

Drafts, Reports,
of Subcommittees,
Executive Summary,
Alerts Final Report,
Memos

State of Alaska

House Majority Leader

COMMITTEES

HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES
HOUSE JUDICIARY
HOUSE RULES

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MEMORANDUM

TO: COMMITTEE MEMBERS AND ALL REPRESENTATIVES

FROM: MAX F. GRUENBERG, JR., HOUSE CHAIR,
JOINT COMMITTEE ON ECONOMIC RECOVERY

DATE: JANUARY 18, 1988

RE: JOINT COMMITTEE ON ECONOMIC RECOVERY

Because we have time constraints, I have set out an outline of committee activities below.

Today we will establish eight House subcommittees. These subcommittees are: Housing, Banking, Small Business, Employment and Industry, Resource Development, Rural Alaska, Interior Alaska, and Southeast Alaska. House subcommittee chairs will be: Representative Kay Brown - Housing, Representative Steve Rieger - Banking, Representative Red Boucher - Small Business, Representative Mike Miller - Employment and Industry, Representative Mike Navarre - Resource Development, Representative Al Adams - Rural Alaska, Representative Niilo Koponen - Interior Alaska, and Representative Fran Ulmer - Southeast Alaska. Members will sign up for subcommittees through noon Wednesday. By the close of business Wednesday House subcommittee memberships should be finalized and preliminary subcommittee work can begin. Next week the full committee will undertake an economic overview, followed by a series of statewide teleconferences in each of the eight subcommittee topic areas, to be conducted by the subcommittees.

There are three main areas of focus the full committee and the subcommittees should address within these eight subjects. First the committee or subcommittee should identify and prioritize existing legislation relating to economic recovery. Second, the committee should identify areas which should be addressed in new legislation. That legislation should be prepared. Finally, the committee and subcommittees should develop a series of long-term issues and viable solutions for use by the sixteenth legislature and other governmental entities (eg. federal or municipal.) As well as

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making interim reports and introducing legislation, the full committee will prepare a report near the end of the session.

In the first area, identifying existing legislation that should be prioritized or "fast tracked", each subcommittee will identify relevant legislation relating to its particular subject area. The subcommittees will report back within two weeks of their formation. Subcommittee recommendations will be brought to the full committee. At the end of the first thirty days the full committee will publicly present a list of priority legislation drawn from the subcommittee reports and approved by the full committee. These are the bills that will be pushed through the legislative process.

Second, simultaneously with the first area but, continuing for a longer period of time, the subcommittees will identify proposals for economic recovery to be enacted this session that are not covered in existing legislation. These proposals will be drafted, introduced by the full committee, and added to the list of "fast tracked" priorities developed in the first thirty days.

The third area, ongoing throughout the earlier processes, will identify non-legislative solutions, long term proposals and ideas which could not be fully addressed during this Legislature. These may be in the form of legislation to be considered by future legislatures and other branches of government (federal and local). These will also be developed in each subcommittee, then brought to the full committee.

Critical to the success of this effort is a strict timetable that must be followed by all subcommittees. This will require minimum partisanship and maximum cooperation for both houses -- a worthwhile achievement in itself. Below I have outlined a tentative schedule contingent on passage of HCR 31 and 32 by the Senate this week.

<u>week</u>	<u>full committee</u>	<u>subcommittees</u>
1 - 3	Full committee begins meeting. Overview is held in second week. The subcommittees begin to identify needed legislation. The full committee establishes the calendar in the first meeting.	
3	At the end of the third week the full committee meets to debate and formulate the priority list.	Subcommittees hold hearings weekly, or more often, to develop priority lists.

Meanwhile, as each subcommittee completes its initial bill identification during this time, they report back to the full committee. Full committee meetings are held 2 to 3 times weekly, preferably near the end of the week, and, if on schedule, should address two of the subjects each time.

- | | | |
|-------|--|---|
| 3 | Priority list is publicly announced by the full committee. | Subcommittees begin debate and markup on legislation. |
| 3 - 6 | At the end of the sixth week the full committee meets to debate legislation, marks up bills, and determines additions to priority lists. | Subcommittees report findings to the full committee. |

During this time the subcommittees continue to report back to the full committee much as they did in the first phase.

- | | | |
|---|---|--|
| 6 | Needed legislation is introduced and pursued. | Subcommittees begin developing comprehensive proposals within each of their subject areas for inclusion in the final report. |
|---|---|--|

8 WEEKS

6 - 17 Extensive public testimony is taken by both the full committee and the subcommittees as ideas are generated for the last phase of the committee (the proposals for the future and other branches of government.) At the conclusion of the public hearings, the full committee meets to address the various proposals. A summary of committee conclusions are prepared and presented. This precedes the final report to appear two weeks later.

- 17 The final report is presented to the public.

It will be necessary to keep up the pressure in all subcommittees to ensure that the work gets done. Because most of the concrete proposals, that is to say those that can be directly undertaken by this Legislature, are addressed early in the process, this should ensure active and fruitful participation by many members.

Thanks for your consideration of this outline. We'd welcome your comments, criticisms and suggestions. Please contact Tom Begich, my staff assistant for this committee, or myself at 3718, 4968, or 4986.

SUBCOMMITTEE MEMBERSHIP

HOUSING AND BANKING: REPRESENTATIVE BROWN (CO-CHAIR)
REPRESENTATIVE REIGER (CO-CHAIR)

REPRESENTATIVE COLLINS
REPRESENTATIVE SPRINGER
REPRESENTATIVE DAVIS
REPRESENTATIVE DONLEY
REPRESENTATIVE ULMER
REPRESENTATIVE PHILLIPS

RESOURCE DEVELOPMENT, TRANSPORTATION, EMPLOYMENT AND INDUSTRY:

REPRESENTATIVE NAVARRE (CO-CHAIR)
REPRESENTATIVE MILLER (CO-CHAIR)

REPRESENTATIVE DAVIDSON
REPRESENTATIVE LARSON
REPRESENTATIVE PEARCE
REPRESENTATIVE SUND
REPRESENTATIVE PETTYJOHN
REPRESENTATIVE CATO
(REPRESENTATIVE ELLIS)
(REPRESENTATIVE ULMER)

SMALL BUSINESS:

REPRESENTATIVE BOUCHER, CHAIR
REPRESENTATIVE ELLIS
REPRESENTATIVE HERRMAN

RURAL:

REPRESENTATIVE ADAMS, CHAIR
REPRESENTATIVE CATO
REPRESENTATIVE WALLIS

INTERIOR:

REPRESENTATIVE KOPONEN, CHAIR
REPRESENTATIVE DAVIS

SOUTHEAST:

REPRESENTATIVE ULMER, CHAIR
REPRESENTATIVE SUND

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January 18, 1988

TO: ALL REPRESENTATIVES

FROM: MAX F. GRUENBERG, JR., HOUSE CHAIR
JOINT COMMITTEE ON ECONOMIC RECOVERY

RE: MEMBERSHIP AND SUBCOMMITTEE CHAIRS

LISTED BELOW ARE THE HOUSE MEMBERS ON THE NEW COMMITTEE ON
ECONOMIC RECOVERY AND THE SUBCOMMITTEES THEY CHAIR.

THE SENATE MEMBERS WILL BE APPOINTED AFTER THE BILL PASSES THE
SENATE FLOOR.

REP. MAX GRUENBERG	- CHAIR OF THE COMMITTEE
REP. KAY BROWN	- CHAIR, HOUSING SUBCOMMITTEE
REP. AL ADAMS	- CHAIR, RURAL SUBCOMMITTEE
REP. NILO KOPONEN	- CHAIR, INTERIOR SUBCOMMITTEE
REP. MIKE NAVARRA	- CHAIR, RESOURCE DEVELOPMENT SUBCOMMITTEE
REP. RED BOUCHER	- CHAIR, SMALL BUSINESS SUBCOMMITTEE
REP. FRAN ULMER	- CHAIR, SOUTHEAST SUBCOMMITTEE
REP. MIKE MILLER	- CHAIR, EMPLOYMENT AND INDUSTRY SUBCOMMITTEE
REP. STEVE RIEGER	- CHAIR, BANKING SUBCOMMITTEE

Max:

January 18, 1988

Steve Rieger's suggestion was to add a target date at eight weeks for passage of legislation. This I will do on the final document.

Navarre, Brown and Boucher talked about merging the subcommittees. My suggestion remains conducting Joint subcommittee hearings on subjects (Niilo's wholistic approach) and concentration in individual areas. Perhaps ask chairs to develop more accurately descriptive names. All seem to agree that the overviews sometime next week will flush out the areas that the subcommittees should address.

I will set up Wednesday afternoon appointments for you with the members to discuss the subcommittee assignments.

- Tom

Tape # 1, 14

Joint Committee on Economic Reform 1/18/88
Organizational Meeting

4:18 PM, Meeting called to order.
All members present.

tape #'s

26 -- subcommittees discussed

80 - subcommittee membership, methods

110 -- proposed three phases of the committee process
described

143 -- Rep. Brown: Wishes to focus on Commercial and
residential real estate market.

168 -- Rep. Koponen: Discusses a need to go beyond just a
return to "where we were". Take advantage of the decline of
the dollar and realize the benefits to tourism.

215 -- Senate involvement discussed.

240 -- Rep. Ulmer: Asks why there is no Southcentral Regional
Committee. General Discussion ensues regarding the committee
structure.

275 -- Rep. Rieger: Describes the necessary overlaps that
will occur with the subcommittees.

380 -- Boucher wishes to discuss successful small businesses
as opposed to failures.

General discussion of subcommittees, overlapping and merging.
Rep. Rieger asks if there might be a deadline or date for the
"passage" of legislation added to the list.

Meeting is adjourned at 4:50 PM

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MEMORANDUM

TO: ALL REPRESENTATIVES AND SENATORS

FROM: MAX F. GRUENBERG, JR., HOUSE CHAIR
JOINT COMMITTEE ON ECONOMIC RECOVERY *Max*

DATE: MARCH 23, 1988

RE: EXECUTIVE SUMMARY AND SUBCOMMITTEE REPORTS

Attached please find a copy of the reports of each of the subcommittees of the House side of the Joint Committee on Economic Recovery. The cover document is an executive summary of those reports.

These subcommittee reports include items the House members of the Committee recommend for consideration by this legislature and their general policy recommendations.

The work of the House Committee continues. We will keep you updated.



Official Business

Alaska State Legislature

House of Representatives

Pouch V
State Capital
Juneau, Alaska 99801

EXECUTIVE SUMMARY OF LEGISLATIVE ACTIONS HOUSE JOINT COMMITTEE ON ECONOMIC RECOVERY

When the Joint Committee on Economic Recovery was established by resolution this past January, the House side of the committee adopted a subcommittee framework within which three phases of action would be undertaken. The first phase was to examine the overall Alaska economic picture and identify existing legislation that should be promoted or addressed by the legislature. The second phase was to determine what new legislative proposals might be implemented to address these problems. The final phase of the House effort was to promote long term solutions at the state, federal and local level which might better prepare Alaskans to deal with similar economic situations. At this time we present the attached reports addressing the first two phases of our efforts.

In these reports each subcommittee has endeavored to present, where necessary, those pieces of legislation they believe might contribute most to the economic recovery of the state. Though initially focused on short-term proposals, the final lists of legislation also represent a number of ideas that will have significant long-term implications if adopted by the legislature. Some examples of these latter proposals include HB 492 (the Alaska Bottomfish Development Plan), and HB 430 and HB 431 (Neighborhood Business Development Initiative).

The subjects covered by these reports range from resource development to the housing market and include both Senate and House legislative proposals. While the Resource Development, Transportation, Employment and Industry subcommittee report focuses mainly on specific legislative proposals, other reports, such as the Interior and Southeast subcommittees, address the broader economies encompassed within their purview. The remaining subcommittees, Small Business, Housing and Banking and Rural, discuss broad policy questions and legislative actions.

In identifying new proposals not already introduced, the main emphasis and effort fell upon the Housing and Banking subcommittee. The members of this subcommittee found themselves immersed in the economic problems foremost in the public eye: the collapse of the residential housing and commercial real estate markets and the apparent deterioration of Alaska's banking industry, all areas which few legislative proposals initially addressed.

Other subcommittees, notably Small Business, recommended enhancement of existing programs to fill gaps not covered by legislative proposals.

Following a brief description of the Full Committee's meetings a short review of the activities of each subcommittee shall be presented.

The Full Committee

The Full House Committee has met consistently -- at times jointly with the Senate Committee -- since January 29 of this year. The initial meetings provided an overview of the Alaska Economy from a public, private and regional perspective. These meetings were followed by presentations generated outside of the legislature on plans and proposals to improve the economy. These were in turn followed by preliminary presentations of the subcommittee reports and actions which, after full committee review and amendment, were presented in final form. At present the House Committee is addressing legislative proposals passed from the Senate Committee and has submitted their reports and actions to that committee for review.

Housing and Banking

The Housing and Banking subcommittee, Co-chaired by Representatives Kay Brown and Steve Rieger, held extensive hearings and identified two broad policy recommendations for the state to pursue. The first of these was the improvement of the residential housing market. The second was to maximize the ability of the market to solve commercial real estate and loan problems while minimizing State intervention. Within the first area, specific strategies proposed included directing state agencies with institutionally-owned properties (REO's) to cooperate in demolishing unsafe and substandard housing, providing funding support for the demolition of the Willow Park Apartments, exploring the use of surplus housing for public purposes, directing AHFC to exercise prudent judgement and take prompt action in the management of its REO portfolio (including multi-family and mobile homes), and providing aid to distressed homeowners in the form of workouts, potential trades of property and flexible policies, through AHFC and other state agencies involved in the residential housing market. Other strategies under consideration include the revision of state lending programs -- both commercial and residential -- and the clarification of rules regarding foreclosure.

Within the second area, the subcommittee recommended relaxing limitations on the Alaska Industrial Development Export Authority (AIDEA) enabling them to better respond to current economic conditions.

As legislation was introduced in both the House and the Senate on issues affecting their purview, the subcommittee also considered those bills and made recommendations on many of them, often incorporating them into their strategies.

At this time the Housing and Banking subcommittee still has issues and proposals before them, and will hear them in the near future. These issues may lead to further recommendations of policy or legislation.

Small Business

This subcommittee, chaired by Representative Red Boucher, held public hearings to determine and help develop the level of communication between small Alaskan businesses.

Specifically, the subcommittee recommended that the Small Business Development Center for Alaska, the Alaska Center for International Business the Alaska Business Assistance Center (for rural Alaska) and the Made in Alaska program coordinate their activities -- potentially through the University of Alaska -- to allow greater access by Alaska small businesses to information and assistance presently provided by the state.

Along with support of a number of existing bills, the subcommittee also recommended the State pursue the development of a regulatory clearing house, establish an Alaska Economic Index, and improve the competitiveness of Alaska products.

Resource Development, Transportation, Employment and Industry

Chaired by Representatives Mike Navarre and Mike Miller, this subcommittee report concentrated on the three topic areas in their title. Their task was particularly difficult as it carried over into a number of sensitive areas presently under consideration in standing committees.

In Part One of their report particular emphasis was given to the Alaska Bottomfish Development Plan, HB 492. This was also the subject of a specific hearing of the subcommittee. Other bills the subcommittee believed merited consideration included legislation relating to fishing, tourism and resource agency funding. The controversial mariculture and forest management issues were also dealt with in this section through general policy statements that recognized present legislative activities in regard to these issues.

Part two of the report discussed a number of issues relating to employment and industry. Continued support for the Alaska Center for International Business, the subject of another hearing of the committee, was one of these issues supported by the subcommittee. Other areas the subcommittee believed would encourage economic recovery included the development of port authorities, bidder preference for state goods and recycled products, and both legislation and a general policy statement regarding local hire.

The third part of the report provided a brief overview of transportation measures, and recommended support of one measure, HB 479, relating to an appropriation to the Alaska Marine Highways system.

Interior

Through public hearings and solicited responses the Interior subcommittee, chaired by Representative Niilo Koponen, developed a report that merged legislative proposals with policy recommendations -- both long-term and short-term.

