage) and the annual projected debt service.

- . Total Project Cost - \$1,440,000

 x 17%
\$245,000 Developer's Equity

\$1,440,000

-245,000 Developer's Contribution

\$1,195,000 - 1st Mortgage

- . The first mortgage carries an interest rate of 13% and amortizes over a 15 year period with a balloon payment at the end of year 10. The outstanding principal balance of \$753,120 at the end of year 10 will be refinanced at a rate of 17% for an additional 25 years.

- . Annual Debt Service (1st 10 years) - \$181,440
- . Annual Debt Service (years 11-35) - \$129,940

- . Based on the project projections, AIDA's equity investment will be \$283,310 which is equal to approximately 20% of total project cost. AIDA's investment would entitle it to a 54% ownership in the project.

- . AIDA desires to realize a return on its equity investment of 14% compounded semi-annually. At the end of year 10, if AIDA has made the equity contributions to cover the afore-mentioned projected cash deficits, the value of its investment would have grown to \$711,670. As a 54% equity investor, AIDA would look to the sale or refinancing of the project to realize the desired return on its investment. If the project appreciated 5% each year for 10 years, its value would be estimated at \$2,345,610. After payment of the outstanding 1st mortgage of \$753,120, the investors would share pro-rata in the balance of \$1,592,490. AIDA's 54% share (\$859,940) would yield it an approximately 9.8% return on its investment. (after principal repayment).

*Draft Only Secs of proposed FCC SSB666
that affect fisheries loans under AS 16.10
for David Massey, Div. Business loans.
SOB, 9th Floor*

prises.

* Sec. 6. AS 03.10.050(a) is amended to read:

(a) The commissioner shall administer the loan fund in conjunction with the agricultural revolving loan fund board. No loan in excess of \$50,000 [\$25,000] may be made by the commissioner without the approval of a majority of the board.

* Sec. 7. AS 03.10.050 is amended by adding a new subsection to read:

(c) A meeting of the agricultural revolving loan fund board to act on applications for loans is exempt from the public meeting requirements of AS 44.62.310.

* Sec. 8. AS 16.10.310 is repealed and reenacted to read:

Sec. 16.10.310. POWERS OF THE DEPARTMENT. (a) The department may

(1) make loans to

(A) individual commercial fishermen who have been state residents for a continuous period of five years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370 and have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for any one of the past five years, and who actively participated in the fishery during that period, for the purchase of entry permits;

(B) an individual who has been a state resident for a continuous period of five years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, who (i) because of lack of training or lack of employment opportunities in the area of residence does not have occupational opportunities available other than commercial fishing; or (ii) is economically dependent on commercial fishing for a livelihood and commercial fishing has been a traditional way of life for him in Alaska, for the repair, restoration or upgrading of existing vessels and gear,

1 for the purchase of entry permits and gear, and for the construc-
2 tion and purchase of vessels;

3 (C) corporations, partnerships, or joint ventures, 100
4 percent of which are owned by individual commercial fishermen who
5 have been state residents for a continuous period of five years
6 immediately preceding the date of application for a loan under
7 AS 16.10.310(a)(1)(B) and have had a crewmember or commercial
8 fishing license under AS 16.05.480 or a permit under AS 16.43 for
any one of the past five years, and who actively participated in
10 the fishery during that period, for the repair, restoration or
11 upgrading of existing vessels and gear, for the purchase of gear,
12 and for the construction and purchase of vessels;

13 (2) designate agents and delegate its powers to them as
14 necessary;

15 (3) adopt regulations necessary to carry out its functions;

16 (4) establish amortization plans for repayment of loans,
17 which may include extensions for poor fishing seasons;

18 (5) enter into agreements with private lending institutions,
19 other state agencies, or agencies of the federal government, to carry
20 out the purposes of AS 16.10.300 - 16.10.370;

21 (6) enter into agreements with other agencies or organiza-
22 tions to create an outreach program to make loans under AS 16.10.300 -
23 16.10.370 in rural areas of the state.

24 (b) The department shall consult with the Department of Fish and
25 Game on regulations and procedures established under this chapter.

26 * Sec. 9. AS 16.10.320(a) is repealed and reenacted to read:

27 (a) A loan under AS 16.10.310 - 16.10.370

28 (1) may not exceed a term of 15 years;

29 (2) may not bear interest exceeding 10 and one-half percent;

1 (3) shall be secured by a first priority lien and appropriate
2 security agreement; and

3 (4) may not exceed ⁹⁰~~75~~ percent of the appraised value of the
4 collateral used to secure the loan, except that a loan granted under
5 AS 16.10.333 for the purchase of an Alaska limited entry permit may not
6 exceed an amount determined in accordance with (f) or (h) of this
7 section.

8 * Sec. 10. AS 16.10.320(d) is repealed and reenacted to read:

9 (d) Loans made to a borrower under AS 16.10.310(a)(1)(A) may not
10 exceed a total of \$300,000. Loans made to a borrower under AS 16.10.-
11 310(a)(1)(B) or (C) may not exceed a total of \$100,000. A loan to an
12 associate of the borrower is considered to be a loan to the borrower.
13 For the purposes of this section, "associate of the borrower" means

14 (1) a corporation or other organization of which the borrower
15 is an officer, director or partner, or is, directly or indirectly, the
16 beneficial owner of 10 percent or more of any class of equity securi-
17 ties;

18 (2) a person who is, directly or indirectly, the beneficial
19 owner of 10 percent or more of any class of equity securities of the
20 borrower;

21 (3) a trust or other estate in which the borrower has a
22 substantial beneficial interest or as to which the borrower serves as
23 trustee or in a similar fiduciary capacity.

24 * Sec. 11. AS 16.¹⁰~~20~~.320(e) is amended to read:

25 (e) Two or more individual commercial fishermen who each satisfy
26 the requirements specified in AS 16.10.310(a)(1)(B) [AS 16.10.310(a)(1)-
27 (A)] may jointly obtain a commercial fishing loan for the construction
28 of a fishing vessel or the purchase of an existing fishing vessel.
29 Loans granted under this subsection

(1) may not exceed the amount specified in (a)(1) of this section multiplied by the number of qualified commercial fishermen applying for the loan;

(2) may not exceed a term of 15 years;

(3) shall be secured by a first priority lien and appropriate security agreement;

(4) may not bear interest exceeding 10 [NINE] and one-half percent; and

(5) may not exceed ⁹⁰~~75~~ percent of the appraised value of the collateral used to secure the loan.

* Sec. 12. AS 16.10.320(f) is amended to read:

(f) Except as permitted in (h) of this section a [A] loan made [GRANTED] under AS 16.10.310(a)(1)(A) and (B) [AS 16.10.333(a)] for the purchase of an Alaska limited entry permit may not exceed 90 percent of the appraised value of the collateral used to secure the loan.

* Sec. 13. AS 16.10.320 is amended by adding new subsections to read:

(h) A loan under AS 16.10.310(a)(1)(B) may be made for up to 100 percent of the appraised value of the collateral used to secure the loan if the borrower demonstrates that he has at least three years of experience as a commercial fisherman in the fishery to which the entry permit applies; as used in this paragraph, "three years of experience as a commercial fisherman in the fishery" means that for an accumulated total of three fishing seasons in the same fishery the person has actively participated in the commercial harvest of fish under the direction of a limited entry permit holder.

(i) If a loan is made to a borrower under AS 16.10.310(a)(1)(A), a loan may not be made to the borrower or an associate of the borrower under AS 16.10.310(a)(1)(B) or (C). If a loan is made to a borrower under AS 16.10.310(a)(1)(B) or (C), a loan may not be made to the

1 borrower or an associate of the borrower under AS 16.10.310(a)(1)(A).

2 * Sec. 14. AS 16.10 is amended by adding a new section to read:

3 Sec. 16.10.325. GUARANTORS. A person may act as guarantor if the
4 borrower has insufficient collateral to secure a loan for the purposes
5 described in AS 16.10.310(a)(1)(B). The loan agreement shall specific-
6 ally describe the property of the guarantor to be used as collateral by
7 the borrower and shall be signed by the guarantor and the borrower. The
8 department shall provide the guarantor with a copy of all notices sent
9 to the borrower by the department. If the loan is for the purchase of
10 an entry permit, the guaranty by the guarantor may not constitute a
11 lien, mortgage, or encumbrance on or pledge of the entry permit.