After a brief overall policy overview the report dealt extensively with the 11 pieces of legislation they recommend for passage. Among these were the Alaska Research Policy (HB 253), the Alaska Science and Technology Foundation (HB 390 and HB 391), the Neighborhood Business Development Initiative (HB 430 and HB 431), and the Alaska Energy Efficient Home Equity bill (HB 318 and SB 308). Specific emphasis was also devoted to HB 523, regarding recycled Alaska products, which would have direct impact on a local business within the Interior region. The subcommittee also referred to the activities of the non-regional subcommittees and supported proposals identified in those reports.

Besides legislation their report also addressed recommendations for administrative action, including information and market development services for Alaska manufacturers, centralized procurement practices, and the development of an import substitution strategy with State efforts to develop a resource export strategy.

The report concluded with a number of suggestions proposing broader long-term policy goals for the State and strategies to meet those goals.

Rural

The Rural subcommittee, chaired by Representative Al Adams, submitted a short, comprehensive, and well-documented list of recommendations to the Full Committee. Taking into account the large geographical area encompassed within the subcommittee purview, the members recommended proposals that would apply in the broadest possible manner with the maximum beneficial effect.

The subcommittee supported the passage of HB 439, with the accompanying \$3.6 million fiscal note, an act which would raise the minimum entitlement under the state revenue sharing program from \$25,000 to \$50,000 per year -- a number that has not been increased since 1981. The subcommittee also supported greater funding in the operating budget for the village public safety officer program and public health nursing, and increased capital budget funding for village safe water facilities, educational facilities, and waste heat and other appropriate power projects. These and other programs described in the report were deemed important to the social and economic well being of rural Alaska.

Southeast

The Southeast subcommittee report presented a generally optimistic overview of the economy of that region and specifically focused on topical issues effecting Southeast rather than on particular pieces of legislation.

Areas of importance stressed in this report included adequate funding of resource management in natural resource agencies, the development of export industries and markets for Southeast resources -- including tourism, support of the Alaska Marine Highways System at adequate levels, support for fisheries and mariculture development -- though excluding salmon and continuing the moratorium on pen reared salmon, and strong support for local hire and training initiatives.

The report concluded by stressing the need for stable public sector funding policies and emphasizing the interrelationship of the economy through each of the described subject areas.

Each of these reports is attached. It is the intent of the House members of the Joint Committee on Economic Recovery to include these in a final report addressing the need for long-term focus and direction for Alaska's economy.

BY:

Max F. Gruenberg, Jr. House Chair

Al Adams
Al Adams

Red Boucher
Red Boucher

Kay Brown
Kay Brown

Nile Koponen
Nile Koponen

Mike Miller
Mike Miller

Mike Navarre
Mike Navarre

Steve Rieger
Steve Rieger

Fran Ulmer
Fran Ulmer

Report of the Subcommittee on Small Business

Joint Committee on Economic Recovery

members

Rep. Red Boucher, Chair
Rep. Bill Hudson, Vice-chair
Rep. Johnny Ellis
Rep. Adelheid Herrmann
Rep. Lyman Hoffman
Rep. Steve Frank

Background

The Small Business Subcommittee held seven teleconferences between February 4 - 16, 1988. The teleconference sites included Anchorage, Juneau, Fairbanks, Mat-Su, Homer, Bethel, Sand Point, Kodiak and Dillingham. The Small Business Subcommittee's agenda was to listen to, identify the needs of, and network small businesses with the agencies and services currently available.

Discussion

The participants most frequently said they lacked information about what funding, services and agencies are available to help them.

Small business has long been touted as the backbone of the American economy. A recent study indicates that the formation and expansion of firms that employ fewer than twenty people have generated virtually all of America's net employment gains since 1981.

The strength of Alaska's economy rests on a vigorous and diverse small business community. Small business produces more new jobs, ideas and technology than any other sector. As they prosper, new enterprises account for significant government revenues, and their innovative entrepreneurial policies stimulate industries to greater productivity.

Policies favoring economic diversification, import substitution, and value-added exports are an unqualified call-to-action for Alaska's small businesses and manufacturers. As other states with similar policies have discovered, direct investments in the development of marketable products is the most cost effective and expedient means of establishing a stable employment base.

The Subcommittee on Small Business has reviewed the following programs and services already established in the state and believes that the efforts of business assistance should be focused through a delivery system that utilizes these programs and services.

The Small Business Development Center of Alaska (SBDC) represents a unique partnership between the Alaska Department of Commerce and Economic Development, the Small Business Administration, and the statewide University of Alaska System. SBDC has offices in Juneau, Fairbanks, Anchorage, Kenai, Kodiak, Valdez, Bethel, Kotzebue, Nome and Ketchikan.

The Small Business Development Center is funded by the State of Alaska and the Federal Small Business Administration. Because of its association with a federal agency and the state University system, SBDC can access national, state and local procurement systems, international trade networks and various databases.

The Small Business Development Center provides instruction in the areas of development of new ideas for products and services, financial management, marketing, export and importing financing information, export and import trends and potential of a region. Additionally, it offers courses, seminars and workshops on current business topics. SBDC has a natural tie with the Alaska Center for International Business which, like SBDC, is a part of the University system.

The Alaska Center for International Business conducts research, including research on market information and market strategies, relating to trade by businesses in the state with foreign nations, and, in particular, Asian nations.

Additionally, the Center for International Business assesses the potential of various markets for the state's natural resources and technical and informational resources. It identifies and analyzes the import requirements of and trade barriers to commodity sales in other nations. It also identifies the state's trade competitors and assesses the public policy and programs used by the competitors to foster trade with potential markets for the state's goods and services.

Another program that has been invaluable for its hands-on technical assistance and training to small businesses in rural Alaska is the Alaska Business Assistance Center. The Business Assistance Center helps rural Alaskans through the myriad requirements of establishing and running a small business in the state. The Business Assistance Center has helped many people regarding loan foreclosures. Foreclosing on loans is cumbersome and confusing to rural Alaskans, and the Assistance Center has prevented many people from losing their loans and their livelihood. Through the efforts of the Assistance Center, many loans have been saved before they got to the point of foreclosure.

The three-year-old Made In Alaska program of the Department of Commerce and Economic Development remains the most substantive state effort to stimulate manufacturing jobs in Alaska to date. However, this program remains unfunded.

The problem, as previously discussed, deals with informing and offering instructional assistance to small business persons. The Small Business Subcommittee believes that networking and instruction can be implemented very easily. The University of Alaska Anchorage Department of Instructional Television Service has the equipment and facilities to produce and edit the courses, seminars and workshops that are being planned by the Small Business Center, the Alaska Business Assistance Center, the Center for International Business and the Made in Alaska Program.

These tapes can then be distributed and aired on the public access channel on the

local cable television systems. Currently there are twenty-four cable systems in the state. Under this plan, interested persons will be able to view these instructional and informational programs in their homes. Additionally, Public Service Announcements over the RATNET system can be utilized to make areas of the state not served by cable television aware of what is available and who to contact for more information, etc.

In Anchorage, these programs can be viewed by those who do not currently have cable television. The Anchorage schools, with the exception of Bartlett, are cabled. Interested business persons can go to their neighborhood schools to view the various taped programs on the public access channel.

Another way for interested business persons to utilize these programs will be through the municipal library systems. Tapes could be checked out, just like a book, and viewed on a VCR.

The implementation of this plan will further the intent of CSHB 40 which was enacted to develop and implement a cost-effective policy for managing the state's information and information technology resources so that state government may better serve the people.

The Small Business Subcommittee believes the small business person will also benefit from the Alaska Neighborhood Business Initiative. This would be a valuable referral tool for small businesses and manufacturers.

Conclusions

If the state is going to work towards stabilization and expansion of our economy, then we should be doing everything possible to establish a climate conducive to the development and communication of ideas of small business.

Small business in Alaska is concerned with the proliferation of regulations and other expensive permitting processes on both the local and state level, all of which increase the costs of doing business.

There is a need for a regulatory clearing house to receive the complaints and constructive proposals of small business. The clearing house would work to reduce the costs of doing business.

The budget efforts for this business assistance system should involve all departments and agencies that are concerned with small business.

In addition to improving the business climate, the State needs to find new ways to improve the competitiveness of Alaska manufactured products.

Recommendations

The Department of Commerce and Economic Development, the Department of Community and Regional Affairs, the University of Alaska, the Division of Tourism, etc. to identify a few, should jointly budget and develop a comprehensive program to promote royalty-based product development investments that create permanent jobs at the least cost.

The Legislature should establish a broad-based economic index, written in law, which will enable the Legislature and the Governor to determine objectively the performance of the economy and its outlook and which will become the basis for formulating the state's fiscal policy.

This Alaska Economic Index should include indicators such as:

Consumer spending, savings and investments, public and private sector employment, wage and salary rates, housing starts, retail and wholesale sales, value on contract construction, personal income, gross state products and state revenues.

The Legislature should also:

Support passage of **HB 45** - Alaska Bidder Preference

Support passage of **HB 430** - Neighborhood Business Development Fund

Support passage of **HB 431** - Appropriation: Neighborhood Business Development Fund.

Support passage of **SB 166** - Regulations that Affect Small Businesses and Municipalities.

Support passage of **SB 219** - Creating AK Center/International Business

Support passage of **SB 220** - Appropriation: AK Center/International Business

Support passage of **SB 322** - Revision of Worker's Comp Laws

**REPORT BY THE RESOURCE DEVELOPMENT, TRANSPORTATION,
EMPLOYMENT AND INDUSTRY SUBCOMMITTEE
JOINT COMMITTEE ON ECONOMIC RECOVERY**

MARCH 16, 1988

Since the initial March 2 draft report, many bills previously under consideration by this subcommittee are no longer under review, though some are certainly still under consideration by full standing committees. Further deliberation on these bills revealed that either broad based policy questions needed to be addressed before those bills were passed, or that they simply had little or no effective positive impact on our economy.

PART ONE: RESOURCE DEVELOPMENT MEASURES

FISHERIES AND TOURISM

As stated in the subcommittee's March 2 report, Alaska's two foremost renewable resource industries are Commercial Fishing and Tourism. Though they must be considered an integral part of any overall economic recovery and stabilization effort, Fishing and Tourism can have such a positive short term effect, with such strong potential for long range economic stability, that the subcommittee feels they should be given primary consideration.

* HB 492 - Appropriation: Alaska Bottomfish Development Plan. Sponsors: Herrmann, Gruenberg, Sund & Ellis.

This measure proposes appropriations totaling \$6,828,000 to implement an Alaskan bottomfish development plan. The specifics of this bill will be the subject of debate, as there are serious questions as to the availability of the funding necessary to implement this (or any) plan.

On March 14, the subcommittee heard a presentation by Mary Gross, City Manager, and Gary Daly, Port Manager, City of Unalaska. The spoke in favor of the legislation. HB 492 incorporates several million dollars in capital improvements for Unalaska, necessary to adequately service the rapidly growing bottomfish industry. Last year, some 1.2 million metric tons of processed product was transshipped through Dutch Harbor. With the grants, the City of Unalaska would upgrade their water, sewer, and dock facilities in order to better serve the industry. This is part of implementation of the development plan.

Development of Alaska's bottomfish industry is fundamental. It can result in increased seasonal and year-round jobs, and a greater tax base for both the state and municipalities. This adds another stabilizing factor to Alaska's economy. HB 492 is legislation that can accomplish that end.

**REPORT BY THE RESOURCE DEVELOPMENT, TRANSPORTATION,
EMPLOYMENT AND INDUSTRY SUBCOMMITTEE
JOINT COMMITTEE ON ECONOMIC RECOVERY**

MARCH 16, 1988

RESOURCE DEVELOPMENT MEASURES (cont'd.)

*** HJR 64 - Alaska fishing in exclusive economic zone.
Original Sponsors: Herrmann, Sund & Ellis.**

This measure is a logical companion to HB 492, and relates to state participation in the bottomfish industry.

*** HB 408 - Fisheries business tax - 'outside' processing
Sponsor: Davidson et al.**

This measure would levy a tax on fisheries resources (primarily bottomfish) that are processed outside of the state by a floating processor and are brought into the state for transshipment. The bill would generate substantial additional state revenue (estimated at some \$44 million), which is currently "leaking" from the Alaskan economy. Just as the current distribution system works, the tax would be shared with the borough or municipality into which the resources were first brought. Revenues generated to the municipality through this mechanism would be an economic boon to the local areas, providing an incentive for expansion of fishery support projects and services. The measure would also increase the Alaska Seafood Marketing Institute's operating budget, through the .03% value of processed goods paid by processors to the Dept. of Revenue (for appropriation to ASMI).

*** SB 410 - Operation of state hatcheries by contract.
Original sponsors: Eliason, Jones & Kerttula.**

This measure would allow the state to contract the operation of hatcheries, providing a preference to regional aquaculture associations. The measure can assist in keeping hatcheries open that otherwise would close, thus keeping certain fisheries enhancement programs (and their related fisheries) active.

MARICULTURE/AQUATIC FARMING ISSUES

The issue of mariculture is a complicated one. Through debate conducted on this subject during the previous and current session, one thing has become clear: The state needs to develop some overall policies on mariculture.

Fish farming has been a controversial subject in Alaska. It offers the potential of new economic development of our natural resources. It also poses questions about resource allocation and management conflicts, as well as economic impacts on established industries.

**REPORT BY THE RESOURCE DEVELOPMENT, TRANSPORTATION,
EMPLOYMENT AND INDUSTRY SUBCOMMITTEE
JOINT COMMITTEE ON ECONOMIC RECOVERY**

MARCH 16, 1988

The salmon farming industry in British Columbia, Canada, which was initiated and developed rather rapidly, has brought with it a multitude of problems. Insufficient gathering and analysis of information prior to permitting salmon farming seems to have contributed significantly to this situation. We must make sure not to duplicate the mistakes of others.

The committee believes that mariculture has promise in Alaska. However, given the uncertainty of the biological impacts that salt water pen rearing of salmon could have on one of Alaska's largest industries, we believe that the moratorium which applies to salt water pen rearing of salmon should be continued. At the same time, the State should undertake additional research and analysis without delay to obtain the answers needed to allow all possible but biologically compatible, uses of our ocean resources.

In the area of Shellfish Mariculture: Shellfish farming, while not a major industry, is scarcely new. There are many shellfish farming operations in existence, with other options available for research and development. The subcommittee feels that this could add to the stability of Alaska's economy, and it appears Alaska can move forward with more assurance in this area. The subcommittee supports this, as long as it is done in a biologically and ecologically sound manner. Another area that merits investigation is the farming and marketing of aquatic plant life.

* HB 423 - Appropriation: Tourism and recreation projects.
Sponsors: Brown, Ellis, Reiger et al.

This bill proposes appropriations totaling \$9,920,925, funding some 40 different projects around the state. The projects would have a twofold impact: immediate employment during development and construction, and a long term economic impact to both the local areas and the state as a whole. While the availability of funds to accomplish this program is in question at this time, the subcommittee strongly believes that this is the type of legislation that clearly aids the goals of economic recovery and stability.

* HJR 49 - South Denali visitor's center. Sponsors: Pearce, Springer, Pettyjohn, et al. (identical to SJR 49, by Sturgulewski, Josephson, Rodey, et al.)

This measure supports the development of a visitor's center and related facilities on the south side of the Alaska Range.

**REPORT BY THE RESOURCE DEVELOPMENT, TRANSPORTATION,
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OTHER RESOURCE DEVELOPMENT MEASURES & ISSUES:

* HCR 48 - Natural resource agency funding. Sponsors: Sund, Ellis and Ulmer.

This measure calls for a \$14,000,000 increase in Resource agencies operating budgets for fiscal year '89, with subsequent increases over the next two fiscal years, to insure that by FY 1991, resource agency operating budgets total 10% of the total state operating budget.

The subcommittee supports the concept of HCR 48. Additionally, the subcommittee feels establishing a comprehensive resource management and development policy for Alaska is essential. State agencies, though they may be dealing with the same resources, often have different missions. This is understandable. Better dialog between departments is a first step. This will help to initiate a coordinated effort for resource management. With such an effort, we believe an overall resource development policy can be achieved, without compromising the expressed goal of any department.

HCR 48 has yet to be debated. It seems clear, however, that a critical review of resource agency operating budgets (with an eye toward increasing those budgets) is justified. Along with any budget increase, both the legislature and administration have an obligation to provide some clear policy direction to the agencies.