12 * Sec. 15. AS 18.55.997 is amended to read:

13 Sec. 18.55.997. RESIDENTIAL LOANS. (a) In addition to the powers
14 authorized to a regional housing authority under AS 18.55.996, a regional
15 housing authority may, in accordance with procedures and policies adopted
16 and approved by the division of housing assistance in the Department of
17 Community and Regional Affairs [BOARD OF DIRECTORS OF THE ALASKA HOUSING
18 FINANCE CORPORATION], make loans for the purchase or development of resi-
19 dential housing in rural areas of the state. A loan shall be secured by
20 collateral in an amount acceptable to the division of housing assistance
21 in the Department of Community and Regional Affairs [BOARD OF DIRECTORS
22 OF THE ALASKA HOUSING FINANCE CORPORATION]. The rate of interest on a
23 loan authorized by this section may not exceed the interest rate on a
24 loan originated or purchased under AS 44.47.360 - 44.47.560 [AN INTEREST
25 RATE APPROVED BY THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE
26 CORPORATION].

27 (b) In this section,

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

(e) The rate of interest for a loan under this section, other than a loan for an alternative energy system may not exceed nine and one-half percent a year on the unpaid balance of the loan. The rate of interest for a loan for an alternative energy system is five percent for the first \$15,000 of the loan and 15 percent for the amount of the loan that exceeds \$15,000.

* Sec. 46. AS 45.88.500(2) is amended by adding a new subparagraph to read:

(D) a wood stove with a catalytic converter or a catalytic converter for a wood stove.

* Sec. 47. AS 45.88.500 is amended by adding a new paragraph to read:

(3) does not include

(A) a wood, coal, or multi-fuel heating stove; or

(B) a fireplace or fireplace insert.

* Sec. 48. AS 45.89.030 is amended by adding a new subsection to read:

(j) If, in the opinion of the department, it is not necessary to conduct an energy audit to determine that a loan application meets the requirements of this section, the department may waive the audit requirement for the applicant.

* Sec. 49. AS 45.98.040(2) is amended to read:

(2) state participation in a loan for the restoration, improvement, rehabilitation or maintenance of any one building or structure qualifying under this chapter may not exceed \$250,000 [\$100,000];

* Sec. 50. The following laws are repealed: AS 03.10.030(b) and (d); AS 16.10.320(c) and (g), 16.10.342(b), and 16.10.⁶⁵⁰~~560~~ - 16.10.720.

* Sec. 51. AS 44.47.410 does not apply to a rural housing mortgage loan made under AS 44.47.360 - 44.47.560 until January 1, 1983. Before January 1, 1983, the interest rate on a rural mortgage housing loan made under AS 44.47.360 - 44.47.560 is eight and three-quarters percent. After September 15,

1 1982, the Department of Community and Regional Affairs may not make a commit-
2 ment for a rural housing mortgage loan for an interest rate that is less than
3 an interest rate determined under AS 44.47.410. A loan commitment made by
4 the Department of Community and Regional Affairs after the effective date of
5 this Act and before September 16, 1982, may not exceed six months in length.

6 * Sec. 52. All assets of the fishermens mortgage and note fund (AS 16.10.
7 650) are transferred to the commercial fishing revolving loan fund (AS 16.10.
8 340). Repayments of principal and interest on loans made from the fishermens
9 mortgage and note fund shall be deposited into the commercial fishing revolv-
10 ing loan fund by the commissioner of the Department of Commerce and Economic
11 Development as they are received.

12 * Sec. 53. A borrower who receives a loan before the effective date of
13 this Act under AS 16.10.^{650?}560 - 16.10.^{720?}570 may not receive a loan under AS 16.-
14 10.310(a)(1)(A) *after the effective date of this Act.* A borrower who receives a loan under AS 16.10.310 before
15 the effective date of this Act may not receive a loan under AS 16.10.310(a)-
16 (1)(B) or (C) after the effective date of this Act.

17 * Sec. 54. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).
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Original sponsor: Rules/Governor

Offered: 4/1/82

Referred: Rules

Funding Information

General Fund	\$205,400,000
Other Funds	9,986,100
	<u>\$215,386,100</u>

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 322 (Finance) am H

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making appropriations for various state loan
7 and grant programs; and providing for an effective
8 date."

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

10 * Section 1. The sum of \$45,000,000 is appropriated from the general fund
11 to the Alaska Housing Finance Corporation (AS 18.56) for mobile home loans.

12 * Sec. 2. The sum of \$36,000,000 is appropriated from the general fund to
13 the Department of Community and Regional Affairs for housing loans.

14 * Sec. 3. The sum of \$10,000,000 is appropriated from the general fund to
15 the Department of Community and Regional Affairs for senior citizens housing.

16 * Sec. 4. The sum of \$10,000,000 is appropriated from the general fund to
17 the agricultural revolving loan fund (AS 03.10.040) in the Department of
18 Natural Resources.

19 * Sec. 5. The sum of \$10,000,000 is appropriated from the general fund to
20 the Department of Commerce and Economic Development for loans under the
21 Commercial Fishing Loan Act (AS 16.10.300 - 16.10.370).

22 * Sec. 6. The sum of \$17,000,000 is appropriated from the general fund to
23 the Department of Commerce and Economic Development for the fisheries enhance-
24 ment loan program (AS 16.10.500).

25 * Sec. 7. The sum of \$400,000 is appropriated from the general fund to
26 the child care facility revolving loan fund (AS 44.33.240) in the Department
27 of Commerce and Economic Development.

28 * Sec. 8. The sum of \$8,500,000 is appropriated from the general fund to
29 the Department of Commerce and Economic Development for loans for alternative

1 technology and energy (AS 45.88) and loans and grants for residential energy
2 conservation (AS 45.89).

3 * Sec. 9. The sum of \$1,000,000 is appropriated from the general fund to
4 the bulk fuel revolving loan fund (AS 45.87.010) in the Department of Com-
5 merce and Economic Development.

6 * Sec. 10. The sum of \$15,000,000 is appropriated from the general fund
7 to the mining loan fund (AS 27.09.010) in the Department of Commerce and
8 Economic Development.

9 * Sec. 11. The sum of \$500,000 is appropriated from the general fund to
10 the historical district revolving loan fund (AS 45.98.010) in the Department
11 of Commerce and Economic Development.

12 * Sec. 12. The sum of \$52,000,000 is appropriated from the general fund
13 to the scholarship revolving loan fund (AS 14.40.751).

14 * Sec. 13. The sum of \$6,500,000 is appropriated from the rural electri-
15 fication revolving loan fund (AS 44.83.361) to the Department of Community
16 and Regional Affairs for housing loans other than senior citizens housing
17 loans.

18 * Sec. 14. The sum of \$2,500,000 is appropriated from the alternative
19 technology and energy revolving loan fund and the residential energy conser-
20 vation fund to the Department of Community and Regional Affairs for housing
21 loans other than senior citizens housing loans. The appropriation made by
22 this section is made equally from the named funds unless there is less than
23 \$1,250,000 in one of the funds in which case the balance of the appropriation
24 is made from the other.

25 * Sec. 15. The sum of \$986,100 in federal program receipts for student
26 loans and scholarships is appropriated to the scholarship revolving loan fund
27 (AS 14.40.751).

28 * Sec. 16. The appropriations made by this Act are for the capitalization
29 of loan funds and do not lapse in accordance with AS 37.25.010.

1 * Sec. 17. (a) All right, title, and interest in the assets described in
2 (b) of this section, in an amount not to exceed the unpaid principal of those
3 assets as of July 1, 1982, and all right, title, and interest in all mort-
4 gages, notes, and other instruments of security made in connection with those
5 assets, held in the general fund on July 1, 1982, are transferred to the
6 Alaska Housing Finance Corporation for the special mortgage loan purchase
7 program (AS 18.56.098).

8 (b) This section transfers the following assets of the state referred
9 to in the monthly investment reports of general and segregated state program
10 funds, treasury division, Department of Revenue that are held in the general
11 fund:

- 12 (1) State of Alaska loan program loans, other than veteran loans;
- 13 (2) bank loan incentive program loans;
- 14 (3) mortgage option program loans other than mobile home loans;
- 15 (4) obligations pledged to the Alaska Housing Finance Corporation;
- 16 (5) loans to municipalities;
- 17 (6) debt certificates;
- 18 (7) certificates of deposit.

19 * Sec. 18. All right, title, and interest in State of Alaska veterans
20 loans held in the general fund, in an amount not to exceed the unpaid princi-
21 pal of those loans as of July 1, 1982, and all right, title, and interest in
22 all mortgages, notes, and other instruments of security made in connection
23 with those loans, held in the general fund on July 1, 1982, are transferred
24 to the Alaska Industrial Development Authority for multi-family housing loans
25 (AS 44.88.153).

26 * Sec. 19. This Act takes effect immediately in accordance with AS 01.10.-
27 070(c).