It is our understanding that the standing House Resources Committee has undertaken these tasks, and the subcommittee strongly supports those efforts.

* HJR 13 - Foreign export of Alaska crude oil. Sponsors: Davis, Martin, Brown, Adams, et al.

Requests the U.S. Congress to enact laws providing for the export of Alaska crude oil, regardless of the oil's production point within the state.

FOREST MANAGEMENT ISSUES

The March 2 subcommittee report identified SB 112 and HB 141 as potential vehicles to advance discussion of this topic. The House Resources Committee is currently working on consensus language for SB 112; however, the language is not available for distribution at this time.

The subcommittee believes the issue of comprehensive, long term management of timber resources on a statewide level should be addressed as a policy question by the legislature. For this reason, we support further efforts

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to identify committee substitute language for SB 112 which will be acceptable to all parties interested in this issue.

PART TWO: EMPLOYMENT & INDUSTRY MEASURES

*** SB 220 - Appropriation: Alaska Center for International Business. Sponsor: Rules by request of the Governor.**

This measure appropriates \$5,400,00 as a grant to the University of Alaska as an endowment for the Alaska Center for International Business. At their February 26 meeting, the subcommittee listened to a presentation by Dr. John

Choon K. Kim, Executive Director of the Alaska Center for International Business. During the course of his presentation, Dr. Kim discussed ongoing projects of the center.

Dr. Kim's presentation pointed out that immense economic potential exists for Alaskan businesses to participate in the Pacific rim market.

The Alaska Center for International Business has laid a substantial amount of groundwork in this area, and appears to be a viable mechanism to aid Alaskan resource related industries in identifying and/or establishing markets and taking advantage of foreign trade opportunities.

Obviously, the question of continued funding for the Alaska Center for International Business, and the level of that funding, is something that requires debate and a decision by the full legislature.

The subcommittee feels that continued funding is justified, to help the Alaskan business community capture a larger share of the Pacific Rim markets. This will add to diversification of our state's economy, and to long term stability.

*** HB 45 - Alaska bidder preference.**
Sponsors: Donley, et al.

This measure establishes a sliding scale percentage preference (based on the amount of the contract) for Alaskan firms bidding on state contracts.

*** HB 209 - Port authority for municipalities.**
Sponsor: Larson, et al.

This bill creates a framework by which municipalities can establish & operate port authorities, and defines port

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authority powers. The concept is to further development of Alaskan ports, adding another stabilizing factor to the Alaskan economy.

* HB 450 - Out of state solicitation for state contracts & employees. Sponsor: Pearce, et al.

This measure prohibits state agencies from procuring or contracting outside the state unless it has been determined in writing that no responsible bidder or supplier exists within the state, prevents state agencies

from hiring outside the state without a determination in writing, of the agency's inability, within a six month period, to find a qualified person for the vacant position.

* SB 135 - Limiting hire of nonresident teachers. Sponsor: Josephson, Kelly.

Prohibits hire of non-resident teachers by school districts or state agencies without a diligent and reasonable effort to secure qualified people in the state.

* SCR 42 - In-state fabrication of mini-modules.
Sponsor: Faiks

This measure urges the administration to work with private industry to foster development of fabrication of oil drilling production modules within Alaska, rather than outside Alaska, thus employing skilled Alaskan workers.

* HB 162 - Work in underground mines
Sponsor: Ulmer

This measure would increase the amount of time that may be worked in a 24 hour period in an underground mine from 8 hours to 10. This change would allow miners who must travel sizable distances to a mine site to put in a longer work day. The measure would also change the current declaration by the legislature that work "in underground mines IS injurious to health and dangerous to life and limb" to "MAY BE injurious"

* HB 523 - Recycled Alaska Products
Sponsor: Frank

Under HB 523, recycled products would be eligible for the existing Alaska bidder preference and Alaska product preference, as are other Alaskan produced goods. The current version of this legislation CS HB 523 (State Affairs) does not propose any additional subsidy for

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recycled products. However, it would require the State to purchase recycled products from Alaskan companies if those products are priced competitively, appropriate for the intended use, and are of comparable quality to products found elsewhere.

OTHER EMPLOYMENT MEASURES:

There are a number of resolutions and bills that urge hiring and training of Alaskan workers for private and federal construction projects. These all have the same basic thrust, so are not individually described here.

The subcommittee supports legislation promoting the hiring of qualified Alaskans (to the fullest extent possible) by both the private and public sector.

PART THREE: TRANSPORTATION MEASURES

As stated in the March 2 report, the operating and capital budgets are the major means of causing a meaningful impact on the economy. The ongoing operating and capital budget programs initiated by DOT/PF for state transportation are basically sound, and tend to help accomplish the goals of employment and economic stability, with the emphasis on long term impact. However, periodic review of these programs to address regional inequities or imbalances is required. One recommended measure, addressing the Marine Highway System's operating budget, follows.

* HB 479 - Appropriation: Alaska Marine Highway System.
Sponsor: Goll.

This bill would appropriate \$3,797,100 in program receipts and \$1,100,000 from the general fund, for the Marine Highway System for FY 89.

**REPORT BY THE INTERIOR REGION SUBCOMMITTEE
OF THE
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MARCH 8, 1988**

Over the past few months, the Interior Region Subcommittee members have discussed, both amongst themselves and with individuals who reside in the Interior, their thoughts and ideas concerning economic recovery for our region. Our Committee felt that a major responsibility for the legislative session was to solicit opinions from individuals in Fairbanks whose occupations fill the economic spectrum: business, transport, clergy, labor, manufacture, finance, property management and education. Both Representative Davis and myself have met with Fairbanks North Star Borough employees whose responsibilities involve working with community groups to create the conditions for economic recovery. Brad Pierce from House Research has also written an excellent report for our Committee concerning the "Economic Impact of University of Alaska, Fairbanks on the Fairbanks Economy." The Subcommittee plans on presenting this and other information in a more complete format by the end of the legislative session.

You have asked our Committee to prepare a report on identifying legislation that will aid in Alaska's economic recovery. Being a geographically defined Subcommittee, it is difficult to focus on specific pieces of legislation that more specialized committees were created to examine. We feel that the legislation chosen by Subcommittees such as Resource Development, Transportation, Employment and Industry Committee, Housing and Banking and Small Business can and will have a valuable impact for the Interior Region.

We also believe that legislation alone cannot solve the difficult problems the Alaskan economy is facing at this time. The Committee feels legislation can provide a framework within which individuals and groups can organize and act to create their own economic destiny. We do not endorse the concept of a political "command economy." Many of the concepts developed in the various pieces of proposed legislation and the background information/research received on that legislation are useful but laws and resolutions are not the only answers for economic recovery. Finally, the following list of proposals for legislation is not in a specific order, it is merely a list of bills that should be considered for passage.

HB 430 - HB 431 - "An Act Relating to the neighborhood business development program," HB 430 and the companion appropriation bill HB 431 is a program modeled after an existing program run by a non-profit corporation in

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Anchorage. The concept of the program is to leverage state money with secondary financial markets to redevelop commercial business zones. A statute enacted during the first session allows non profit organizations to borrow from AIDEA. This can benefit programs of this nature proposed in HB 430. The goals and objectives of this program will benefit Fairbanks in the areas of:

- 1) creating new short term and long term jobs
- 2) creating incentive mechanisms for attracting new businesses to defined business zones such as downtown Fairbanks
- 3) helping make existing business more viable, attractive, and stable
- 4) leveraging business loans made with conventional financing.

This bill will offer an opportunity to develop an expanded public/private partnership in Fairbanks, North Pole, Nenana and other Interior communities.

HB 253 - "An Act relating to the Alaska Research Policy Act and the science and engineering advisory commission."

HB 390, HB 391 - "An Act establishing the Alaska Science and Technology Foundation; relating to the membership of the science and engineering advisory commission; and it's companion HB 391, "An Act making an appropriation to the Alaska Permanent Fund Corporation to establish the Alaska Science and Technology Endowment."

All three bills together establish a research grant program which will act to spur economic development. The foundation will promote and enhance Alaska's economic development, technical innovation and capability, and public health by encouraging and supporting basic and applied research. The foundation would fund research proposals for work in the scientific and engineering fields dealing with Alaska and the Arctic. Preference would be given to Alaskan Scientists and engineers whose proposals meet the criteria. This bill would benefit the University of Alaska and private research and engineering establishments, create new jobs and will lead to economic diversification for the state.

HB 202 - "A Revision of the Cooperative Codes Revision Act." This bill would modernize and improve the current law, bringing the cooperative corporation code into parallel form with other areas of the Code Revision Commission's updates of Alaska corporation law. The result of improved Alaska cooperative corporation law will be to expand the practical range of economic options open to Alaskan producers and consumers in organizing the form of business most suitable for their particular enterprise. This bill is another tool for economic development in Alaska.

HB 394 - "An Act relating to electric and telephone cooperatives." This bill expands the capabilities of Alaska's electric and telephone co-operations and provides safeguard from 'takeovers' by Outside capital.

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If this bill becomes law, cooperatives will be able to make donations for the public welfare or for charitable, scientific, or educational purposes. This will allow more businesses, cooperatives and corporations in the State to offer programs or internships for university students to participate in either research or hands on experience in business. Co-operatives would also be able to consolidate operations for economies of scale or offer other services, such as district heating through use of waste heat from power plants. Should the Municipality of Fairbanks wish to divest itself of its utilities, Fairbanks consumers could own the utility directly through membership in a successor co-operative; a matter of some importance to Interior businesses and homeowners.

SB 166 - "An Act relating to regulations that affect small businesses and small municipalities." This legislation requires state agencies to make an economic analysis of the effects of new regulations on small businesses or small municipalities. This will provide a salutary reminder to agencies that they must assess all positive and negative aspects of regulations before they are promulgated, rather than focusing only on technical details.

HJR 66 - "Relating to the Headquarters of the Sixth Infantry Division." This resolution supports the full deployment of the Division into Fairbanks, Alaska. The federal funding of this measure must be secured in order to protect Fairbanks and the State from further fiscal impact. Transfer of the Headquarters Company will not only provide the Light Infantry Unit with needed leadership, but brings in ranking personnel who should have a positive impact on the local economy.

SB 308 and HB 318 - "An Act establishing the Alaska energy efficient home equity fund." This measure would create an Alaska Energy Efficient Home Equity Fund governed by the Department of Community and Regional Affairs. It would be state policy to encourage the building of homes to the energy efficient standards of the Alaska Craftsman Home Program. The bill states, "State money now being spent to subsidize energy bills, to weatherize and repair poorly constructed homes, and to improve the health of people affected by poor indoor air quality would be reduced or eliminated as existing homes are replaced by homes that are built to Alaska Craftsman Home Program standards." This program is beneficial in all areas of economic recovery for the state, but is particularly important in the Interior, where long winters and persistent below zero temperatures are a severe economic hardship on residents and local business.

The following are ideas suggested by Fairbanksans during our first meeting in that community. The proposal to develop winter tourism in the Interior, whether through greater co-operation between existing ski lodges or through development of new ski - areas has merit, although development of new areas is bound to be controversial.

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Development of a 'science-park' in proximity to the University would provide not only a site for private research, engineering or technological firms, but a location for local manufacture and assembly of high technology components that have been and will continue to be designed locally.

The local manufacturing scene has been a striking contrast to the other wise depressed economic picture. Increasingly high transportation costs have served as a spur to import substitution for all manner of items - even mattresses! Many locally made items in Fairbanks, such as the arctic windows made by Alaska Window and the vehicle batteries made by Alaska Battery Inc. (ABI) are superior to similar items made elsewhere. The current 'import substitution' strategy initiated by the State Government must be pursued vigorously and with real continuity.

The Borough dump is the raw material source for K & K Recycling a local firm which has pushed the state of the art to new heights. K & K operates the Borough landfill on contract, employs three times the workers the borough did (sorting is labor intensive) and makes money. Not only does K & K sort and sell metals and similar valuables, they also manufacture fuel pellets which are mixed with Healy coal to produce a clearer burning, high BTU fuel. Another product from K & K is insect and rot proof planks and fence posts from scrap plastic. Passage of HB 523 will allow use of materials made from recycled materials in Alaska by state agencies.

The Borough Economic Development Office has been engaged in an intense organizing and informational exchange effort focussing on positive economic development, both on-going and potential. This focus on positive, rather than negative aspects of the economic picture, is stimulating and in sharp contrast to approaches found else where. It is having a real impact in fostering and entrepreneurial activity, but does uncover areas where state legislative or administrative action may be required. A memorandum, appended to this report, illustrates the broad scope of activities covered during a briefing by the Borough office for Department Commerce and Economic Development Commissioner Tony Smith.

While the Borough meeting with Commissioner Smith was in process, the Interior subcommittee held a public meeting at the Legislative Information Office jointly chaired by Representative Koponen and Representative Mike Davis, with the participation of the delegation from the Northwest Territories Legislative Assembly. Nineteen members of the public, representing groups such as the Interior Manufactures Association (an affiliate of the Alaska Manufacturers Association) the Chamber of Commerce, Arctic Institute of North America, Job Services, Tanana Valley State Fair Association, Main Street Project, Alaska Miners Association etc, attended. Testimony covered a broad range and included proposals stimulating highway tourism by opening the Haul Road and maintaining guiding and trapping by keeping it closed; support for a state health insurance pool and early

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childhood services (from a member of the IMA), support for local transit, the Fair, improved mining technology, Alaska bidder preference, a local job coordinator for North Slope employment, and more.

After the presentations the N.W. Territories legislators expressed an interest in joint ventures with Alaska Window and Alaskan composting toilets and planned a tour of the Alaska Window plant at Gold Hill.

Innovative suggestions that could be pursued by the legislature and/or the administration include:

1) Department of Commerce and Economic Development, in co-operation with the Alaska Manufacturers Association and the Interior Manufacturers Association, should develop a professionally done marketing directory and brochure listing Alaskan manufacturers by name and product and distribute it to purchasing agents in all state agencies, municipal governments and school districts, as well as making it available to the public.

2) establish a state clearing house for business information. This could be a refunded Alaska Administrative Journal or a similar document focussing principally on contracts, RFP's bid offers, proposed purchases and other procurement activities to be a part of the Department of Administration within which state procurement is currently centralized.

3) establish a "procurement ombudsman" and/or amend the State Procurement code to require an explanation of why an available and competitively priced local product was not used.

4) Pass the amended co-operative code HB 202 and provide technical assistance for a new type of business organization: a joint, co-operative business facility providing space, management and book-keeping services, start-up expertise, access to capital and technical expertise to member entrepreneurs and their small businesses.

The major task for the state government, as seen by these entrepreneurs in the Interior is to provide technical assistance, access to existing markets, development of new markets, research and information services, and maintenance of a level of social and governmental services needed to maintain a stable economy and a stable community.

A complaint that crops up in a variety of contexts is that both state loan examiners and private bank loan officers are oriented to real estate, retail and construction trade, and automobile loans and do not understand or support manufacturing, agriculture, scientific or technical production or other activities. This results in a scarcity of in-state venture capital and in a failure to provide continuity of support needed for well-managed, potentially profitable ventures to reach a real "take-off" point. It is

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characterized as "short-term" rather than "long-term" thinking or as a profit taking rather than an investment approach. To the extent this exists it is probably due to Alaska's boom and bust history and needs to be recognized and dealt with through better education and training of our fiscal managers. No legislative action for this session is proposed.

The intellectual capital created by the presence of the University must also be drawn upon and adequately supported. Until recently two local business firms served a prime example of what can be accomplished - and as a warning of what can happen. Alaskan geologists and mining engineers, organized as 'Research Associates' developed a nationally recognized capacity in the field of mineral exploration and development. Outside capital brought RAI into NERCO Minerals, which constructed a multi-story building in Fairbanks from which to operate. However, the desire to centralize operations in the Pacific Northwest led those same capital interests to move NERCO to the State of Washington, with the loss of some 60 - 100 jobs.

Local capital provided mostly by local physicians and technical talent provided by University related computer personnel led to the incorporation of Systronics Inc. This was a Fairbanks based computer software company which developed nationally competitive software. At its peak, Systronics employed some 40 people. Competing successfully in Outside markets brought it additional capital, but also diffused its local ownership. Control passed to a larger Outside competitor which moved key personnel Outside and shut down operations in Alaska.