28

29

HALFORD II

A G E N D A

Conference Committee

House CS for Senate Bill No. 666 (Finance) Am H

Wednesday, April 21, 1982

I. ALASKA HOUSING FINANCE CORPORATION

NO

6) Shall the maximum limit for mobile home loans made through AHFC be increased?

7) Shall the subsidy rates for tri-plexes and four-plexes under AHFC be modified?

NO

8) Shall AHFC delegate underwriting procedures for mortgage loans?

9) Shall the Home Ownership Assistance Program in AHFC (AS 18.56.091) be modified?

10) Shall the Housing Development Fund in AHFC (AS 18.56.100) be repealed?

11) Shall the interest rate provisions in Section 22 of the bill be modified?

12) Shall the security provisions in Section 24 of the bill be modified?

13) Shall provisions in Section 25 of the bill relating to terms on the sale of bonds be modified?

~~14~~ 14) Shall language be added to AS 18.56 relating to a definition of owner-occupancy?

15) Shall language be added to AS 18.56 which would help AHFC enforce building code requirements?

16) Shall language in Section 17 of the bill relating to international borrowing be modified?

17) Shall language be included in AS 18.56 relating to public health standards and AHFC lending?

NO

18) Shall language in Section 23 of the bill relating to commitment fees be modified?

47) Shall language be added in AS 18.56 relating to a restructuring of the AHFC board?

48) Shall the AHFC interest rate language be modified?

II. PROPOSED AMENDMENTS PENDING FROM YESTERDAY'S MEETING:

Amendment # 2: relating to the Agricultural Loan Act; see attached

Amendment # 3: relating to the Alternative Technology and Energy Revolving Loan Fund; see attached

Amendment #4: relating to senior citizens housing; see attached

Amendment #5: relating to repealers; see attached

Amendment #7: relating to AS 18.55.997; see attached

Amendment #8: relating to AS 18.56.170; see attached

ITEM
#8

1 regulations allowing the use of money in the housing assistance loan
2 fund to make loans for the purchase or development of non-owner occupied
3 housing in rural areas of the state.

4 (b) The rate of interest on a loan authorized by this section may
5 not exceed nine and one-half percent.

6 (c) In this section

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

10 (2) "non-owner occupied housing" means a single-family resi-
11 dence or a multi-family residence having up to eight dwelling units,
12 that is not nonconforming housing, and is not occupied by the owner.

13 * Sec. 40. AS 44.47.560 is amended by adding new paragraphs to read:

14 (5) "rural" means

15 (A) a community in the second, third, or fourth judicial
16 district of the state with a population of 4,500 or less that is
17 not connected by road or rail to Anchorage or Fairbanks; or

18 (B) a community in the first judicial district of the
19 state with a population of 4,500 or less;

20 (6) "rural housing" means housing, other than nonconforming
21 housing, that is located in a rural area of the state.

22 * Sec. 41. AS 44.88 is amended by adding a new section to read:

23 Sec. 44.88.153. MULTI-FAMILY HOUSING LOANS. (a) The authority
24 may purchase loans made for the construction of qualified multi-family
25 housing.

26 (b) A loan for qualified multi-family housing

27 (1) may not exceed the cost of the qualified multi-family
28 housing project, or 75 percent of the appraised value of the project,
29 whichever is less;

1 (2) may not be made unless at least 20 percent of the princi-
2 pal amount of the loan is retained by the originator of the loan;

3 (3) shall be in the form and contain the terms and provisions
4 with respect to term of the loan, insurance, repairs, alterations,
5 payment of taxes and assessments, default reserves, delinquency charges,
6 default remedies, acceleration of maturity, secondary liens, amortiza-
7 tion schedules, and other matters the authority may prescribe; and

8 (4) shall bear interest at a rate equal to the cost of funds
9 to the authority.

10 (c) In this section

11 (1) "cost of funds" means the true interest cost expressed as
12 a rate on tax-exempt bonds of the authority plus an additional percent-
13 age as determined by the authority to represent the allocable expenses
14 of operation, costs of issuance and loan servicing; and

15 (2) "qualified multi-family housing" means residential housing
16 of five or more dwelling units that qualifies for tax-exempt bond fi-
17 nancing under the laws of the United States.

18 * Sec. 42. AS 45.88.030(a) is amended to read:

19 (a) A loan for the development of an alternative energy system or
20 for the development or implementation of a northern technology under
21 this chapter may not exceed \$30,000 [\$10,000].

22 * Sec. 43. AS 45.88.030(e) is repealed and reenacted to read:

23 (e) The rate of interest for a loan under this section, other than
24 a loan for an alternative energy system may not exceed nine and one-half
25 percent a year on the unpaid balance of the loan. The rate of interest
26 for a loan for an alternative energy system is five percent for the
27 first \$15,000 of the loan and 15 percent for the amount of the loan that
28 exceeds \$15,000.

29 * Sec. 44. AS 45.88.500(2) is amended by adding a new subparagraph to

1 read:

2 (D) a woodstove with a catalytic converter or a catalytic
3 converter for a wood stove.

4 * Sec. 45. AS 45.88.500 is amended by adding a new paragraph to read:

5 (3) does not include

6 (A) a wood, coal, or multi-fuel heating stove; or

7 (B) a fireplace or fireplace insert.

8 * Sec. 46. AS 45.89.030 is amended by adding a new subsection to read:

9 (j) If, in the opinion of the department, it is not necessary to
10 conduct an energy audit to determine that a loan application meets the
11 requirements of this section, the department may waive the audit
12 requirement for the applicant.

13 * Sec. 47. AS 45.98.040(2) is amended to read:

14 (2) state participation in a loan for the restoration, im-
15 provement, rehabilitation or maintenance of any one building or struc-
16 ture qualifying under this chapter may not exceed \$250,000 [\$100,000];

17 * Sec. 48. The following laws are repealed: AS 03.10.030(b) and (d);
18 AS 16.10.320(c) and (g), 16.10.342(b), and 16.10.560 - 16.10.720.

19 * Sec. 49. AS 44.47.410 does not apply to a rural housing mortgage loan
20 made under AS 44.47.360 - 44.47.560 until January 1, 1983. Before January 1,
21 1983, the interest rate on a rural mortgage housing loan made under AS 44.-
22 47.360 - 44.47.560 is eight and three-quarters percent. After September 15,
23 1982, the Department of Community and Regional Affairs may not make a commit-
24 ment for a rural housing mortgage loan for an interest rate that is less than
25 an interest rate determined under AS 44.47.410. A loan commitment made by
26 the Department of Community and Regional Affairs after the effective date of
27 this Act and before September 16, 1982, may not exceed six months in length.

28 * Sec. 50. This Act takes effect immediately in accordance with AS 01.10.-
29 070(c).

RECEIVED APR 20 1982

M E M O R A N D U M

DATE: March 29, 1982
TO: Representative Russ Meekins
FROM: Carl Nelson
SUBJECT: Summary of Proposed Changes

AHFC

- 1) Allow the corporation to access the international bond market. Could result in a 1% savings on interest rate on bonds.
- 2) Decrease the amount of time for notice of bond sales to 24 hours. Could save up to 1% on interest rate on bonds.
- 3) Authorize the corporation to make loans for owner-occupied tri-plexes and four-plexes.
- 4) Pending the passage of HJR71, allow the corporation to use veterans G.O. bonds for veteran loans. This would save \$34 million per year.
- 5) Allow the purchase of commitments of loans from the corporation as follows: 1% for the first six months and 1/6% per month thereafter for up to a year total.
- 6) The rural owner-occupied and non-owner-occupied programs are moved to Dept. of C&RA.
- 7) Second mortgage program - Set the limit to no more than \$90,000 at subsidized rate, counting all loans 1st, 2nd, etc.

AIDA

- 1) Authorize the corporation to make loans for multi-family housing of five units or more.

Agriculture Revolving Loan Fund

- 1) The program is expanded to allow the financing of land clearing for farming.
- 2) Institute variable-rate interest to reduce farmer's dependence on subsidized funds and make for more equitable distribution of the funds.

Division of Business Loans

Alternate Technology and Energy

- 1) In keeping with the original intent of this program the following items will no longer be eligible for these loans: fireplaces, woodstove, coal and and multi-fuel burning devices.
- 2) The loan limit is raised to \$30,000, with interest at 5% on the first \$15,000, and 15% on the remainder.

Residential Energy

- 1) The department will be able to waive the requirement for energy audits where they feel the audits are unnecessary.

Child Care Facilities

- 1) The repayment time for these loans is increased from 10 to 20 years.