These two examples show that creative, entrepreneurial, Alaskans can and do create viable high tech businesses that can compete successfully in the United States and world market. They also show that our corporation codes are probably obsolete and fail to provide adequate protection for the Alaskan entrepreneur or for the Alaskan investor. The committee, however, is not prepared to suggest any piece of legislation currently available, as a solution to this problem.

A related problem stems from the inability of the University to maintain market competitive salaries in a variety of fields, including computer sciences, math, engineering and business for the last four to five years. Alaskan scientists, engineers and technical engineers are retiring or are taking better paid positions Outside. Replacements often cannot be hired. Without these trained people the successful start-up of new high tech firms like Systronics or Research Associates before it, will probably never occur.

There are a number of other pieces of legislation that will have a strong impact on economic recovery. Workable legislation mandating or encouraging local hire is extremely important. As stated earlier in this report, the Subcommittee feels that many of the proposals of the more specialized Subcommittees can assist economic recovery. Others, however, can result in

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a misallocation of scarce capital; give an unfair economic advantage to an individual or small group; result in a misappropriation of public interest. For this reason, careful examination of all proposals is needed, before adopting or recommending them in order that the public interest be served and our responsibilities, as legislators, are properly discharged.

SUMMARY

The Interior Subcommittee on Economic Recovery supports the following legislation: HB 253: Alaska Research Policy, HB 202: Cooperative Code Revision, HB 390/391: Establishing the Alaska Science and Technology Foundation, HB 318/SB 308: Alaska Energy Efficient Home Equity, HB 430/431 Neighborhood Business Development Program, SB 166: Regulations effecting small business and small communities, HJR 66: Headquarters of Sixth Infantry, HB 523: Recycled Materials. Adequate funding must be provided for the Universities teaching and research functions. The erosion of our "intellectual capital" can abort any long term economic growth.

There are a number of other resolutions, and bills that will have a strong and viable impact on economic recovery. Legislation in the area of local hire is extremely important. As stated earlier in this report, the Subcommittee feels that many of the choices picked in the more specialized Subcommittees can aid in the area of economic recovery.

The Interior Subcommittee recommends the following administrative action: developed information and market development services for Alaskan manufacturers, technical assistance for valued added Alaska industry, pursuit of an import substitution strategy in addition to the resource export strategy, use of the current centralized procurement procedures to aggressively support the preceding policies.

Further study and analysis is needed to develop long term investment strategies and procedures in both public and private capital markets; how to obtain accessibility to venture capital; innovative new concepts in the structure and organization of economic activity (what are the most productive ways to organize an Alaskan firm in a given line of business?); how to protect the Alaskan investor and secure their participation and investment in the Alaskan economy.

March 3, 1988

TO: Rep. Max Gruenberg, House Chairman
Joint Committee on Economic Recovery

FROM: Rep. Al Adams, Chairman
Rural Subcommittee

Attached is a report by the rural subcommittee which puts forth our recommendations for new legislation, operating issues that need to be addressed and capital projects which deserve consideration by the full committee.

I appreciate your comments and assistance on these issues. If you have any questions about any of these recommendations, please contact my office.

Approved by

Al Adams

Lyn H. H.

Butte Co.

Kay Wallis

House Rural Subcommittee Report Joint Committee on Economic Recovery

The House Rural Subcommittee of the Joint Economic Recovery Committee has held both formal and informal committee meetings in our efforts to identify legislation and improvements to existing programs, both capital and operating that would aid rural Alaska in these continuing difficult economic times.

Attached to our recommendations are some recent reports which address the basic problems facing the citizens of rural Alaska. The problems facing our people are very diverse and there are no simple solutions. We believe that these recommendations will address some of the most basic problems facing our small communities across the state today. By taking care of some of these basic problems today we hope to avoid serious problems tomorrow.

Short Summary of Recommendations:

New Legislation

Passage of HB 439: An Act relating to entitlements for municipalities and unincorporated communities; and providing for an effective date. This bill raises the minimum entitlement for municipalities and unincorporated communities from \$25,000 to \$50,000.

Operating Budget Priorities

Increase funding for Village Public Safety Officer Program
Increase Funding for Public Health Nursing

Capital Budget Priorities

Village Safe Water Facilities
Educational Facilities
Waste Heat and Other Appropriate Power Projects

There are certain state programs that are extremely valuable and popular in rural Alaska and we are recommending that those programs be funded. Included in this category are programs such as the Permanent Fund Dividend, Power Cost Equalization, and Revenue Sharing and Municipal Assistance.

All of the recommendations by the rural subcommittee of the Joint Committee on Economic Recovery focus on very basic needs of rural Alaskans. Following is brief explanation of our recommendations.

New Legislation:

HB 439: An Act Relating to entitlements for municipalities and unincorporated communities; and providing an effective date.

This bill would raise the minimum entitlement under the state revenue sharing program for incorporated and unincorporated communities from \$25,000 to \$50,000 per year.

Both incorporated and unincorporated communities rely on state funding to provide basic services to their people. The large reductions in municipal assistance, revenue sharing and capital construction funds the past several years have had an adverse impact on all communities in the state--but naturally those hardest hit are those with the least assets. This bill would affect approximately 83 incorporated municipalities and over 70 unincorporated communities---the cash poorest---across the state.

The minimum entitlement has not increased since its inception in 1981. Increasing the basic level of support will allow communities to continue to provide at least minimal levels of service to their residents. Increasing the minimum should not be at the expense of our other communities who are also faced with substantial needs. Therefore, we recommend that a \$3.6 million fiscal note be approved as this will essentially hold harmless all other communities in the state who are currently receiving more than the minimum entitlement.

Operating Budget:

The subcommittee reviewed many programs that are very worthwhile and have a positive impact on local communities throughout the state. We reviewed many programs where increased funding would be beneficialbut we are limiting our recommendations to providing basic public services to communities where these services are not currently available.

Our highest priority for increased funding in the operating budget are 1) Increasing the number of Village Public Safety Officers. Currently 112 villages have VPSO's. State troopers in the field have recommended the addition of 20 more VPSO's, all to communities where currently there is no law enforcement personnel but significant law enforcement problems. We support this request for basic law enforcement services. The average first year cost of a VPSO, including training costs, is roughly \$45,000 per VPSO.

Our next priority for increased funding is the Public Health Nursing program. There is a severe lack of professional health care services in rural Alaska. The public health nursing program is ideally suited to address some of our major needs. We have not added any positions to the public health nursing program since 1978, although the population in rural Alaska has greatly increased since that time. Attached is a paper from the Department of Health and Social Services outlining their recommendations on increased funding.

Capital Budget

Our priorities in the area of the capital budget are funding for water, sewer, and solid waste projects, educational facilities, and waste heat and other appropriate energy projects. Attached are lists of projects for consideration under Village Safe Water, DEC's 50% construction grant program and educational facilities. The energy related project supported by the rural subcommittee are limited at this time to the requests in the Governor's proposed capital budget for FY 89. These projects are not listed in priority order, and although there is no way that all of these needs can be addressed in one year, it is our intention that we do address as many of these projects as funding allows.

Alaska State Legislature

Committees:

Chair-State Affairs
V. Chair-Judiciary
Telecommunications
Special Ethics
Legislative Council
Finance Subcommittee
for the University of Alaska
Joint Committee
on Economic Recovery

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REPRESENTATIVE FRAN ULMER

MEMORANDUM

March 17, 1988

TO: Joint Committee on Economic Recovery

FROM: Southeast Subcommittee
for Committee on Economic Recovery

SUBJECT: Southeast Priorities

The economy of Southeast Alaska is primarily based on development of Alaska's natural resources. Fish, timber, mining, and tourism have historically been the mainstay of our economy and continue to do so. There is an increasing amount of private sector development in the natural resource arena and the long term economic outlook is a positive one. Although we have experienced declines in economic activity and in population, as a result of cycles in the international pricing of our exported natural resources which periodically reduce the economic prosperity of the region, overall the outlook is good.

This region's economy is also dependent upon government spending--state, local and federal. The Coast Guard, Forest Service, Bureau of Indian Affairs and many others, provide both jobs and services for our residents. Although Juneau as the Capital City is the most dependent upon state funding for its economic stability, most other communities are also reliant upon a variety of public sector program funding, including municipal assistance, revenue sharing, school funding, troopers, public health nurses and the like.

There are many things which the State of Alaska does and can do to improve our resource development economy:

- adequate funding for resource management is a critical element of future successes in fisheries, tourism, timber and mining. Unless the agencies which have the responsibility for managing these resources and assisting their development are funded, it is impossible for the private sector to be able to do its job. We support proposals which increase the funding of natural resource agencies.

- The Alaska Seafood Marketing Institute and its efforts to promote Alaska seafood is an important element in the success of the marketing and sale of Alaska seafood. These efforts should also include value added products which have the largest return to Alaskans.
- The Alaska Division of Tourism's successful efforts to advertise Alaska are of tremendous benefit to the region. Cooperative regional entities like the Southeast Alaska Tourism Council, made up of communities and private companies in the tourism industry, have focused independent travelers' interest on Southeast. The region has already begun to feel the increase as a result of this effort. We support specific capital projects targeted to increasing tourist activities, continued funding for advertising, and assistance to regional entities like the Southeast Tourism Council.
- Transportation is a critical element of any economy; but in Southeast, where we do not have a continuous road system and where we must rely on ferries and other water-based and air based transportation, the continued growth of the economy is very dependent upon the State's willingness to provide the necessary infrastructure. The Alaska Marine Highways System plays an important role in economic development in Southeast, and we support efforts to bring the service delivery back in line with previous years.
- Export financing proposals that assist smaller entities in obtaining some export financing will help not only the fish business in Southeast, but also new business development. Improved cash flow for these small businesses can make the difference between success and failure.
- Timber harvest in Southeast is largely controlled by entities beyond the State's control. Many of the decisions which should be made here in Alaska are made in Washington, D.C., with regard to both timber management practices, overall harvest levels and the balancing of uses of land and resources. We support careful deliberation over land allocation and efforts to bring more of these decisions back home to Alaska.
- There is no doubt that mining activity is on the rise in Southeast. Many of the projects have become viable as a result of private sector activity, international pricing and other factors beyond the control of state or local government. Most of these projects are self-sufficient and are not asking for any kind of State loans or infrastructure development. They do ask for a cooperative attitude and, in some instances, for assistance in State laws and regulations to make it possible for them to do business in a cost-effective way, which we support.

We are very concerned about local development and local hire and believe that efforts should be made by the Legislature and the Administration to encourage local hire. The efforts by the University of Alaska Southeast in providing targeted training for the mining industry is a model which we believe should be used elsewhere in the State of Alaska so that those individuals who are within the community and the region can be trained appropriately for the job which they are seeking with the private development. The quick start funds that have been requested by the University of Alaska to do this kind of vocational training should be supported.

- Fish farming has been a controversial subject this year. It is the feeling of the committee that mariculture has promise in Alaska; however, given the uncertainty of the biological and economic impacts of this activity, we feel that it should be restricted to things which do not directly endanger the species of fish that have been highly productive for the state of Alaska, such as salmon. We suggest that the moratorium continue on the pen rearing of salmon. With this exception, we believe mariculture should proceed in a cautious, well-regulated manner.
- Hatchery programs have been very successful in increasing the overall harvest levels for both commercial and sport fishing in Southeast. Every \$1.00 invested in fisheries enhancement programs results in \$1.80 in resident Alaska income. Both public and private hatcheries should be encouraged and receive additional support as this will provide a significant economic return to the fishing industry throughout the state of Alaska.

The Alaska economy is made up of many parts from both the private and public sector. By stabilizing public sector funding, both operating and capital, Alaskans can look forward to a more certain and positive future. With wise natural resource management and promotion of our products, and adequate transportation and communication systems, the public and private sectors can jointly assist the economy of our region and our state.

Final Report of the
Subcommittee on Housing and Banking

Joint Committee
on Economic Recovery

May 5, 1988

Members

Rep. Kay Brown, Co-Chair
Rep. Steve Rieger, Co-Chair

Rep. Pat Pourchot
Rep. Steve Frank
Rep. Henry Springer
Rep. Fran Ulmer
Rep. Virginia Collins
Rep. Mike Davis
Rep. Mark Boyer
Rep. Randy Phillips
Rep. Mike Navarre
Rep. Dave Donley

Housing and Banking Subcommittee

Report to

Joint Committee on Economic Recovery

The Housing and Banking Subcommittee recommends that the legislature pursue the following policies and take the following actions to address the state's economic problems:

Policy: Improve distressed housing market.

Strategy: Reduce housing supply.

Develop and initiate plans to demolish institutionally-owned residential properties (REO's) which are unsafe, substandard in quality, and for which demand does not exist.

1. Direct state agencies and encourage other agencies owning REO to cooperate in demolishing unsafe and substandard housing.

Action needed by legislature: Pass subcommittee's resolution, HJR 72 am, on residential housing market.

Cost to State: Theoretically, none.

2. Authorize Alaska Housing Finance Corporation (AHFC) to use a portion of its reserves to participate in the demolition of publicly-owned substandard housing, including multi-family housing projects, where such action is supported by local communities and where such action makes long-term economic sense to AHFC.

Action needed by legislature: Pass CSHB 555 (FIN).

Cost to State: Depends on number and cost of projects.

3. Fund demolition of the state-owned Willow Park Apartments in Anchorage.

Action needed by legislature: Pass CSHB 555 (FIN) to authorize use of AHFC reserves.

Cost to State: Demolition of Willow Park is expected to cost up to \$4.7 million, including asbestos abatement; the Alaska State Building Authority (ASBA) has proposed that the state and Anchorage municipal governments share these costs. The federal government has been asked to contribute approximately \$9 million to purchase or subsidize alternate housing and to cover the residents' moving costs.

Direct AHFC to exercise prudent business judgment in managing its vacant REO mobile homes.

4. Direct AHFC to develop an analysis comparing the costs and benefits of alternative ways of managing REO mobile homes, including demolition, sales, and short-term storage in storage lots and mobile home parks. Authorize AHFC to write off and dispose of vacant and unsalable mobile homes, as part of a cooperative arrangement with other institutional REO owners, wherever it makes economic sense to do so. Direct AHFC to take immediate action to lower holding costs.

Action needed by Legislature: Pass subcommittee resolution, CSHCR 54 (FIN), on management of surplus mobile homes owned by AHFC.

Cost to State: The current foreclosed inventory of 1200 mobile homes could increase by an additional 800-1200 units if economic conditions persist. Because most AHFC mobile home loans do not carry mortgage insurance, foreclosed units involve substantial costs to AHFC whether sold, destroyed, or maintained. The Subcommittee's directive acknowledges the losses and costs to the state that could accrue through various actions by AHFC, but strongly encourages the development of a consistent strategy that minimizes losses or maintenance costs and acts in the long-term best interests of AHFC.

Strategy: Use surplus housing for public purposes.

5. Establish a mental health pilot program for the acquisition of excess residential properties to meet critical housing needs identified by the Alaska Mental Health Board.

During the interim, investigate feasibility of expansion of the program to address other public housing needs such as elderly, developmentally disabled, physically handicapped, homeless, low-income, transitional units for ex-offenders and substance abusers, emergency shelters for abused or runaway children and women's shelters.

Conduct a survey of all statewide public housing needs, and recommend financial and management options to the Sixteenth Legislature when it convenes in 1989.

Action needed by legislature: Fund mental health pilot program as part of the capital budget request of the Mental Health Board to meet the state's obligations under the Mental Health Trust Lands Settlement.

Direct House Research Agency to conduct an interim survey of public housing needs and to analyze options for expanding the program.

Cost to State: \$2.35 million for pilot program.

Strategy: Increase demand for housing.

6. Support pending legislation identified by other subcommittees of the Joint Committee on Economic Recovery that will improve the economy generally and create jobs.

Strategy: Provide aid to distressed homeowners.

7. Revise law to allow restructuring of rural housing loans by the Department of Community and Regional Affairs, where appropriate.

Action needed by legislature: Pass subcommittee legislation, HB 550.

Cost to State: Theoretically, none.

8. Direct AHFC to relax current owner-occupancy ratios for condominium mortgage loans to the extent possible, and to take actions to raise owner occupancy in condominium developments.

Action needed by legislature: Pass subcommittee legislation CS HB 555(FIN).

Cost to State:

9. Direct AHFC to take whatever action is necessary to provide timely responses to the public on pending matters. Provide adequate funding to hire personnel trained and qualified in market problem areas, such as property management, workouts, and borrower counseling.

Action needed by legislature: Approve Governor's amended budget to provide funding of 25 new positions for AHFC.

Cost to State: \$1.788 million (Program Receipt dollars included in Governor's FY 89 budget request)

10. Authorize AHFC to utilize trades of property where feasible in order to increase liquidity in the housing market and to assist Alaskans whose circumstances now require a larger or smaller home, or a home in a different community. Direct AHFC to make establishment of such a program a priority.

Action needed by legislature: Pass CS HB 432 (JUD) and CS HB 555 (FIN).

Cost to State: The Housing and Banking Subcommittee believes that any use of state money for these purposes must be fair to Alaskans generally, and recommends that this issue be explored by standing committees in hearings on the bill.

11. Encourage investors to provide more flexibility in, and to increase the use of, modification, refinance, and forbearance plans.

Action needed by the legislature: Pass subcommittee resolution, HJR 72 am, expressing legislative support for concepts to be implemented by agencies.

Cost to State: Theoretically, none.

12. Provide trained, centralized staffing to assist borrowers in danger of default or delinquency, and offer statewide mortgage counseling.

Action needed by legislature: Fund and expand existing services operated by the Alaska Housing Market Council, including the Mortgage and Information Referral Hotline.

Cost to State: FY 88 supplemental appropriation of \$100,000 and FY 89 appropriation of \$400,000 (\$100,000 each from ASBA, AHFC, AIDEA and the Alaska Permanent Fund Corporation included in Governor's budget).

Strategy: Revise state lending programs.

13. Investigate changes to the AHFC HOF and Mobile Home Loan programs.

Action needed by legislature: Reflect on how, or whether, state loan programs have contributed to the current economic difficulties for the economy or for individual Alaskans, and make recommendations for changes.

Cost to State: None.

Strategy: Clarify rules regarding foreclosure.

14. Increase the required disclosure of remedies available to lenders upon default. Investigate the effects of the recent Supreme Court decisions on the default and foreclosure process, and consider action if appropriate.

Action needed by legislature: Pass subcommittee legislation, CSHB 549 (JUD).

Cost to State: None.

Strategy: Improve financing opportunities for neighborhood development.

15. Maximize available private funds for redevelopment of targeted business zones throughout Alaska, community revitalization, neighborhood housing services and economic development projects.

Action needed by legislature: Pass legislation, possibly a version of CSHB 430 (FIN) and CSHB431 (FIN) am funded at some appropriate level.

Cost to State: Up to \$3 million.

Policy: Maximize ability of market to solve commercial real estate and loan problems, minimize state intervention.

16. Decrease limitations on AIDEA's ability to respond to current economic conditions.

Action needed by legislature: Passage of CSHB 402 (FIN).

Cost to State: None.

STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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

MEMORANDUM

February 29, 1988

SUBJECT: Authority to restructure mortgage loans
(Work order 5-2012)

TO: Representative Steve Frank
ATTN: Rick Solie

FROM: Jack Chenoweth
Legislative Counsel

You have asked for a review of the ability of the state agencies that manage residential mortgage lending programs to restructure those loans under current law.

The sources of the principal residential mortgage loan programs are:

- loans made under one of the various housing assistance programs by the Alaska Housing Finance Corporation under authority of AS 18.56; 1/

- loans made from the Housing Assistance Loan Fund and the Homeownership Assistance Funds by the Division of Housing Assistance of the Department of Community and Regional Affairs under the authority of AS 44.47.360 - 44.47.560. 2/

Though their total numbers are significantly below the number of loans made by each of the entities mentioned above, loans for residential purposes may also be made by

- the Alaska Permanent Fund Corporation;

- the commissioner of revenue, acting in the capacity of treasurer of the state's retirement systems for the pension fund surpluses of the Public Employment Retirement System and the Teachers' Retirement System.

"Restructuring of mortgage loans" is usually understood to mean at least one of the following:

-- forbearance arrangements or agreements, authorizing the borrower to reduce or suspend regular mortgage payments for a stated period; or,

- modification of the terms of a mortgage, including
 - reduction of payments of principal
 - without affecting the total debt obligation of the mortgagor on the mortgage loan; or
 - accompanied by a concomitant reduction in the total debt obligation of the mortgagor on the mortgage loan;
 - reduction of the interest payment payable on the loan; or
 - delay or postponement of the due date of the mortgage obligation.

Alaska Housing Finance Corporation mortgage loans:

The Alaska Housing Finance Corporation enjoys wide latitude as to how it may address delinquent loans and those that may become delinquent. In the enumeration of the general powers of the corporation, AS 18.56.090(11) provides that the corporation may, "for its . . . corporate purposes":

consent to the modification of the rate of interest, time of payment of any installment of principal or interest, or any other terms, of the mortgage loan, mortgage loan commitment, construction loan, temporary loan, contract or agreement of any kind to which the corporation is a party;

While this statutory language sets no limits, there are some practical constraints.

AHFC principally finances its programs through the use of bond proceeds. AS 18.56.110 generally prescribes limitations applicable to the bonds and notes of the corporation. AS 18.56.110(f)(3) authorizes the corporation to "covenant as to the use and disposition of any and all payments of principal and interest received by the corporation on mortgage loans . . . or other investments held by the corporation." Under AS 18.56.120,

The pledge of assets or revenue of the corporation to the payment of the principal or interest on any obligations of the agency is valid and binding from the time the pledge is made and the assets or revenue are

immediately subject to the lien of the pledge without physical delivery or further act.

So it is to the covenants that support the underlying bond issues rather than to provisions of state law that one must look to determine whether AHFC's various mortgage loan programs permit restructuring of outstanding loans. One must also consider the agreements between AHFC and, on the one hand, agreements entered into with the Federal National Mortgage Association (and similar entities) covering sales of mortgages and loans and, on the other hand, agreements with the corporation's own mortgage seller/servicers. Each of these groups of agreements may include provisions limiting the corporation's flexibility in responding to defaults and potential defaults by the borrowers.

These agreements notwithstanding, AHFC does authorize loan modifications under certain circumstances. The corporation's seller/servicer manual identifies those as limited to instances in which the mortgagor's income has been permanently affected by accident or illness, or in which the mortgagor's income has been reduced or eliminated altogether for a temporary period and which has not recovered sufficiently to maintain the current mortgage. The corporation will also consider a modification "if the servicer [of the mortgage] feels that changing the terms of the mortgage would not only cure [a] present delinquency but also prevent future delinquencies." AHFC must give prior approval and "will consider . . . reamortizing the debt to include the delinquent payments or extending the term of the loan by the number of past due installments." AHFC Seller/Servicer Manual sec. 9002.06.

In summary, current state law generally appears to provide sufficient latitude for the Alaska Housing Finance Corporation to modify loans and loan provisions for loans that are delinquent or may become delinquent. Legislative initiatives to amend the law to redefine or extend AHFC's authority need to be concerned with possible claims against impairment of contracts entered into by the corporation, particularly with bond underwriters, federal government agencies that purchase the mortgages, and the corporation's seller/servicers.

Department of Community and Regional Affairs mortgage loans:

Representative Steve Frank
Page 4
February 29, 1988

State law applicable to management of the department's mortgage loan programs does not specifically provide the department latitude to restructure repayment of principal and interest on its loans. The department's own regulations are also silent on the point.

The department has asserted to you that it may not reduce interest payable. Its assertion seems to be borne out by the following:

- the interest rate payable by a borrower under the rural owner-occupied housing program is, by statute (AS 44.47.410(b)), tied to the rate based on the most recent AHFC bond sale;

- the interest rate payable by a borrower under the rural non-owner-occupied housing program is set by statute (AS 44.47.520(b)) as an amount not to exceed $10\frac{1}{2}$ percent; the department advertises that the rate is $10\frac{1}{2}$ percent;

- the interest rate payable by a borrower under the homeownership assistance housing program, the interest-subsidy assistance program, directs by statute (AS 44.47.382(b)) that, for qualifying borrowers, the subsidy allowable shall be sufficient to reduce the actual interest rate paid on the mortgage to six percent.

The net effect of the three statutes cited suggests that the department is without discretion to adjust or reduce interest payable by a borrower under any of the three programs.

The department has also represented to you that, while it may adjust payments of principal on outstanding housing program loans, its authority to adjust the payments is limited to modifying current principal payments without reducing the mortgagor's total debt obligation under the mortgage loan. In other words, the department believes that it may reduce monthly payments, but the reductions correspondingly serve to extend the repayment obligation to an additional period; the department may not cancel or forgive a portion of the borrower's indebtedness.

The source of the department's mortgage lending activity is the housing assistance loan fund. That fund is established by statute (AS 44.47.380) and was, by a 1983 amendment, made

a revolving loan fund. 3/ A revolving loan fund is commonly thought of, and in Alaska legislation has been nearly universally treated, as a fund that is continually expended and replenished, from which withdrawals are made as loans but with a corresponding obligation to repay the fund in order to keep it intact. 4/ Legislative appropriations for state revolving loan funds are typically treated as non-lapsing appropriations, and any repayments of principal on loans purchased or originated with these appropriations should be deposited into the fund and made available from the fund for subsequent expenditure.

In my judgment, the department's representation to you seems to be fully consistent with its duty to maintain the integrity of the housing assistance loan fund as a revolving fund. A reduction in principal payments accompanied by a cancellation of a portion of a borrower's indebtedness would compromise the fund balance and the ability of the agency to use the fund balance as a source of loans in subsequent years.

Investments of the Alaska Permanent Fund Corporation:

Under authority granted in AS 37.13.120(g)(16), the corporation may invest in

notes secured by mortgages granting a first lien on commercial or residential real estate improved by completed buildings [subject to specific mortgage insurance requirements];

Like the Alaska Housing Finance Corporation, the Alaska Permanent Fund Corporation enjoys broad authority to manage investments. The corporation is authorized to "enter into and enforce all contracts necessary, convenient, or desirable for purposes of the corporation." (AS 37.13.120(f)). The residential mortgages purchased by the corporation as investments become assets of the corporation subject to the corporation's general asset management policies.

Since the Permanent Fund Corporation regularly receives income from sources other than those that support the mortgage lending activities of AHFC or the Housing Assistance Division, it is not constrained by the same considerations that circumscribe loan management practices of those two entities. Within the broad authority of the statutes directing its activities, the Permanent Fund

Representative Steve Frank
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February 29, 1988

Corporation appears to have ample legal authority to structure or restructure loans that are potentially or actually delinquent.

Retirement Funds investments:

The commissioner of revenue may invest the surpluses of the Public Employees' Retirement System and the Teachers' Retirement System in, among other permissible investments specified by law, residential mortgages. AS 39.35.-110(a)(10) (for the Public Employees' Retirement System) and AS 14.35.180(b)(10) (for the Teachers' Retirement System) authorize the commissioner to invest in "first lien real estate mortgages guaranteed by the federal Veterans Administration." AS 39.35.110(a)(11) and (12) and AS 14.35.-180(b)(11) and (12) authorize investments involving other kinds of residential mortgages, subject to specific limitations set out in those paragraphs and in AS 39.-35.110(e) and AS 14.25.180(e), respectively.

As to each of the two retirement programs, the commissioner is authorized by law to "do all acts whether or not expressly authorized which are considered necessary or proper for the protection of the investments held in the pension fund." AS 39.35.110(d); AS 14.25.180(d).

JBC:bb
wkb3/047

FOOTNOTES

1/ The loans of the Alaska Housing Finance Corporation may be classified among the following specific loan programs:

- home ownership assistance program (a program to provide mortgage subsidies to persons of low and moderate income);

- mobile home loan purchase program (a program to provide low-cost financing for mobile homes);

- pledged account mortgage program (a program to assist persons with sufficient assets but whose income does not meet the minimum monthly income requirements generally applicable to the corporation's loan programs);

- second mortgage loan program (a program to provide low-interest loans for home improvements or rehabilitation in order to make the units more habitable, and to finance second mortgages in order to allow home purchases);

- taxable mortgage program conventional loan (the principal AHFC homeowner assistance program, applicable to owner-occupied units);

- tri-plex and four-plex mortgage loan program (a program to allow the purchase of owner-occupied tri- and four-plex units);

- veterans' mortgage program (a program to provide additional assistance to qualifying veterans through a reduced interest rate);

2/ The Department of Community and Regional Affairs' loans involve the following specific programs:

- rural owner-occupied housing (a program to provide financing to qualified borrowers for the construction, purchase, or rehabilitation of a housing unit, limited to single family units and duplexes, for use as the borrower's principal residence);

- rural non-owner-occupied housing (a program to provide financing to qualified borrowers for the construction, purchase, or rehabilitation of a multiple unit housing project, generally two to eight units, though larger under extraordinary circumstances);

Representative Steve Frank
Page 8
February 29, 1988

-- home ownership assistance housing (a program to provide assistance to persons of lower and moderate income to purchase or construct single-family, owner-occupied dwellings, through the use of subsidized interest payment support).

3/ A January 23, 1984, Opinion of the Attorney General provides guidance to the Department of Community and Regional Affairs as to the proper handling of the repayments of principal and interest earnings on loans made from the loan fund before and after the 1983 amendment establishing it as a revolving fund.

4/ "Revolving loan funds provide for the return to the fund of repayments by borrowers of the principal (and frequently the interest on that principal) which was loaned to them from the fund so that new loans can be made on a continuing basis." 1982 Opinions of the Attorney General #13, November 30, 1982, at page 12.

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HOUSING AND BANKING SUBCOMMITTEE MATERIALS

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- Summary of AEDC Proposal for purchase and management of FDIC assets - Wohlforth, Flith & Gruening
- "Loan Buy-Up Plan Touted in Juneau"- Anchorage Times (2/3/88)
- **Report to Joint Committee on Economic Recovery 2/22/88
- AEDC "Thank you" letter dated 2/26/88

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- Hallwood Group Proposal
- Hallwood Group Proposal amended 3/19/88

Sealaska Proposal:

- "Sealaska Eyes FDIC Properties" Anchorage Times, 2/28/88
- "Development Venture Company" by Peter McDowell, 6/87
- "Alaska Investment Bank and Trust" by John M. Bashaw, Jr.

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- Southwest Plan Fact Sheet - Federal Home Loan Bank Board Resolution re: Texas Thrift Institutions

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**** Denotes Subcommittee action**

3/29/88

Report of the
Subcommittee on Housing and Banking

Joint Committee
on Economic Recovery

March 21, 1988

Members

Rep. Kay Brown, Co-Chair
Rep. Steve Rieger, Co-Chair

Rep. Pat Pourchot
Rep. Steve Frank
Rep. Henry Springer
Rep. Fran Ulmer
Rep. Virginia Collins
Rep. Mike Davis
Rep. Mark Boyer
Rep. Randy Phillips
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Rep. Dave Donley

Housing and Banking Subcommittee
Report to
Joint Committee on Economic Recovery

The Housing and Banking Subcommittee recommends that the legislature pursue the following policies and take the following actions to address the state's economic problems:

Policy: Improve distressed housing market.

Strategy: Reduce housing supply.

Develop and initiate plans to demolish institutionally-owned residential properties (REO's) which are unsafe, substandard in quality, and for which demand does not exist.

- 1. Direct state agencies and encourage other agencies owning REO to cooperate in demolishing unsafe and substandard housing.**

Action needed by legislature: Pass subcommittee's resolution on residential housing market.

Cost to State: Theoretically, none.

- 2. Authorize Alaska Housing Finance Corporation (AHFC) to use a portion of its reserves to participate in the demolition of publicly-owned substandard housing, including multi-family housing projects, where such**

action is supported by local communities and where such action makes long-term economic sense to AHFC.

Action needed by legislature: Presumably, enabling legislation.

Cost to State:

3. Fund demolition of the state-owned Willow Park Apartments in Anchorage.

Action needed by legislature: Budget amendment or enabling legislation to authorize use of AHFC reserves.

Cost to State: Demolition of Willow Park is expected to cost \$4.7 million, including asbestos abatement; the Alaska State Building Authority (ASBA) has proposed that the state and Anchorage municipal governments share these costs. The federal government has been asked to contribute \$9 million to purchase or subsidize alternate housing and to cover the residents' moving costs.