Commercial Fishing Loan Fund and Fishermans Mortgage and Note Fund

- 1) The two programs will be combined.
- 2) The qualification will be clarified.

Historical Districts Loan Fund

Language from HB6

- 1) The loan limit will be raised to \$250,000.

Mining Loan Fund

- 1) Converts this program to a revolving loan fund.

Community and Regional Affairs

Division of Housing Assistance; Nonconforming Housing

- 1) AHFC's rural programs are transfered to this program.
- 2) Effective Jan. 1, 1983 the interest rate is increased to the ratchet rate.

SUMMARY OF CASH APPROPRIATIONS
in Millions of Dollars

	FY 82 Appropriation	FY 83 Requests	FY 83 Proposed
<u>AHFC</u>			
Special mortgage purchase program	222.0	133.0	0.0
Mobile home program	18.0	45.0	45.0
<u>Housing Assistance Fund</u>	65.0	40.5	46.0
Dept. of C&RA included non-conforming housing and the rural programs previously in AHFC.			
<u>Agriculture Revolving Fund</u>	14.0	10.05	10.0
<u>AIDA</u>	8.0	0.0	0.0
<u>Scholarship Revolving Fund</u>	48.8	67.5	52.0
<u>Rural Electrification Revolving Loan Fund</u>	6.5	6.5	0.0
<u>Division of Business Loans</u>			
Commercial fishing	4.5	9.5	10.0
Fishermans mortgage and note	1.8	1.8	
Fisheries enhancement	8.0	38.7	17.0
Child care facilities	0.2	0.2	0.4
Residential care facilities	0.1	0.08	0.0
Alternative technology and energy	5.5	4.0	4.0
Residential energy conservation	5.5	4.5	4.5
Bulk Fuel	1.0	1.0	1.0
Historical districts	0.2	0.5	0.5
Mining	20.0	20.0	15.0
 TOTAL	 429.1	 432.83	 205.4

ALASKA STATE LEGISLATURE
SENATE BANKING COMMITTEE
POUGH V, JUNEAU 99811MEMORANDUM

James HB 666 (Fin) am H
TO : Members of the Conference Committee on HCS SB 666 (Fin) am H

FROM: Senator Patrick Rodey *PR*

RE : Schedule of Conference Committee Meetings

DATE: April 15, 1982

*special Committee on
Loans*

As agreed at our meeting on April 14th, the staff has developed the following schedule for meetings next week on SB 666. All meetings will be held in the Senate Finance Committee Room.

5:00 p.m. Monday, April 19th

Division of Business Loans

*Historical District

*Mining

*Child Care

*Alternative Technology *REVOLVING*

*Residential Energy

(LOAN FUND)

Repealers of non-active loan programs

3:30 p.m. Tuesday, April 20th

Division of Business Loans

*Commercial Fishing

Agriculture

4:00 p.m. Wednesday, April 21st

Division of Housing Assistance
Municipal Bond Bank

3:30 p.m. Thursday, April 22nd

Alaska Housing Finance Corporation

4:00 p.m. Friday, April 23rd

Alaska Industrial Development Authority

cc: Senators: Sturgulewski
Mulcahy
Representatives: Meekins
Halford
Malone
Senate Secretary
Chief Clerk

RECEIVED APR 15 1982

STATE OF ALASKA



Executive Proclamation

by

Jay Hammond, Governor

Wood is one of our foremost renewable energy resources. It is a realistic alternative to the burning of fossil fuels to generate home heat in most regions of our vast state.

Wood is available in large quantities across much of Alaska. It can provide a meaningful portion of our energy needs without causing serious environmental damage.

The use of wood stoves and fireplaces as an alternate heating source reduces Alaskans' dependence on unpredictable fossil fuels and helps guarantee Alaskans' self reliance in emergency situations. It also helps reduce the collective energy bills of Alaskans, cutting costs and reducing the harmful effects of inflation on the state's economy.

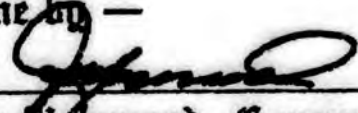
The use of fallen wood resources especially should be encouraged. It helps to clear our existing forests, helping to reduce the threat of forest fires in summer, and helps to reduce the impact of wider usage of wood stoves and fireplaces on our green, standing forest stocks.

NOW, THEREFORE, I, Jay S. Hammond, Governor of the State of Alaska, do hereby proclaim the month of September 1981 as:

WOOD ENERGY MONTH

in Alaska, and ask all residents to consider the advantages of wood burning stoves and fireplaces as a means of reducing energy costs and aiding the economy of Alaska where they can be installed without degradation of the air or forest environments of this state.

Done by —


Jay Hammond, Governor
who has also authorized
the seal of the State of
Alaska to be affixed to
this proclamation.



789-0901

DAVID CHAPPELL, FIRE PLACE
IN ANCH & MAN

LARRY
ARMSTRONG

344-3442

SUMMARY

KING ISLAND FIREPLACE

WE ARE A YOUNG INDUSTRY
MADE UP BY AND LARGE OF PROFESSIONALS
WHO ARE CONCERNED ABOUT THE NATIONAL
AND LOCAL ENERGY SITUATION.

OUR ~~GOAL~~ ~~ARE~~ GOAL IS TO DIVERSIFY
OUR ENERGY DEPENDENCE AND TO BECOME
MORE INDEPENDENT FROM ~~FOR~~ OUR EVER
DECLINING SOURCE OF FOSSIL FUELS.

I THINK ONE HAS TO ALWAYS
LOOK AT THE PLUSES & MINUS OF ANY ~~ATTEMPT~~
~~ENDEAVOR~~. THE PROS & CONS SO TO SPEAK,
WE BELIEVE TO PROS OUTWEIGH TO CONS.
CERTAINLY THE ENVIRONMENT IS AN CONCERN
AND THE INDUSTRY IS RECOGNIZING ~~THE~~
AND FOLLOWING THAT CONCERN. BUT THE
ENERGY SAVINGS & INDEPENDENCE SOUGHT
FOR BY MANY ALASKANS IS REAL, HENCE
THE POPULARITY OF THE ^{LOAN} ~~PAST~~ PROGRAM.

IN FOLLOWING THE PROGRESSION
OF MANKIND, ~~THE~~ ~~MAN~~ ~~HAS~~ ALWAYS SOUGHT
TO OUT REASONS & IDEAS ON HOW SOMETHING
WILL WORK ^(AND HAVE) NOT ON HOW SOMETHING WILL
NOT WORK ^(AND HAVE) MAN DOES NOT QUITE CLIMBING
THE MOUNTAIN BECAUSE IT IS TOO STEEP OR
THERE IS THREAT ~~THE~~ OF HARM. ^{RATHER} HE DEVELOPES
NEW TOOLS & METHODS TO STILL ATTAIN THE
TOP OF THE MOUNTAIN AND ARRIVE THERE
SAFELY. THIS IS THE LINE OF REASONING
I BELIEVE WE SHOULD ADOPT CONCERNING
THIS ISSUE.

BY ~~CONTINUING~~ DISCONTINUANCE
OF WOOD STOVES ETC. ^{FROM THE LOAN PROGRAM} WILL NOT CLEAN-UP

~~they~~ CONTINUE OF THE
PROGRAM HOWEVER, WILL BENEFIT MANY
FAMILIES IN ALASKA ~~to~~ ~~many~~ ~~cannot~~
~~afford to use energy use~~

WHO COULD UTILIZE A RELIABLE BACK-UP
ENERGY SYSTEM AND WHO SIMPLY CANNOT
AFFORD THEIR ENERGY NEEDS.