Direct AHFC to exercise prudent business judgment in managing its vacant REO mobile homes.

4. Direct AHFC to develop an analysis comparing the costs and benefits of alternative ways of managing REO mobile homes, including demolition, sales, and short-term storage in storage lots and mobile home parks. Authorize AHFC to write off and dispose of vacant and unsalable mobile homes, as part of a cooperative arrangement with other institutional REO owners, wherever it makes

economic sense to do so. Direct AHFC to take immediate action to lower holding costs.

Action needed by Legislature: Pass subcommittee resolution on management of surplus mobile homes owned by AHFC (resolution is being revised by Subcommittee).

Cost to State: The current foreclosed inventory of 1200 mobile homes could increase by an additional 800-1200 units if economic conditions persist. Because most AHFC mobile home loans do not carry mortgage insurance, foreclosed units involve substantial costs to AHFC whether sold, destroyed, or maintained and stored in today's economic climate. The Subcommittee's directive acknowledges the losses and costs to the state that could accrue through various actions by AHFC, but strongly encourages the development of a consistent strategy that minimizes losses or maintenance costs and acts in the long-term best interests of AHFC.

Strategy: Use surplus housing for public purposes.

5. Make institutionally-owned housing available for public interest uses, such as student, elderly, low-income, developmentally disabled, mental health, and transitional housing.

Action needed by legislature: Through the budget process, identify, review, and possibly fund projects proposed by state and local government agencies, and non-profit groups.

Cost to State:

6. Authorize ASBA or other entities, in cooperation with AHFC, to exercise broader powers to help the state achieve public purposes and to implement housing projects funded by the legislature. The agencies could facilitate consolidation of condominium owners to allow for the sale of other condominium projects for other uses.

Action needed by legislature: Develop and pass enabling legislation.

Cost to State:

Strategy: Increase demand for housing.

7. Support pending legislation identified by other subcommittees that will improve the economy generally and create jobs.

Strategy: Provide aid to distressed homeowners.

8. Revise law to allow restructuring of rural housing loans by the Department of Community and Regional Affairs, where appropriate.

Action needed by legislature: Pass subcommittee legislation.

Cost to State: Theoretically, none.

9. Direct AHFC to relax current owner-occupancy ratios for condominium mortgage loans to the extent possible, and to

take actions to raise owner occupancy in condominium developments.

Action needed by legislature:

Cost to State:

10. Direct AHFC to take whatever action is necessary to provide timely responses to the public on pending matters. Provide adequate funding to hire personnel trained and qualified in market problem areas, such as property management, workouts, and borrower counseling.

Action needed by legislature: Amend FY 88 supplemental budget to provide early funding of 25 new positions for AHFC.

Cost to State: \$ 1.788 million (Program Receipt dollars included in Governor's FY 89 budget request)

11. Authorize AHFC to utilize trades of property where feasible in order to increase liquidity in the housing market and to assist Alaskans whose circumstances now require a larger or smaller home, or a home in a different community. Direct AHFC to make establishment of such a program a priority.

Action needed by legislature: Pass legislation, possibly a version of HB 432.

Cost to State: The Housing and Banking Subcommittee believes that any use of state money for these purposes must be fair to Alaskans generally, and recommends that

this issue be explored by standing committees in hearings on the bill.

12. Encourage investors to provide more flexibility in, and to increase the use of, modification, refinance, and forbearance plans.

Action needed by the legislature: Pass subcommittee resolution expressing legislative support for concepts to be implemented by agencies.

Cost to State: Theoretically, none.

13. Provide trained, centralized staffing to assist borrowers in danger of default or delinquency, and offer statewide mortgage counseling.

Action needed by legislature: Fund and expand existing services operated by the Alaska Housing Market Council, including the Mortgage and Information Referral Hotline.

Cost to State: FY 88 supplemental appropriation of \$100,000 and FY 89 appropriation of \$400,000 (\$100,000 each from ASBA, AHFC, AIDEA and the Alaska Permanent Fund Corporation included in Governor's budget).

Strategy: Revise state lending programs.

14. Investigate changes to the AHFC HOF and Mobile Home Loan programs.

Action needed by legislature: Reflect on how, or whether, state loan programs have contributed to the current

economic difficulties for the economy or for individual Alaskans, and make recommendations for changes.

Cost to State: None.

Strategy: Clarify rules regarding foreclosure.

15. Increase the required disclosure of remedies available to lenders upon default. Investigate the effects of the recent Supreme Court decisions on the default and foreclosure process, and consider action if appropriate.

Action needed by legislature: Pass subcommittee legislation.

Cost to State: None.

Policy: Maximize ability of market to solve commercial real estate and loan problems, minimize state intervention.

16. Decrease limitations on AIDEA's ability to respond to current economic conditions.

Action needed by legislature: Passage of parts or all of HB 402 and SB 392.

Cost to State: None.

(Note: This report represents the status of the Subcommittee's work as of March 21. Additional issues and legislation are under review and may be added later to the report.)

Housing and Banking Subcommittee
Supplemental Report to
Joint Committee on Economic Recovery

March 25, 1988

The Housing and Banking Subcommittee met on March 24 and adopted the following additional recommendations to address the state's economic problems:

Strategy: Use surplus housing for public purpose.

Establish a mental health **pilot program** for the acquisition of excess residential properties to meet critical housing needs identified by the Alaska Mental Health Board.

During the interim, **investigate feasibility of expansion** of the program to address other public housing needs such as elderly, developmentally disabled, physically handicapped, homeless, low-income, transitional units for ex-offenders and substance abusers, emergency shelters for abused or runaway children and women's shelters. Conduct a survey of all statewide public housing needs, and recommend financial and management options to the Sixteenth Legislature when it convenes in 1989.

The attached memo provides background on this proposal.

Action needed by legislature: Fund mental health pilot program as part of capital budget request of the Mental Health Board to meet the state's obligations under the Mental Health Trust Lands Settlement.

Determine an entity to conduct the interim survey of public housing needs and to analyze options for expanding the program.

Cost to state: Up to \$5 million for pilot program, as recommended in the Mental Health Board report (3/14/88).

The cost of an interim survey of housing needs has not yet been determined.

Strategy: Reduce excess supply of residential and commercial buildings.

Allow local governments to give limited property tax exemptions as an incentive for the demolition of obsolete residential and commercial buildings.

Action needed by legislature: Pass legislation, possibly a version of HB 429.

Cost to state: Cost is optional to local governments.

Strategy: Improve financing opportunities for neighborhood development.

Maximize available private funds for redevelopment of targeted business zones throughout Alaska, community revitalization, neighborhood housing services and economic development projects.

Action needed by legislature: Pass legislation, possibly a version of HB 430 and 431, funded at some appropriate level.

Cost to state: Up to \$3 million.

Other

At the request of the House Chairman of the Joint Committee on Economic Recovery, the Subcommittee reviewed SCR 32 and CSSB 333 (L&C) and conceptually endorsed these proposals.

Attachment



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Rep. Max Gruenberg, Chair, House Joint Committee on Economic Recovery

FROM: Reps. Kay Brown and Steve Rieger, Co-Chairs, Housing and Banking Subcommittee

RE: Use of surplus housing for public purposes: A Mental Health Housing Pilot Program

DATE: March 24, 1988

EXECUTIVE SUMMARY

This report details a statewide pilot program for the acquisition of excess or foreclosed residential properties to meet the critical housing needs of disadvantaged or displaced Alaskans. While there is a wide variety of service providers -- including federal, state and local agencies and a broad spectrum of non-profit entities -- there is a very limited supply of housing units to meet the needs identified by those service providers.

The Housing and Banking Subcommittee recommends that the Legislature implement the pilot program outlined below, conduct a survey during the interim of needs statewide, and expand the program to meet additional care and service needs in the next fiscal year.

PUBLIC PURPOSES

Acquisition of surplus housing for public purposes could accomplish three goals: 1) remove a portion of the excess housing from a distressed real estate market; 2) reduce the inventory of foreclosed property that state entities must maintain in marketable condition (it can cost up to \$7,000/year/unit for condominiums); and 3) meet the needs of Alaskans in special circumstances who need permanent or temporary housing.

REAL ESTATE MARKETS

At the end of 1984, the Alaska Housing Finance Corporation held 129 foreclosed pieces of property. At the end of 1987, the corporation held 3,701 pieces of foreclosed property. In Anchorage alone there are 14,000 vacant housing units including mobile homes, zero lot lines, condos, tri and four plexes, apartments and single family residences.

Realtors do not expect a quick recovery from the real estate crash which has seen the number of mortgages written per year drop from a high of 16,500 in 1983 to 3,000 in 1987. Anchorage realtors (surveyed by the Real Estate Services Corp.) see further price erosion this year, ranging from 5.6 percent for single family dwellings to 13.3 percent for condos. The glut in condos, realtors predict, will not ease until 1993.

While the housing market has not yet bottomed out, according to responsible realtors and economists, the unmet housing needs of disadvantaged or displaced Alaskans are growing. Acquiring vacant residential property to meet public needs, while the housing inventory is excessively high and costs are depressed, is cost effective for health and social service care providers. At the same time, acquisition of this excess property for well-defined public purposes will reduce the stock of excess properties and provide an incremental boost to the real estate industry and owners of price-depressed residential properties.

Condos and four plexes may best fit the housing needs of the disadvantaged or displaced. This dovetails with current market conditions because these units comprise the most distressed portion of the real estate market. Even though condos comprise just 15 percent of AHFC's \$4 billion loan portfolio, they account for one-third of that corporation's foreclosed properties.

PUBLIC HOUSING NEEDS

Identified housing needs include units for the elderly, developmentally disabled, physically handicapped, mentally ill, homeless, low income, transitional units for ex-offenders and substance abusers, emergency shelters for abused or runaway children and women's shelters. These needs are statewide.

As an illustration of the variety of needs and the diversity of service providers, a recent survey in Anchorage revealed more than a dozen providers of housing services. They include but are not limited to:

- Abused Women's Aid in Crisis (sheltering 1,025 in '86-'87);
- Access Alaska (eight handicapped in four ASBA apartments);
- Alaska Youth and Parent Foundation (eight-bed shelter serving 161 in '86-'87);
- Alaskan Self Help (a homeless nonprofit organization);
- Anchorage Community Mental Health Services (20-bed facility serving 202 in transitional status in '86-'87);
- Anchorage Rescue Mission (47 beds);

Association for Stranded Rural Alaskans (no shelters but 412 referrals in '86-'87);
Bean's Cafe (two sleepoff rooms and cafe serves 200/meal);
Brother Francis Shelter (sleeps 60,000/year or 1,290 clients);
Clare House (Catholic Social Services shelter for women and their children, 38 beds serving 695 in '86-'87);
Covenant House (converting downtown YMCA as shelter for runaway and homeless youth);
Eagle Crest ("dry" hotel for 83 serving over 1,000 in '86-'87);
Hope Cottages (23 group homes, and an apartment complex serving 174 clients); and
McKinnell Emergency Shelter (Salvation Army shelter sleeps 45 serving 905 in '86-'87).

The survey revealed the housing needs for the mentally ill population in Anchorage are the most dramatic. Deinstitutionalized mentally ill require 220 beds in Anchorage and there are now 12 available; 18 beds are needed for crisis respite care and eight are available; about 350 permanent beds are needed for semi-independent living and only 130 will be available by this spring. Total additional units needed for the mentally ill population in Anchorage are 438.

While the needs in Anchorage are dramatic, the same types of housing needs remain unfulfilled in most Alaska communities, though on a lesser scale. The Residential Services Task Force Report for the Alaska's Governor's Council for the Handicapped and Gifted, for example, has found that there are 89 developmentally disabled Alaskans institutionalized who could live in less restrictive community settings and an additional 133, statewide, waiting for residential and vocational services.

PILOT PROGRAM

A comprehensive program to acquire housing for all of these needs, and others not yet identified, could take several months to develop and a large infusion of state money. However, a legislative strategy that establishes a well-focused pilot program this year can lay the foundation for future acquisitions of excess residential property to meet public needs.

The defined needs of the chronically mentally ill can provide the basis for a pilot program. The Alaska Mental Health Board has identified specific housing needs in communities ranging from Aniak to Anchorage to Angoon. These identified mental health housing needs range from facilities for crisis care to respite care to day treatment and to group homes for adults and children.

A pilot program targeting some of the statewide mentally ill housing needs would involve three entities -- the Alaska State Building Authority (ASBA), the Alaska Mental Health Board and the Department of Health and Social Services.

The ASBA is a public agency that maintains and manages public housing. The authority has experience in joint efforts with two community mental health centers in the management of Section 8 subsidy programs for severely mentally ill Alaskans. The agency has expertise in property management.

The functions of the Mental Health Board include needs assessment, budget review and mental health program oversight. The board has both state and private representatives and was created by the legislature in response to the Mental Health Trust Lands Settlement.

MANAGEMENT STRUCTURE

Responsibilities of the Mental Health Board, in conjunction with the Department of Health and Social Services, would include:

- 1) a needs assessment of the projects outlined by community mental health care providers;
- 2) prioritization of those needs;
- 3) an outline of property requirements (number of units and beds, staff support needs, parking, fire control, access, local concerns and others);
- 4) appointment of designees to work with ASBA while "shopping for housing";
- 5) after ASBA has purchased and renovated the property, accept the property and hold in trust for the purpose of serving needs of Alaska's mentally ill population; and
- 6) contract with community or nonprofit entities for the program/facility management and maintenance.

Responsibilities of ASBA:

- 1) accept the appropriated funds for the purchase of excess housing;
- 2) accept the prioritized shopping list from the Mental Health Board;
- 3) in conjunction with the board's designated representatives, review available properties (foreclosed and other);
- 4) negotiate the purchase of approved housing;
- 5) purchase appropriate property under the provisions of AS 18.55.310;
- 6) establish renovation and rehabilitation costs;
- 6) oversee the renovation and rehabilitation;
- 7) transfer the property to an appropriate state, local or nonprofit entity under the provisions of AS 18.55.320(b).

ACTION NEEDED BY LEGISLATURE

Initial discussion of this pilot program with ASBA officials has not yet indicated a need for any statutory changes. Intent language may be needed. This pilot program structure helps meet the legislative commitment to the mentally ill that was incurred with the trust land settlement.

The Housing and Banking Subcommittee recommends that a survey of all statewide public housing needs be conducted during the interim and that recommendations for expanding the pilot program to address additional public housing shortages be presented to the Sixteenth Legislature when it convenes in 1989.

COST TO STATE

The Mental Health Board has identified FY 89 capital costs of \$5 million for the acquisition and renovation of housing units for the mentally ill. A pilot program based on prioritized needs could cost less than that amount.

For each housing element added in the pilot program, there will be continuing operational and maintenance costs as well as expanded program costs. These on-going maintenance and operating expenses and increased program expenses may not begin accruing until late in FY 89 or in FY 90.



Official Business

Alaska State Legislature

House

A handwritten signature, possibly "R", in the top right corner.

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: REPRESENTATIVE BEN GRUSSENDORF, SPEAKER OF THE HOUSE

SENATOR ARLISS STURGULEWSKI, SENATE CO-CHAIR
SENATOR LLOYD JONES, SENATE CO-CHAIR
JOINT COMMITTEE ON ECONOMIC RECOVERY

FROM: REPRESENTATIVE KAY BROWN, ^{Tim}HOUSE CHAIR PRO TEM,
JOINT COMMITTEE ON ECONOMIC RECOVERY

DATE: MARCH 2⁵ 1988

RE: ACTIONS OF THE HOUSE MEMBERS OF THE JOINT COMMITTEE ON
ECONOMIC RECOVERY

The House members of the Joint Committee on Economic Recovery have met and considered the following Senate legislation and offer the following recommendations:

- 1.) SCR 32 "Urging the state's financial institutions to adopt more flexible lending and collection policies."

The members of the House Committee conceptually endorse this resolution and recommend consideration by the standing committees.

- 2.) CS SB 333 "An Act relating to wage, salary, and benefit claims having priority in certain bank liquidations and to certain bank reports required by the Department of Commerce and Economic Development; and providing for an effective date."