Areas For Discussion in SB 666

Agriculture loan fund

- 1) Add "Farm Development, chattel, or irrigation loans" to page 1 line 21
- 2) Minimum interest from 8% to 6%

REQUIRES OPERATING
PUBLIC BOARD

Commercial Fishing

- 1) Replace existing language with new language

ARRC

- 1) Language from SB 697 - CHANGES BOARD PART-TIME VOLUNTEER TOTAL 5 BOARD MEMBERS, CHANGES AGENCY TO COMMERCE + ECONOMIC DEVELOPMENT -

Municipal Bond Bank

- 1) Language from HB 694 ✓ NON-RENEWABLES - PURPOSES BROADENED SMALL BUSINESS 10 MILLION

AIDA ALASKA RESOURCES CORP - NO NAME - LIMITS TO 500,000 LOAN CEILING - ORGANIZATION CAN TAKE

- 1) Examine multi-family housing proposals
- 2) Necessity for the use of cash flow from vets loans

AHFC

- 1) Maximum limit for mobile home loans LIMIT - TOTAL INVESTMENT 490% EQUITY - TOTAL FINANCING
- 2) Amount of subsidy for tri and fourplexes KANA - 300, FINANCING WINNING, TOURISM

Energy Conservation

- 1) Financing of artic enterances - TAKES AWAY RESIDENCY REQUIREMENT
- 2) Financing of wood stoves, coal - RESOURCES CONFLICTS -

Housing Assistance

- 1) Interest rates for rural housing loans
- 2) Regional housing authorities perform loan function except ✓ where dept has loan office
- 3) Use of Senior Citizen Housing funds ✓
- 4) Loan fund - Rodey

Mining loans

- 1) Limit of loans similar to fishing loans →

Other

- 1) Delegated underwriting procedures residential mortgage loans

SBA LOANS

1. Schedule of meetings
2. Staff list of issues + if FCC powers needed
- 3.
- 4.

Malone

- ① Home ownership fund
- ②

MARCO WARING

\$-500,000⁰⁰

- NO GRANTING AUTHORITY
- EXPANDS TO NON-RENEWABLE -
- NO RESIDENCY REQUIREMENT
- MORE QUALIFICATIONS, INVESTMENT EXPERIENCE, LENDING -
- CAN NOT GO BELOW INTEREST RATE,

RETURN

— REDUCE-50% 49% — 50,000 — 300,000

EQUITY — DEBT — RENTING MONEY

70%

MEMORANDUM

State of Alaska

TO:

The Honorable Patrick W. Rodey
The Honorable Bob Mulcahy
The Honorable Richard W. Halford

DATE: April 20, 1982

FILE NO:

TELEPHONE NO:

FROM:

Sharon Barton
Special Assistant
to the Commissioner

SUBJECT: HCS SB 666 (Finance) amH

I have listed below and noted on the attached bill, the changes which the Department of Natural Resources recommends for HCSSB 666 (Finance) am H.

Page 1, lines 16-22 should be amended to read:

*Sec. 2. AS 03.10.030(a) and (b) are repealed and (a) is reenacted to read:

(a) Farm development, chattel, or irrigation loans made under this chapter

(1) may not exceed a term of 30 years;

(2) may not exceed a total outstanding balance of \$1,000,000;

Page 2, lines 3-7 should be deleted.

Page 2, lines 18-22 should be amended to read:

*Sec. 5. AS 03.10.030 is amended by adding new subsections to read:

(g) A loan for clearing land may not

(1) exceed \$250,000;

(2) bear interest that is less than eight percent;

(3) have a term in excess of 20 years;
or

(4) be made unless the land to be cleared is classified as Class III or better by the Soil Conservation Service.

The Honorable Patrick W. Rodey
The Honorable Bob Mulcahy
The Honorable Richard W. Halford
Page Two
April 20, 1982

Page 3, lines 2-6 should be deleted.

If you have any questions about these changes, please give me a call.

cc: The Honorable Jalmar M. Kerttula

Original sponsors: Fahrenkamp, Bennett
and Parr

Offered: 4/1/82
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 666 (Finance) am H

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain state loan programs; and
7 providing for an effective date."

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

9 * Section 1. AS 03.10.020(1) is amended to read:

10 (1) make loans to individual resident farmers, homesteaders,
11 and partnerships or corporations composed of farmers and homesteaders,
12 for clearing land for agricultural purposes, development of farms, stor-
13 age and processing of farm produce, livestock and machinery and to indi-
14 viduals, partnerships or corporations, for storage and processing plants
15 for agricultural products;

16 * Sec. 2. AS 03.10.030(a)^{and (b) are} is repealed and^{(a) is} reenacted to read:

17 (a) ~~A~~ Farm development, chattel, or irrigation loan made under
18 this chapter

19 (1) may not exceed a term of 30 years;

20 (2) may not, ~~when added to the outstanding balance of other~~
21 ~~loans made under this chapter~~, exceed a total outstanding balance of
22 \$1,000,000;

23 (3) shall be secured by a real estate or chattel mortgage of
24 any priority, except that the portion of a loan that exceeds \$500,000,
25 when added to prior indebtedness that is secured by the same property,
26 must be secured by a first mortgage;

27 (4) shall bear interest at a rate that may not be less than
28 eight percent or more than the commercial rate, unless the commercial
29 rate is eight percent or less; in this paragraph "commercial rate" means

1 the prevailing rate of interest at private lending institutions in the
2 state for loans similar to those referred to in this subsection.

3 * Sec. 3. AS 03.10.030(c) is amended to read:

4 ~~(c) A short term loan, to be amortized within one year, not to~~
5 ~~exceed \$200,000 to any one borrower may be made for operating purposes;~~
6 ~~except that short term loans made under this subsection for farm product~~
7 ~~processing may be made for \$500,000 or less.~~

8 * Sec. 4. AS 03.10.030(e) is amended to read:

9 (e) An installment payment is delinquent unless it is mailed by
10 the borrower on or before the 30th [15TH] day after the date specified
11 for payment in the loan agreement or unless it is received by the depart-
12 ment on or before the 30th [15TH] day after the date specified for
13 payment in the loan agreement. If an installment payment is delinquent,
14 the director may [SHALL] assess a delinquency penalty. The delinquency
15 penalty shall be an amount equal to seven percent of the delinquent
16 payment, but the combined delinquency penalty and loan interest may not
17 exceed 15 percent.

18 * Sec. 5. AS 03.10.030 is amended by adding new subsections to read:

19 (g) A loan for clearing land may not

20 (1) exceed \$^{250,000}~~400,000~~;

21 (2) bear interest that ^{is less than} ~~exceeds~~ eight percent; or

22 (3) have a term in excess of ²⁰~~30~~ years.

23 (h) ^{(4) be made unless the land to be cleared is classified as class III}
The commissioner shall adopt regulations to establish other

24 terms for loans made under this chapter, consistent with the provisions
25 of this section, and may establish interest rates for loans under (a)(4)
26 of this section that

27 (1) encourage agricultural development;

28 (2) do not subsidize nonviable agricultural enterprises; and

29 (3) do not discriminate against existing agricultural enter-

or better by
the Soil
Conservation
Service.

prises.

* Sec. 6. AS 03.10.050(a) is amended to read:

~~(a) The commissioner shall administer the loan fund in conjunction with the agricultural revolving loan fund board. No loan in excess of \$50,000 [\$25,000] may be made by the commissioner without the approval of a majority of the board.~~

* Sec. 7. AS 03.10.050 is amended by adding a new subsection to read:

(c) A meeting of the agricultural revolving loan fund board to act on applications for loans is exempt from the public meeting requirements of AS 44.62.310.

* Sec. 8. AS 16.10.310 is repealed and reenacted to read:

Sec. 16.10.310. POWERS OF THE DEPARTMENT. (a) The department may

(1) make loans to

(A) individual commercial fishermen who have been state residents for a continuous period of five years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370 and have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for any one of the past five years, and who actively participated in the fishery during that period, for the purchase of entry permits;

(B) an individual who has been a state resident for a continuous period of five years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, who (i) because of lack of training or lack of employment opportunities in the area of residence does not have occupational opportunities available other than commercial fishing; or (ii) is economically dependent on commercial fishing for a livelihood and commercial fishing has been a traditional way of life for him in Alaska, for the repair, restoration or upgrading of existing vessels and gear,



Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

Changes for FREE CONFERENCE COMMITTEE

SB-666

To: Senator Rodey
Senator Mulcahy
Representative Halford

From: Jay Kerttula, Senate President

Date: April 17, 1982

Subject: House CS for SB 666 (Finance) am H

You have asked for my comments on the latest version of SB 666, now in conference.

- * Section 1 should be amended to provide:
"To be eligible for a land clearing loan, the land must be classified as Class 3 or better by the Soil Conservation Service."
- * Section 3 of the bill should be eliminated. This production loan fund should not be used for processing loans. CFAB exists for this purpose.
- * Section 5 should be amended as follows:
"(g) A loan for clearing land may not
 - (1) exceed \$250,000 (\$400,000);
 - (2) bear interest that is less than (exceeds) eight percent; or
 - (3) have a term in excess of 20 (30) years."

First of all, \$250,000 should be sufficient for these loans. Second, eight percent is very cheap money these days. These programs are in danger of being wiped out if they become a pure subsidy. Third, 20 years is an adequate term for land clearing repayment.

- * Section 6 should be eliminated. \$25,000 is high enough for a loan to be made without board approval; anything higher deserves board consideration.

Thank you for your consideration of these comments.