The members of the House Committee conceptually endorse this legislation and recommend consideration by the standing committees.

- 3.) SB 471 "An Act establishing a program in the Alaska Industrial Development and Export Authority to guarantee business loans and to refinance debt; and providing for an effective date."

The members of the House Committee recognize there is

interest in this issue and urge the standing committees to consider the concepts in this legislation.

- 4.) CS SB 392 (RULES) "An Act relating to the Alaska Industrial Development and Export Authority; and providing for an effective date."

The members of the House Committee conceptually endorse this legislation and recommend that both Houses consider the additional language included in HB 402, the House companion legislation.

The House Committee also reviewed legislation recommended by its subcommittees and recommends the following for introduction by the House Rules Committee, on behalf of the House Committee members:

- 1.) "An Act relating to notice requirements on the use of a deed of trust; and providing for an effective date."
- 2.) "An Act authorizing the Department of Community and Regional Affairs to modify the terms of its mortgage loans; and providing for an effective date."
- 3.) A resolution "Relating to the management of mobile homes owned by the Alaska Housing Finance Corporation."
- 4.) A resolution "Urging extension of the Federal Home Loan Bank Board's 'Southwest Plan' to Alaska."

This legislation will be submitted to the Senate members of the Joint Committee on Economic Recovery for their consideration.

The Housing and Banking Subcommittee's March 25 supplemental report was also adopted by the House members and will be submitted to all members of the House, and the Senate committee members.

MEMORANDUM

State of Alaska

TO: See Distribution

DATE: March 7, 1988

FILE NO:

TELEPHONE NO:

THRU:

SUBJECT: Comments on Various
Economic Recovery
Proposals

FROM:


J. Anthony Smith
Commissioner
Department of Commerce and
Economic Development

Due to the number of issues being discussed relative to legislative suggestions for possible actions to address our economic troubles, we are providing the following comments on a number of various issues/bills.

1. SB 392 & HB 402 -- AIDEA -- These bills address the issue of bank participation with AIDEA and the current statutory withholding of such participation because of the "2% rule." The Governor's bill, HB 402, also addresses a number of other issues which the Board of AIDEA has identified as limitations on AIDEA's ability to be responsive to the current economic conditions. The Department of Commerce and Economic Development supports both of these bills, and strongly supports passage of the entire package of proposals contained in HB 402.
2. SB 471 -- AIDEA Loan Guarantees and Refinancing -- Both of these issues have been the subject of considerable discussion among the board members of AIDEA. There is not at this time a consensus of opinion on the board on the relative merits or structure of either proposal. All members of the board are most concerned about preserving AIDEA's current bonding ability and ratings. Hence, close scrutiny must be utilized when incorporating any new financial service into AIDEA's powers.

The Department of Commerce and Economic Development is conceptually supportive of both proposals. With respect to the guarantee program, we believe it is most appropriate to fund the reserve for such a program by new appropriation to AIDEA. For consideration, we suggest that a portion of the current unappropriated portfolio of DCED's Division of Investments be appropriated to fund a reserve for the insurance program. The funded reserve will be the only asset offered to insure against losses, e.g., neither AIDEA nor the state

pledge any additional assets or responsibility. There will be losses in the program irrespective of the quality of the underwriting standards, but these losses will appear at least a year or two in the future. We also recommend that there be a 1-to-4 ratio of reserves to program commitment at the start with the Board of AIDEA having the flexibility to adjust reserves to reflect actual experience. This means that there needs to be an appropriation of loans which will generate \$25 million if we are to do \$100 million in guarantees for the program to have the impact desired. We recommend a \$100 million program at the start.

3. HB 422 -- Payment for Purchases by Various Public Entities -- DCED supports this expansion of current law.
4. HB 429 -- Optional Exemption from Property Taxes on Vacated Land -- The Department is supportive of this concept and would suggest elimination of the limitation of its applications by removing the 30-year-old requirement on improvements currently included in the bill. So long as this proposal does not directly affect the revenues of the state, and is optimal for local governments, it should be considered.
5. HB 430 - 431 -- Neighborhood Business Development Programs and Appropriation -- The Department is conceptually supportive of these bills. We understand the difficulties associated with balancing the state's budget and do not represent that this is an essential \$3 million item. Hence, a threshold question is identifying a source of funding.

In addition to HB 429, 430, and 431, it is our perception that an appropriate public sector response to the supply/demand problem is public acquisition of developments for purposes of parks, neighborhood upgrade and to eliminate obsolete or nonconforming properties. Thus, special appropriations to entities such as the Heritage Land Bank and local governments would allow local governments and the state to take advantage of present price levels to improve the quality of life while beneficially impacting the supply/demand problem.

6. HB 432 -- AHFC Trades -- We are conceptually supportive of this bill; although by this time the Labor and Commerce Committee is fully cognizant of the limitations on AHFC's ability to unilaterally achieve the ends sought in this bill. The approach currently undertaken by the Labor and Commerce Committee seems to reasonably address this issue.

There are other changes in AHFC which would allow the agency to manage its revenues to be part of the solution rather than part of the problem. For example, AS 18.56.098 needs to be altered so that the interest rate formula is more flexible. Some recommended changes are:

Financial Provisions Changes - Currently, many AHFC financial provisions are "hard-wired." For instance, the interest rate formula as specified in AS 18.56.098 permits no flexibility in interest rate calculation, even though at times adding some flexibility could significantly help the market at little or no additional cost to AHFC.

One way to add some flexibility would be to develop a mechanism whereby the maximum amount of assistance that AHFC can provide for any individual loan is set, but the specific way in which it was applied would be flexible. Another possible change would be to permit more flexibility in the amount of assistance if the whole market was in bad shape. For instance, if the delinquency rate in a particular market exceeded, say, 10%. Additional assistance would have to be targeted at certain groups to achieve specified outcomes, or very quickly AHFC could use up its available resources.

For instance, assume AHFC wanted to target the condo market, either for trade ups to mid-high range condos, or to encourage the purchase of some of the many low end condos. Many of the current condo loans were based on a loan amount of \$75-80,000, with an interest rate of 10-12%. Consider the following figures:

<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Payment</u>
\$ 80,000	10%	\$702
125,000	6%	749
50,000	6%	300

In one case, a borrower can buy much more "house" for approximately the same payment, whereas in the other case, a borrower could buy a \$50,000 condo (which was likely originally an \$80,000 condo) for a payment of less than half of the original. Properly targeted this could help stabilize price and reduce the inventory of foreclosed properties. It is our belief that the "equity underwater" problem could be stabilized in targeted projects by offering financing opportunities for full prices sales.

Other changes would deal with AHFC's role in disposing of its real estate portfolio. For instance, if current plans are successful, AHFC could well own entire condo projects. These projects could eventually be sold as condos, but they might also be sold as apartment buildings. If AHFC were able to manage the building (via a contract) and perhaps provide financing to the ultimate buyer, the total loss might be much less. Possibly other types of nonowner-occupied financings to help in disposal of foreclosed properties should be added.

More flexibility would be most helpful in workout situations. HOAP will be sufficient for a great number of troubled borrowers, others will need far more assistance. AHFC, in conjunction with the applicable insurance companies, should be able to provide assistance to these borrowers in a variety of ways -- much lower interest rate, deferral of principal payments, etc. To hold down the ultimate cost of the program and to provide more assistance than is needed, AHFC should be able to design various approaches to recapturing some of this assistance if the property ever appreciates in value beyond its original loan amount.

We have discussed with various individuals the thought of establishing a subsidiary corporation of AHFC which would be granted broader powers to address critical issues in Alaska's current housing market. Such a subsidiary may be charged with acquisitions and/or eminent domain powers to achieve public purposes. Further, it could facilitate the consolidation of condominium owners to allow for the conversion of other condominium projects to other uses, including apartment complexes and public sector housing. We believe all such ideas should be explored in detail and are appropriate items to try to adopt this legislative session.

Lastly, AHFC should be given broader investment powers so that it could participate in acquisitions such as Hollywood Vista and Willow Park when it makes economic sense for the agency.

7. HB 433 -- Moratoriums on Judicial and Nonjudicial Foreclosures -- This is intended as a parochial attempt to preserve for Alaskans a greater opportunity to preserve their residence at the expense of lenders, a good portion of whom are nonresident. Similiar legislation was adopted in two mid-western states as responses to the farm crisis. Their experience should be studied in detail before passage of this legislation.

While the approach has appeal on its surface, it appears to also generate considerable technical questions, especially with respect to bonded indebtedness of various Alaska debt issuers. Further, as probably the largest financier of Alaska real estate, various state entities, including the retirement funds, may be injured by this approach. We are also concerned about the potential ramifications if "outside" lenders respond to passage of this legislation by further restricting access of Alaskans to secondary money markets.

We are also confused by the language which suggests that a non-judicial foreclosure entitles the mortgagor to a right of redemption. This appears to be antithetical to the main purpose of nonjudicial foreclosures.

March 7, 1988

8. SCR xx -- Loan Approval Withheld for New Construction -- The Department has been asked to comment on a draft of this resolution. We do not agree with this approach. We do agree that financing agencies must be sensitive to the oversupply of several categories of real estate and should coordinate their financing policies to assure that they do not inadvertently exacerbate a serious problem. We also believe that the inventory of some classes of property may require additional construction to meet a growing demand in the near term. It would be much more appropriate, from our perspective, to allow market forces and coordinated state policy development, such as through the Alaska Housing Marketing Council, to address the concerns expressed in this draft resolution. For example, there are market segments which would be severely paralyzed by a generalized moratorium. It is more appropriate to add private sector representatives to the Housing Market Council.

We feel any response of this nature should be in the manner in which municipalities issue building permits and carry out inspections. As Chairman of AHFC, it seems indisputable that many of AHFC's problem projects were not inspected.

Other

Bridge Bank and Hallwood Trust - we conceptually support these, as well as other initiatives to have assets held by the FDIC or banks managed to minimize the adverse impact on the economy. There needs to be consideration given to both the management difficulties and the carrying costs which will be incurred. In addition, we need to recognize that any state guarantee or stand-by letter of credit could most likely be used.

There are three possible options at this time. Any one, or a combination of these, may work. They are the Anchorage Economic Development Corp., the Sealaska REIT group, and the Hallwood Trust. Should the state choose to participate in one of these structures, it should be prepared to contribute cash as well as properties. Cash flows to fund such an entity will not likely, in the short run, be sufficient to meet expenses. Hence, initial capitalization will be important to help assure success -- understanding that success includes the avoidance of increases of property liquidations.

Distribution

Garrey Peska, Chief of Staff, Office of the Governor
Bob Evans, Legislative Liaison, Office of the Governor
The Honorable Jan Faiks
The Honorable Max Gruenberg
The Honorable David Donley
Gregg Erickson, Office of Management & Budget,

JAS/sh5144M
3488c

Alaska

HOUSING



FINANCE CORPORATION

MEMO

TO: AHFC Board of Directors

FROM: Ronald D. Lehr *RL*
Executive Director

DATE: March 8, 1988

RE: Attached Memo from Representative Brown
to Commissioner Malone

Commissioner Malone has requested that I comment on the attached memo from Representative Brown regarding funds for demolition costs for Willow Park and Hollywood Vista. As Representative Brown notes in her cover letter, a total of \$4.75 million additional is needed, and she believes these funds should come from AHFC reserves.

It seems there are two separate issues raised by this letter. First, is the demolition of these projects an issue that should involve AHFC (and its resources)? Second, assuming AHFC will be financially involved in assisting this demolition, what is the most appropriate form of involvement?

The first question is largely a policy decision. However, it is perhaps appropriate to note that even though both these projects are multifamily rental projects, and hence not normally the province of AHFC, any action that involves 500 units of housing is likely to have some effect on the housing market in general.

The second question raises certain sensitive issues regarding legislative appropriation of AHFC resources. As has been discussed, there is a great deal of concern in the financial community regarding just how secure AHFC's assets are. Any use of AHFC resources for other than standard programs is bound to raise the question again, and we should be prepared to deal with it.

With regard to the specific subject of \$4.75 million for the two projects, clearly AHFC has adequate resources to actually provide funding. Furthermore, an appropriation to fund these projects would appear to be simple. However, it would certainly raise the questions cited above, as well as legal questions about the legislature's ability to appropriate AHFC funds. Furthermore, it would seem to

Memo to AHFC Board of Directors
Re: Willow Park/Hollywood Vista
March 8, 1988
Page 2

encourage additional appropriations of AHFC resources for other real-estate related projects.

I believe that the Board should at least consider another approach. Willow Park and Hollywood Vista are merely representatives of a much bigger problem, that being a large excess supply of housing, particularly in the lower end of the quality range. It may be appropriate to devote a significant amount of AHFC resources toward dealing with this overall problem, rather than simply funding requests for these two projects.

Specifically, I think the Board should consider a program whereby, say, \$20 million of AHFC resources are to be used as a "stabilization and upgrade fund." This fund could be used for grants to other state agencies or local governments. The purpose of the fund would be to upgrade the overall supply and availability of adequate housing. In operation the fund would be used for two purposes. First, it could make grants to destroy substandard housing. Second, it could be used as grants to allow applicable governmental bodies to purchase AHFC-owned property that would be used for qualified purposes. Examples of qualified purposes could be low income housing, student housing, senior citizen housing, etc. This would include, for instance, the sale of mobile homes to rural areas to make more housing available. I believe that all grants should be matching grants, since there is a natural screening process done when an applicant needs to put some of their own resources into a project. Furthermore, I believe it would be best to limit the eligible recipients to state and local governments. This will limit the number of applications which AHFC will have to contend with and avoid AHFC having to establish a significant grants bureaucracy.

The costs of this program are clearly greater than simply an appropriation of \$4.75 million. However, I believe the concept does have certain advantages that may justify the additional costs. First, it is a more broad based approach, so should provide more overall help. Second, I believe that such an approach could be more easily explained to the financial community. It should not be surprising to the financial community that AHFC would be engaging in programs that not only help individual housing needs, but also help contribute to improving the overall situation in the housing market in a planned and coordinated fashion.

su

Attachment

Kay Brown

**Alaska State Legislature
House of Representatives**

RECEIVED
ALASKA DEPARTMENT OF REVENUE

FEB 25 1988

OFFICE OF THE COMMISSIONER

*Rev
FVI*

TO: Commissioner Hugh Malone
Department of Revenue

FROM: Representative Kay Brown *Kay*

RE: Willow Park and Hollywood Vista Apartments

DATE: February 25, 1988

As we discussed yesterday, please find attached background information on the Willow Park and Hollywood Vista demolition costs. A total state appropriation of \$4.75 million is needed, and I believe it would be appropriate to fund this work from AHFC reserves.

If you need further information or have questions on this material, please contact me or Katy McHugh of my office.

P. O. Box 20-2651
Anchorage, AK 99520-2651
(907) 272-0207

During Session:
P. O. Box V
Juneau, AK 99811
(907) 465-4998

WILLOW PARK AND HOLLYWOOD VISTA SITE DEMOLITION AND RESIDENT RELOCATION PLANS

WILLOW PARK

The \$13.8 million proposal is a comprehensive plan to remove Willow Park, a 35-year old, 150-unit low rent multifamily housing project, from the Anchorage rental inventory. The funding for this project would be obtained from three sources: federal, state and municipal government.

\$2.6 million state funds (asbestos abatement)
\$2.2 million municipal funds (demolition and site restoration costs)
\$9 million federal funds (relocation and administration costs)

= \$13.8 million

Municipal officials have indicated that the municipality will make a commitment on its \$2.2 million share in the next few days. The Alaska State Building Authority cannot obtain the \$9 million of federal funds until both the state and municipality have committed to funding their portions of the project.

HOLLYWOOD VISTA APARTMENTS

The Hollywood Vista Apartment Complex consists of 347 units of which 51 are currently occupied. The municipality of Anchorage purchased the project from the United States Department of Housing and Urban Development for the sum of \$1.00 in February 1988. This sale is contingent on the Municipality's agreement to raze the complex within two years of title acquisition. The Municipality has proposed demolition of this property due to its substandard condition and the current abundance of multi-family rental units available in Anchorage.

The proposed costs of the demolition and relocation are approximately \$2.15 million.