Shall the limit on Agriculture Revolving Loan Fund loans be increased;

Shall the minimum interest on Agriculture Revolving Loan Fund loans be 6%;

Shall the existing language relating to Fishing loans be modified;

Shall language similar to that in SB 697 be inserted;

Shall language similar to that in HB 694 be inserted;

Shall AIDA multi-family housing proposals be more specific;

Shall the cash flow from veterans loans be used to fund AIDA multi-family housing;

Shall the maximum limit for mobile home loans through AHFC be increased;

Shall the proposed subsidy rate for triplexes and fourplexes under AHFC be modified;

Shall loans be made for coal and wood stoves;

Shall loans be made for arctic entrances;

Shall the interest rate for rural housing loans be set at the AHFC ratchet rate;

Shall Regional Housing Authorities perform the loan function for rural housing where the Department of Community and Regional Affairs has no loan office;

Shall the Department of Community and Regional Affairs be allowed broader use of the appropriation to the Senior Citizen's housing fund;

Shall the Senior Citizen's Housing fund be a grant program;

Shall the maximum limit for Mining loans be similar to that of fishing loans;

Shall AHFC delegate underwriting procedures for mortgage loans;

Shall a Small Business Loan program be established within the Division of Business Loans and Veterans Affairs;

Shall the foreclosure procedures for fishing loans be modified;

Shall a letter of intent allowing the Division of Business Loans to use a portion of their loan funds for an outreach program for fishing loans be inserted;

Shall the home ownership fund be modified;

Shall the "Rogers Ratchet" be modified;

Shall the composition of the AHFC board of directors be modified;

Areas For Discussion in SB 666

Agriculture loan fund

- 1) Add "Farm Development, chattel, or irrigation loans" to page 1 line 21
- 2) Minimum interest from 8% to 6%

Commercial Fishing

- 1) Replace existing language with new language

ARRC

- 1) Language from SB 697

Municipal Bond Bank

- 1) Language from HB 694 ✓

AIDA

- 1) Examine multi-family housing proposals
- 2) Necessity for the use of cash flow from vets loans

AHFC

- 1) Maximum limit for mobile home loans ✓
- 2) Amount of subsidy for tri and fourplexes

Energy Conservation

- 1) Financing of artie enterances
- 2) Financing of wood stoves, *coal* -

Housing Assistance

- 1) Interest rates for rural housing loans
- 2) Regional housing authorities perform loan function except ✓ where dept has loan office
- 3) Use of Senior Citizen Housing funds ✓
- 4) *Loan fund - Rsdly*

Mining loans

- 1) Limit of loans similar to fishing loans →

Other

- 1) Delegated underwriting procedures residential mortgage loans

~~SBA Loans~~

1. *Schedule of meetings*
2. *Staff list of issues + if FCC powers needed*
- 3.
- 4.

Malone

- ① *Home ownership fund*
- ②

Original sponsor: Kerttula by request

Offered: 3/31/82
Referred: Finance

IN THE SENATE

BY THE RESOURCES COMMITTEE

CS FOR SENATE BILL NO. 697 (Resources)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act establishing the Alaska Resources Corporation in place of the Alaska Renewable Resources Corporation (AS 37.12); and providing for an effective date."

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

* Section 1. AS 37.12.010 is amended to read:

Sec. 37.12.010. ALASKA [RENEWABLE] RESOURCES CORPORATION CREATED.

There is created the Alaska [RENEWABLE] Resources Corporation to carry out the purposes of this chapter. The corporation is a public corporation of the state and an instrumentality of the state within the Department of Commerce and Economic Development [REVENUE], but has a legal existence independent of and separate from the state. The exercise by the corporation of the powers conferred by this chapter is considered an essential function of the state.

* Sec. 2. AS 37.12.015 is repealed and reenacted to read:

Sec. 37.12.015. PURPOSES. The purposes of the corporation are to

(1) facilitate the rehabilitation, enhancement, and development of the state's resources so as to strengthen and diversify the state economy; and

(2) provide development capital for the establishment and expansion of small enterprises in resource industries in the state in ways that enhance private capital investment.

* Sec. 3. AS 37.12 is amended by adding a new section to read:

AS 37.12.022. DEVELOPMENT CAPITAL FUND. The development capital fund is established in the corporation, consisting of money or assets

1 appropriated or transferred to the corporation, and payments of princi-
2 pal and interest on loans and equity investments made by the corporation.
3 The fund shall be used to finance projects that qualify for assistance
4 under this chapter, and to pay the operating expenses of the corporation.
5 If money remains in the development fund after financing projects that
6 qualify for assistance under this chapter and after paying the operating
7 expenses of the corporation, the money shall be invested by the corpora-
8 tion under AS 37.10.070(a).

9 * Sec. 4. AS 37.12.025 is amended to read:

10 Sec. 37.12.025. BOARD OF DIRECTORS [TRUSTEES]. A board of direc-
11 tors [TRUSTEES] of the corporation is established as its governing body.

12 * Sec. 5. AS 37.12.030 is repealed and reenacted to read:

13 Sec. 37.12.030. COMPOSITION OF THE BOARD OF DIRECTORS. The board
14 consists of four members appointed by the governor and the commissioner
15 of commerce and economic development or his designee. The board shall
16 annually elect a chairman from among its members.

17 * Sec. 6. AS 37.12.035 is amended to read:

18 Sec. 37.12.035. TERM OF OFFICE. The members of the board [OF
19 TRUSTEES] shall be appointed for terms of four years, and they may be
20 reappointed. Terms of members appointed by the governor shall be stag-
21 gered. The governor shall immediately appoint a member to fill a
22 vacancy in the membership of the board for the unexpired term [THE
23 INITIAL TERMS SHALL BE ONE MEMBER SERVING FOR TWO YEARS, ONE MEMBER
24 SERVING FOR THREE YEARS, AND ONE MEMBER SERVING FOR FOUR YEARS.]

25 * Sec. 7. AS 37.12.050 is amended to read:

26 Sec. 37.12.050. QUORUM AND TRANSACTION OF BUSINESS. (a) Three
27 [TWO] members of the board constitute a quorum for the transaction of
28 business and the exercise of the powers and duties of the board.

29 (b) The board may meet and transact business by electronic media

1 if (1) public notice of the time and locations where the meeting will
2 be held by electronic media has been given in the same manner as if the
3 meeting were held in a single location; (2) participants and members
4 of the public in attendance can hear and have the same right to partici-
5 pate in the meeting as if the meeting were conducted in person; and (3)
6 copies of pertinent reference materials, statutes, regulations, and
7 audio-visual materials are reasonably available to participants and to
8 the public. A meeting by electronic media as provided in this subsec-
9 tion has the same legal effect as a meeting in person.

10 * Sec. 8. AS 37.12.055 is repealed and reenacted to read:

11 Sec. 37.12.055. COMPENSATION OF BOARD MEMBERS. Members of the
12 board receive \$200 for each day spent on official business of the corpor-
13 ation, and are entitled to per diem and travel expenses authorized by
14 law for state boards and commissions under AS 39.20.180.

15 * Sec. 9. AS 37.12.060 is repealed and reenacted to read:

16 Sec. 37.12.060. EXECUTIVE DIRECTOR; STAFF. (a) The board shall
17 employ an executive director to administer the corporation in accordance
18 with this chapter, and to perform other duties that the board may pre-
19 scribe. The executive director serves at the pleasure of the board and
20 may not be a member of the board. The board determines the salary of
21 the executive director.

22 (b) The executive director may, with the approval of the board,
23 select and employ staff. The executive director and staff are in the
24 exempt service under AS 39.25.

25 * Sec. 10. AS 37.12.065(a) is amended to read:

26 (a) Members of the board [OF TRUSTEES] are subject to the pro-
27 visions of AS 39.50.

28 * Sec. 11. AS 37.12.075 is repealed and reenacted to read:

29 Sec. 37.12.075. DUTIES. In carrying out the purposes of this

chapter the board shall

(1) provide financial assistance for resource projects that the board finds will accomplish the purposes of the corporation as set out in AS 37.12.015;

(2) keep minutes of each meeting of the board and send a certified copy of the minutes to the governor and the Legislative Budget and Audit Committee;

(3) annually prepare long-range operating and financial plans and the budget for the next fiscal year;

(4) monitor approved projects for compliance with this chapter and provide operational and performance evaluations of projects receiving financial assistance.

* Sec. 12. AS 37.12.080(a)(2) is amended to read:

(2) use the financial mechanism most appropriate to the conditions of the applicant and the proposed resource project and which will most effectively utilize the funds available; [GRANTS MAY BE MADE BY THE BOARD OF UP TO 90 PERCENT OF THE TOTAL PROJECT COSTS FOR THE FOLLOWING PURPOSES:

(A) PROJECTS FOR THE APPLIED RESEARCH AND DEVELOPMENT OF PRODUCTS, TECHNOLOGIES, OR INNOVATIONS FOR THE REHABILITATION, ENHANCEMENT, OR DEVELOPMENT OF THE STATE'S RENEWABLE RESOURCES;

(B) PROJECTS FOR THE DEMONSTRATION, ON A ONE-TIME BASIS, OF THE ECONOMIC OR TECHNICAL FEASIBILITY OF A NEW PRODUCT, MARKET, OR TECHNOLOGY INVOLVING A RENEWABLE RESOURCE; OR

(C) PROJECTS FOR THE REHABILITATION, ENHANCEMENT, OR DEVELOPMENT OF A COMMON-PROPERTY RESOURCE WHERE THE BENEFITS FROM THE PROJECT CANNOT BE CAPTURED BY ANY SINGLE ECONOMIC UNIT;]

* Sec. 13. AS 37.12.080(a) is amended by adding a new paragraph to read:

(5) require that if the corporation makes an equity invest-

1 ment it agrees to divest itself of the shares held within 10 years or
2 before the end of the term of the loan, whichever occurs first.

3 * Sec. 14. AS 37.12.080(b)(1) is amended to read:

4 (1) invest or otherwise provide assistance of more than five
5 percent of the resources of the corporation or \$500,000 [\$1,500,000],
6 whichever is less, in a single project or applicant [UNLESS THE LEGISLA-
7 TURE HAS APPROVED THE INVESTMENT BY CONCURRENT RESOLUTION];

8 * Sec. 15. AS 37.12.080(b)(2) is repealed and reenacted to read:

9 (2) finance more than 49 percent of the combined equity and
10 debt obligations of an applicant;

11 * Sec. 16. AS 37.12.080(b)(3) is amended to read:

12 (3) make a loan for a period in excess of 30 years [UNLESS
13 THE LEGISLATURE HAS APPROVED THE LOAN BY CONCURRENT RESOLUTION];

14 * Sec. 17. AS 37.12.080(b)(5) is amended to read:

15 (5) provide funds to any state agency [UNLESS THAT EXPENDI-
16 TURE IS INCLUDED IN THE CORPORATION'S ANNUAL BUDGET];

17 * Sec. 18. AS 37.12.080(b)(6) is amended to read:

18 (6) make [ALLOCATE TO] grants [MORE THAN 10 PERCENT OF THE
19 ANNUAL APPROPRIATION OF THE CORPORATION].

20 * Sec. 19. AS 37.12.090 is repealed and reenacted to read:

21 Sec. 37.12.090. REPORTS AND PUBLICATIONS. (a) The corporation
22 shall publish an annual report by January 10 of each year for distribu-
23 tion to the governor, the legislature, and the public. The report shall
24 be written in easily understandable language and shall include

25 (1) a financial statement audited by an independent outside
26 auditor;

27 (2) a statement of the corporation's investments under this
28 chapter including an appraisal of the investments at market value;

29 (3) a description of corporation investment activity during

1 the period covered by the report;

2 (4) a comparison of the corporation's performance with the
3 goals of the corporation; and

4 (5) any other information the members of the board believe
5 would be of interest to the governor, the legislature, and the public.

6 (b) The annual income statement and balance sheet of the corpora-
7 tion shall be published in at least one newspaper in each judicial
8 district.

9 (c) The corporation may publish other relevant reports.

10 * Sec. 20. AS 37.12.095 is repealed and reenacted to read:

11 Sec. 37.12.095. OPERATING BUDGET. The operating budget of the
12 corporation is subject to the Executive Budget Act (AS 37.07).

13 * Sec. 21. AS 37.12.125(2) is amended to read:

14 (2) "board" means the Board of Directors [TRUSTEES] of the Alaska
15 [RENEWABLE] Resources Corporation;

16 * Sec. 22. AS 37.12.125(3) is amended to read:

17 (3) "corporation" means the Alaska [RENEWABLE] Resources
18 Corporation;

19 * Sec. 23. AS 37.12.125(4) is amended to read:

20 (4) "project" means products, markets, innovation, or tech-
21 nological developments for the rehabilitation, enhancement, or develop-
22 ment of [RENEWABLE] resources and includes applied research for those
23 products, markets, or technological developments;

24 * Sec. 24. AS 37.12.125(5) is repealed and reenacted to read:

25 (5) "rehabilitation, enhancement and development" means an
26 activity that leads to an increase in the quality or productivity of a
27 resource, and to an increase in the benefits derived from the resource
28 for citizens of the state;

29 * Sec. 25. AS 37.12.125(6) is repealed and reenacted to read:

1 (6) "resource" means a natural component of the environment
2 including but not limited to fisheries, agriculture, forest products,
3 renewable energy, tourism, and mining.

4 * Sec. 26. AS 37.12.125 is amended by adding a new paragraph to read:

5 (7) "small enterprise" means a business enterprise with gross
6 income of \$10,000,000 or less for its annual reporting period ending
7 immediately before an application to the corporation for financial
8 assistance.

9 * Sec. 27. AS 24.20.201(a)(9) is amended to read:

10 (9) hold public hearings on the confirmation of the members
11 of the Board of Trustees of the Alaska Permanent Fund Corporation [, AND
12 THE MEMBERS OF THE BOARD OF TRUSTEES OF THE ALASKA RENEWABLE RESOURCES
13 CORPORATION];

14 * Sec. 28. AS 24.20.206(1) is amended to read:

15 (1) report to the legislature its recommendations relating to
16 the confirmation of appointees to the Board of Trustees of the Alaska
17 Permanent Fund Corporation [AND THE BOARD OF TRUSTEES OF THE ALASKA
18 RENEWABLE RESOURCES CORPORATION];

19 * Sec. 29. AS 44.66.010(a)(7) is amended to read:

20 (7) Alaska [RENEWABLE] Resources Corporation (AS 37.12.010) --
21 June 30, 1992 [1982];

22 * Sec. 30. AS 46.12.120(4) is amended to read:

23 (4) in developing its programs, consult with the Alaska
24 Council on Science and Technology, the Alaska Power Authority, the
25 Alaska [RENEWABLE] Resources Corporation, the division of energy and
26 power development of the Department of Commerce and Economic Develop-
27 ment, the Department of Natural Resources, and the University of Alaska;
28 the board shall meet with responsible officials and representatives of
29 these organizations and agencies at least twice each year;

1 * Sec. 31. The initial terms of members of the Board of Directors of the
2 Alaska Resources Corporation appointed by the governor under AS 37.12.030 as
3 amended in sec. 5 of this Act shall be one member serving one year, one
4 member serving two years, one member serving three years, and one member
5 serving four years. Initial members of the Board of Directors of the Alaska
6 Resources Corporation shall be appointed within 75 days from the effective
7 date of this Act.

8 * Sec. 32. The Alaska Renewable Resources Corporation and its Board of
9 Trustees are dissolved on the effective date of this Act.

10 * Sec. 33. All appropriations, records, equipment, and other assets or
11 liabilities of the Alaska Renewable Resources Corporation are transferred to
12 the Alaska Resources Corporation.

13 * Sec. 34. The following laws are repealed: AS 37.12.020, 37.12.040,
14 37.12.070(12), and (14), 37.12.080(a)(1)(D), (a)(1)(G) and (a)(3), 37.12.-
15 085(2), and 37.12.115.

16 * Sec. 35. The limitation on financial assistance in AS 37.12.080(b)(1)
17 as amended in sec. 15 of this Act applies to financial assistance provided
18 under AS 37.12 after the effective date of this Act.

19 * Sec. 36. This Act takes effect immediately in accordance with AS 01.10.-
20 070(c).

TO: All Seller/Serviceers

FROM: LeRoy Rothe *LR*
Mortgage Operations Director

Re: Mobile Home Park Approvals

DATE: April 7, 1982
(Memo #82-40)

Alaska Housing Finance Corporation will begin to institute a more stringent approval process for mobile home parks. This new approval process is to be effective immediately for all new applications submitted for approval. Mobile home parks that are currently approved through our office must submit an application, in compliance with the new approval process, no later than June 1, 1982. If a new park approval has not been granted by that date AHFC will not purchase existing homes or homes to be placed in a non-approved park.

The AHFC approval for acceptable mobile home parks will be issued on a case-by-case basis for a period of one year. At the end of the approval term a new application with all pertinent information (as shown below) is to be provided for renewal of approval.

The following information is to be provided with an application request to receive and/or maintain an approval status:

- 1.) Copy of park rules and/or a copy of the rental agreement being utilized by the park owner.
- 2.) Certification all park streets are maintained, i.e., snow removal done in a timely manner, pot holes repaired, spring/summer/fall grading maintenance.
- 3.) Certification that garbage disposal facilities are adequate and properly maintained.
- 4.) Abandoned vehicles towed away.
- 5.) A description of the number of units in the park, the number of units occupied and description of the exterior condition of the units.
- 6.) Acceptable health approvals, if applicable.
- 7.) Completed budget (see attached).
- 8.) Park owner to sign blanket agreement assuring right to leave a mobile home in the park, as long as the space rent is paid, if said unit is in a foreclosure status. (see attached)
- 9.) Photos of park.

Thank you for your cooperation with our office.

LR/1a

Attachments

STATEMENT OF ANNUAL PARK INCOME & EXPENSES

FOR THE YEAR 19__

GROSS ANNUAL INCOME:

Rents: \$ _____

Other: _____

TOTAL INCOME: ..\$ _____

EXPENSES:

Office & Supplies _____

Telephone _____

Salaries/Fees _____

Legal & Audit _____

Utilities _____

Trash & Garbage _____

Snow Removal _____

Street Maintenance _____

Repairs _____

Real Estate Taxes _____

Other Taxes/Assessments _____

Insurance _____

TOTAL EXPENSES: \$ _____

NET \$ _____

AGREEMENT

I/We, _____ OWNER/MANAGER
OF _____ MOBILE HOME PARK,
AGREE THAT ANY MOBILE HOME LOCATED IN THE ABOVE STATED PARK, FINANCED
BY ALASKA HOUSING FINANCE CORPORATION, MAY REMAIN IF THE UNIT IS IN A
FORECLOSURE STATUS WITH ALASKA HOUSING FINANCE CORPORATION AS LONG AS
ALL SPACE RENTS ARE KEPT IN A CURRENT STATUS.

By: _____

Title: _____



SALES, INC.

February 16, 1982

Mr. Harry Goldbar
Executive Director
Alaska Housing Finance Corporation
P.O. Box 1020
Anchorage, Alaska 99510

SUBJECT: MOBILE HOME LOAN PROGRAM REGULATIONS

Dear Mr. Goldbar:

Pursuant to our testimony at a public hearing held February 10, 1982 held at your agency, please accept this letter as an effort to reinforce said testimony as it relates to increasing loan limits on subject program through the regulation process.

When A.H.F.C. established the mobile home loan program in late 1979, a limit of \$72,500 was placed on mobile home lending, along with a maximum loan term of 20 years. These limits were imposed even when considering loans which included real estate combined with the unit financing. These limits were marginal when established, especially when a typical doublewide mobile home was being considered in the overall package. Today this loan limit is totally inadequate and we request your serious reconsideration of dollar totals of loans and their terms along the following guidelines:

1. Doublewide mobile homes financed along with land should receive a loan limitation of \$110,000 with term of loan increased from 20 to 30 years.
2. Doublewide mobile homes financed for placement in an approved mobile home park should have loan limits set at \$85,000 with term of loan increased to 25 years.
3. Singlewide mobile homes financed along with land should receive a loan limitation of \$85,000 with term of loan increased from 20 to 30 years.
4. The present limit of \$72,500 and 20-year term is recommended to be maintained for singlewide units placed in approved parks.

We are attaching, for your review, an analysis developed by GSP Services regarding current estimates of value and costs which support the above recommendations.. GSP is a firm actively involved in mobile home appraisals which are accepted by your agency.

Also, please note the remarks in this analysis regarding the economic life of mobile homes based on current industry standards indicating such economic life is up to 35 years. Additionally, it must be understood that since interest rates on mobile home loans under the program have risen from 10% to 12-3/8% under current terms, the request to consider term-of-loan increase is especially important to prospective borrowers. Many individuals who may have qualified under the 10% program have now been left by the wayside by the higher rates when income ratios are calculated with the restriction of the 20-year term.

When the statewide home market is scrutinized it does not take long to understand that the mobile home program is an ever increasing alternative to prospective home owners. The remarkable increase in prices of conventional homes during the past 18 months, coupled with interest increases during the same time frame, make this fact self evident... That is why we feel it is especially important for your agency to give thoughtful consideration to the increases recommended here.

Mr. Goldbar, please recognize that our firm has considerable praise for your agency's promulgating of, and operating, this very needed loan program for the benefit of Alaskan borrowers. We realize that inflation, interest rates, and market conditions are dynamic factors which are difficult to second guess, especially in consideration of a relatively new program such as the mobile home loan program.

We will be in attendance at your board meeting to be held on February 17th and request discussion with you and your board members on these matters.

Sincerely,

EARL M. BROWN
Vice President

ATTACHMENT

cc: Mr. Franklin C. Roppel, Board Chairman
Mr. Lance Parrish, First Vice Chairman
Commissioner Lee McAnerney, Board Member
Commissioner Charles Webber, Board Member
Commissioner Tom Williams, Board Member
Mr. Leroy Rothe, Mortgage Operations Director

Brad Bradley, Senator
Arliss Sturgulewski, Senator
M. E. Dankworth, Senator
Joe Hayes, Representative
Ray Metcalfe, Representative
Ramona Barnes, Representative
Thelma Bucholdt, Representative

PHONE 277-8575
277-4224

THOMAS J. GEBHART
MELVIN A. PORTER

G & P SERVICES, INC.

REAL ESTATE APPRAISALS
700 "H" STREET, SUITE 5
ANCHORAGE, ALASKA 99501

DOUBLE WIDE MOBILE HOMES ON PRIVATE SITES

DOUBLE WIDE MOBILE HOMES ON PRIVATE SITES

Pursuant to P&J Mobile Homes Sales request to answer the following questions, for presentation to Alaska Housing Finance Corporation, on double wide mobile homes on private sites. The following is the essence of these questions:

1. The need and assesment of raising the amount financable from \$72,500 to \$110,000 for double wide mobile homes on private sites.
2. Increasing the financable life of new double wide mobile homes on private sites from 20 years to 30 years.

Question #1 can be answered by determining the high, average and low sales price of current comparable double wide mobile homes and Rural Residential District (R-5) sites. See appendix for definition and uses of R-5 zoning. The current comparable double wide mobile home sales are determined by AHFC guidelines stating mobile home comparables cannot be over 3 months old for appraising purposes. Due to the limited time span for preperation of this study R-5 sites include both improved and unimproved sites for 1981 in the Anchorage bowl. (Note: R-5 zoning is currently the only zoning permitting mobile homes on a permanent basis.)

For double wide mobile homes the high is \$66,979 the average is \$57,637 and the low is \$48,721.

For R-5 sites the high is \$55,000, the average is \$23,693 and the low is \$11,000.

This yields the following chart:

Double wides on private sites

High:	$\$66,979 + \$55,000 = \$121,979$
Avg.:	$\$57,637 + \$23,693 = \$ 81,330$
Low:	$\$48,721 + \$11,000 = \$ 59,721$

(Note: A fee appraiser is to determine Market Value which is defined as: The highest price in terms of money which a mobile home will bring in an open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimuli.)

Question #2 can be answered by taking excerpts from the Society of Real Estate Appraisers seminar handbook on mobile home appraising. The following are excerpts from SREA Seminar, Introduction to Mobile Home Appraising, pages 3-6, 3-7 and 3-8.

Age-Life Analysis of a Mobile Home - There is general disagreement throughout the entire mobile home industry pertaining to estimates of physical and economic life of a mobile home. Studies indicate the following to be acceptable at the present time.

The appraiser can classify the anticipated economic life of mobile homes in relation to their manufactured quality.

Fair quality - 20 year anticipated economic life.

Average quality - 25 year anticipated economic life.

Good quality - 35 year anticipated economic life.

These estimates are considered conservative when analyzing the history of the mobile home industry and considering the present quality of workmanship and materials going into today's mobile homes. They also reflect proper maintenance and replacement of short-lived items.

Quality classification will be one of the toughest hurdles an appraiser must deal with in mobile home valuation. There is no easy solution. Experience in the market should bring four general quality classifications to light:

1. Fair Quality - Lower cost, minimum amenities, lower grade exterior, interior, carpeting, paneling and overall workmanship.
2. Average Quality - The majority of mobile homes being produced today are of average quality. The exteriors have various decoration, aluminum sidings, interior home construction good. Average to good quality paneling, floor covering and floor fixtures.
3. Good Quality - Above normal elevation, ship-lap, masonite or wood siding, composition shingle or shake roof, some with concrete tile. Interior finish, decor, fixtures and quality will be unmistakably above average. These units will be above average throughout with refinements such as sunken tubs, mirror-sliding closet doors, and above all, good quality workmanship.