\$650,000 (asbestos abatement)
\$1.5 million (demolition, site restoration and relocation)

= \$2.15 million

The Alaska State Building Authority has agreed to issue vouchers or certificates (through HUD) for Hollywood Vista residents that qualify for public housing assistance. (30 to 40 tenants out of the 61 remaining.)

A total appropriation of \$4,750,000 in state funds is sought for the purpose of demolition of Willow Park and Hollywood Vista Apartments in Anchorage. This decision is based on several determining factors including:

- Existing buildings are old and in need of extensive renovation to remedy safety code violations. Renovation would cost more than structures are worth.
- Removing substandard units and replacing them with available public and privately owned housing units will help to stabilize the current housing market.
- Relocation would provide improved quality of life and upgraded housing for Willow Park and Hollywood Vista residents.
- The complexes are functionally obsolete and no longer meet the needs of the community.

Prepared by:
Rep. Kay Brown
2/25/88

Work Session

Office Room Discussion

10

10

Alaska HOUSING FINANCE CORPORATION



MEMO

TO: AHFC Board of Directors

FROM: Ronald D. Lehr *RL*
Executive Director

DATE: March 9, 1988

RE: Mobile Home Marketing Program

Approximately a year ago the Board and staff undertook a number of actions involving the Corporation's mobile home loan program. A summary of these actions, and progress to date is provided in the attached memo (Attachment C).

As is clear from that memo, a number of things have been accomplished in the past year. However, given the ever increasing number of AHFC owned mobile homes, much more needs to be done. The intent of this memo is twofold: first, to provide a summary of current marketing plans; and second, to solicit input from the Board on some proposed efforts.

Currently the Corporation owns approximately 1200 mobile homes statewide, with the bulk of these (90%) in Anchorage. We have about 1050 in various mobile home parks, and this memo will focus on those units. Attachment A provides a breakdown of these Corporation-owned homes.

The major change to date in the Corporation's marketing effort took place when we went to our current system which utilizes three property managers (Anchorage/Fairbanks/Juneau) and incorporates open listing. This system has provided improved inventory information, more control over the quality and condition of units offered for sale, and a more energetic and coordinated sales effort. All this is reflected in Attachment B, a graph which shows monthly mobile home unit sales during the past two years. We adopted the new marketing system in the summer of 1987, and its impact has been dramatic (February 1987 sales - 4; February 1988 sales - 33).

Still, the 1050 units currently owned represent well over two years worth of sales at present rates, even if no new units were added to

Memo to AHFC Board of Directors
Re: Mobile Home Marketing Program
March 9, 1988
Page 2

our inventory, which is unlikely. Furthermore, we have had a preliminary study done by the Institute of Social and Economic Research regarding future trends in the demand for mobile homes. Their projections indicate that it is unlikely that we will experience any significant increase in demand for mobile homes in the next few years.

Given these factors, staff believes that additional changes are necessary. The areas in which changes are felt necessary are detailed below. We believe it is important to clarify program objectives and tailor our approach to achieve these ends recognizing that we have three (sometimes competing) goals: 1) to obtain the maximum return from units; 2) to minimize the carrying costs on units prior to their sale; and 3) to cause as little disruption as possible to the remainder of the marketplace.

This latter goal is particularly important, both because of our status as a state owned corporation and because it is clearly in everyone's best interests to refrain from actions that could cause our current loans (over 3,000) to become repossessions.

We believe that our future marketing plans should be comprised of a number of efforts. The first consideration relates to the number of units we need to sell. Many of the repossessed units are in poor shape. This has become more clear with the additional information available under our new property management system. As a result, we have sold for parts or simply disposed of a number of units in the past few months. However, we believe that a specific Board policy would be appropriate with regard to disposals since other important factors are also involved.

Unit Disposals

Currently, virtually all involved agree there is an excess supply of housing, particularly in the least expensive segments of the Anchorage market. A number of suggestions have been made to demolish certain low quality housing units, such as the Willow Park project. If demolition of excess low end units becomes an accepted policy, destruction of inexpensive mobile homes is clearly an efficient approach. In any case, trying to market very low value units probably does not make economic sense because of the transaction and carrying costs involved, and because these units often times may not satisfy the Corporation's mandate regarding "safe and sanitary housing".

Therefore, we believe it is appropriate to establish a policy under which repossessed units below a certain value would automatically be either destroyed or sold for parts. If the Board agrees, staff will

Memo to AHFC Board of Directors
Re: Mobile Home Marketing Program
March 9, 1988
Page 3

prepare a series of alternatives. First the basis for valuation, either as-is value or net repaired value, must be determined. Second, the threshold value itself must be established. For instance, a reasonable first approximation would be to set the threshold as-is value at \$5,000. This value can be contrasted against an average annual carrying cost of approximately \$3700, plus a 10% sales cost (\$500 in this case), plus \$300 in closing cost, or about \$4500 if such a unit sold in one year. Hence, were the unit to be held over one year, AHFC would begin actually losing money on such a unit when compared to the option of destroying it.

Open Listing Sales Program

Second, we believe that our current sales efforts and procedures should continue. These efforts have been moderately successful, resulting in sales of about 32 units per month. We may want to enhance these efforts with certain sales agent incentives such as provided by MGIC in their recent condo sales program. Given the potential sensitivity toward AHFC giving free trips for sales, though, we will check with the Board prior to initiating any major programs.

Targeted Park Marketing Program

The third group of recommendations entails the involvement of the mobile home park owners. Clearly, it is in their best interest to have an owner occupied unit (paying space rent) in their parks. The intent of this group of suggestions is to use that incentive to aid the Corporation. Option one involves entering into an agreement with the park owners whereby they select a few units (5 - 10) in their park for this program. The park owner would receive a percentage of the price (say 5%) when the unit sells, and the sales agent the standard 10%. AHFC would pay no space rent on those units. Option two involves entering into an agreement with park owners for a fixed number of selected units (say 5 - 10) for a set time period (say one year). The park owners would have the exclusive right to sell the units. We would make the units available to the park owners at list minus one year's holding cost. The park owners would keep any sales amount above this as profit, and would be responsible for any sales commission. AHFC would pay no space rent. Option three would involve mini-bulk sales. Although these sales could not be restricted to park owners, they clearly would be a target group and likely would be the most interested in the units. In this case, AHFC would simply have small groups of units (10-20) that would be sold to the highest cash bidder. No restrictions would be placed upon where these units could be located. Restrictions could be imposed regarding whether these could be resold or had to be rented, or whether AHFC would provide financing to eventual owners if they were resold.

Memo to AHFC Board of Directors
Re: Mobile Home Marketing Program
March 9, 1988
Page 4

Creative Marketing Approaches

This group of ideas involves increasing the sales visibility of our units. This could be done in a variety of ways, including more extensive use of our sales/storage lot in Anchorage. The other main idea would involve establishing one or more sales lots for drive-bys. These lots (or this lot) would be in prominent locations, and would have model units on display and would be covered by our sales agents. We could contract for these lots by paying a per unit fee per month, or perhaps by paying no monthly charge but rather allowing for a sales commission to the lot owner.

Additional ideas along the same lines involve a more active marketing effort to attract an expanded group of buyers. For instance, we need to encourage the use of mobile homes as second homes, lake cabins, and similar uses. We also need to target possible institutional/business buyers, such as the military, mining, and timber companies both within and outside the State.

Carrying Cost Control

Next, the Corporation needs to make continued efforts to decrease carrying costs while units are being marketed. We have tried to get park owners to lower their space rent for vacant AHFC owned units, with limited success. The Corporation also contracted for a sales/storage lot in Anchorage to decrease space rents. There has been considerable opposition from park owners to the Corporation moving units to the sales/storage lot. However, unless park owners lower their space rents (significantly in many cases) staff strongly believes that units should promptly be moved to the sales/storage lot. If we are not able to get reduced rents from park owners and/or sell existing and future inventory more quickly, consideration will need to be given to contracting for another such lot.

Multi-unit Offerings

All of the above are predominantly variations on a theme, that being to sell units individually or in small groups within a geographic area while at the same time attempting to lower carrying costs while these sales are taking place. Although we believe these are all valid efforts, it must be admitted that it is rather unlikely that these efforts will be adequate to deal with our excess inventory in a reasonable length of time.

Hence, our final staff recommendation is to do some bulk sales, with the specific requirement that the units so sold cannot be used for residential purposes in the Anchorage, Fairbanks, or Juneau areas.

Memo to AHFC Board of Directors
Re: Mobile Home Marketing Program
March 9, 1988
Page 5

The advantages of an out-of-area bulk sale are obvious - a large number of units are permanently removed from the market, decreasing both the excess supply and the downward price pressure on remaining units. Of course, carrying costs for these units are also ended. The disadvantages are also apparent. A bulk sale is likely to bring in a much lower price for a given unit than a more standard sale would bring. There is likely to be considerable opposition from park owners, since these out-of-area bulk sales will result in fewer units in their parks, and hence less revenue.

Given the large inventory of units, and the length of time the Corporation is likely to have a large inventory using conventional sales techniques, we believe the advantages of a bulk sale outweigh the disadvantages. As such, staff would like Board approval to initiate a moderately sized (50 - 100 units) out-of-area bulk sale. As we learn from this experience, we can then make adjustments for future such sales, or perhaps forego further sales if our experience is negative. We also need to be prepared to respond to bulk offers from potential buyers. For instance, how should the Corporation respond to an offer to, say, buy all of our "double-wides", given that any such offer will be at prices well below list. Should we turn the offer back around as a bulk sale bid? Should we provide any financing on bulk sales (staff recommends against it)? At this time, staff would like Board approval to continue with the development of a bulk sale, with the understanding that subsequent Board approval would be required before any sale was actually conducted.

In closing, we would like to make two final observations. First, some of the AHFC owned mobile homes have insurance on them, and actions involving these units may require approval from the relevant company. Second, although we believe the efforts described above represent a significant sales program, it should always be kept in mind that the best actions are those that prevent repossession in the first place, e.g., the Home Owners Assistance Program, Simplified Refinance, other workouts, and so forth.

su

Attachments: Attachment A - Mobile Home Inventory Statewide
Attachment B - Graph of Mobile Home Sales
Attachment C - Memo to AHFC Board of Directors
with attachment (Resolution 87-3)
Attachment D - Mobile Home Parks

**Mobile Home Inventory Statewide
Under Management
as of 2/29/88**

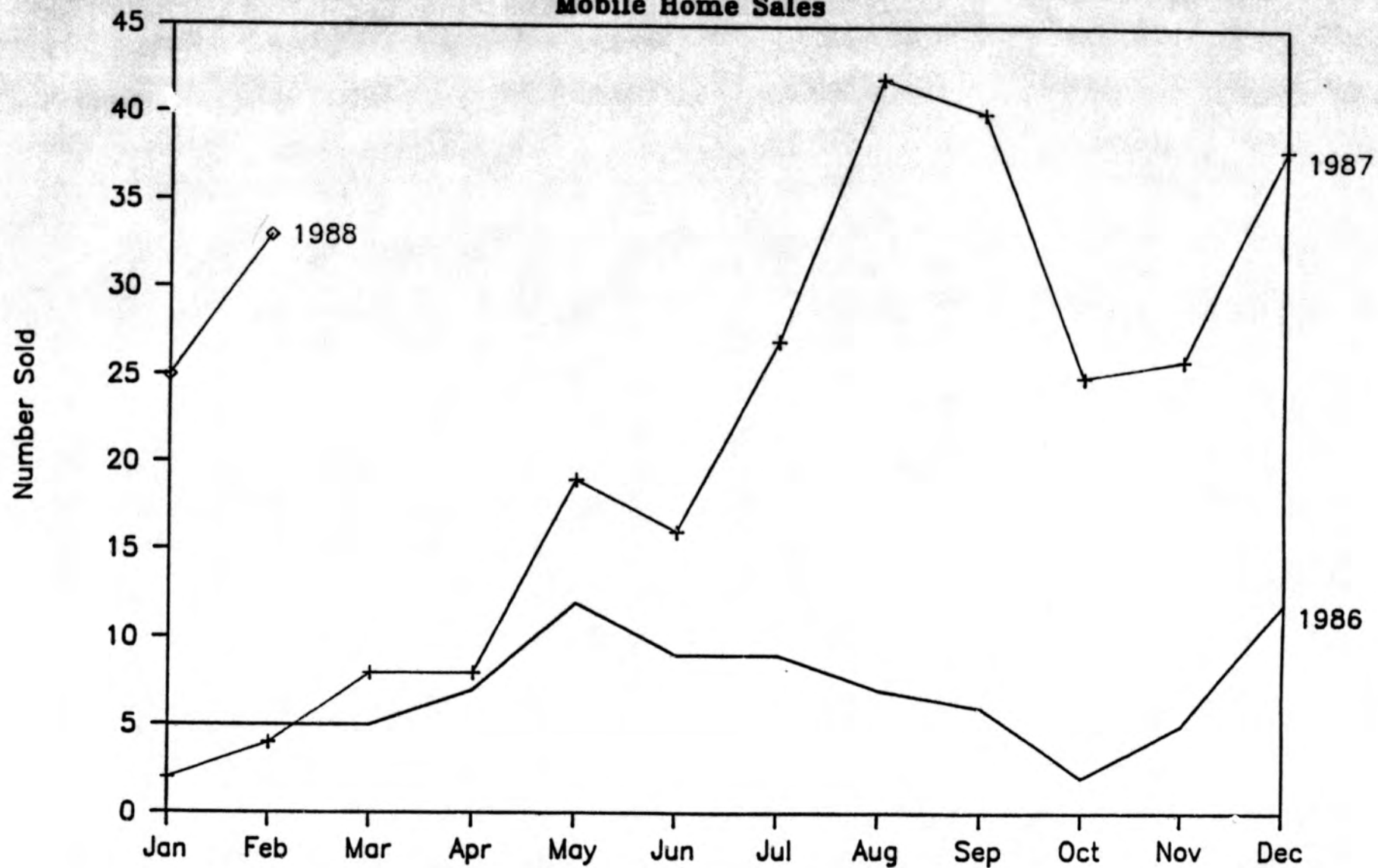
Type/Age	Anchorage/ Mat-Valley/Kenai	Fairbanks North Pole	Juneau	Total
Singlewide 0 - 1972	183	13	11	207
Singlewide 1973-1978	422	53	13	488
Singlewide 1979-new	200	49	9	258
Doublewide	97	2	2	101
TOTAL	902	117	35	1054

Average Sales Price

Type/Age	Anchorage/ Mat-Valley/Kenai	Fairbanks North Pole	Juneau	Statewide Average
Singlewide 0 - 1972	5,000	4,000	4,000	4,300
Singlewide 1973-1978	10,000	7,800	7,900	8,500
Singlewide 1979-new	20,000	18,000	12,200	16,700
Doublewide	25,000	28,700	16,000	23,200

ALASKA HOUSING FINANCE CORPORATION

Mobile Home Sales



Alaska HOUSING FINANCE CORPORATION



MEMO

TO: AHFC Board of Directors

FROM: Ronald D. Lehr *RL*
Executive Director

DATE: March 9, 1988

RE: Progress to date on AHFC's Repossessed Mobile Home Program and Mobile Homes

Attached is a copy of Board Resolution No. 87-3 which was approved May 4, 1987, giving direction to AHFC regarding AHFC's mobile home program and the marketing and sale of repossessed mobile homes.

What follows are short explanations of what AHFC has done in response to those directions:

1. "AHFC shall conduct a survey of delinquent mobile home loans to determine what steps the Corporation can take to reduce those delinquencies and foreclosures."

AHFC is working on this survey with the Institute of Social and Economic Research. Although our survey has not yet been completed, many steps have been taken to reduce delinquencies and foreclosures. A major effort is the Home Owners' Assistance Program, which was recently instituted to help distressed borrowers make their payments. Mobile home borrowers are eligible for this program.

Even prior to Home Owners' Assistance Program (HOAP), a number of workout and forbearance programs have been conducted. At least partially because of these efforts, delinquencies of the mobile home portfolio have declined from a high of 25.39% in June '87 to 20.65% in January '88.

2. "AHFC shall implement an aggressive and inclusive sales strategy for AHFC mobile homes owned. That strategy shall include:
 - a. that the mobile home marketing activities will be concentrated within the Special Credits Department;

Memo to AHFC Board of Directors
Re: Mobile Home Program
March 9, 1988
Page 2

- b. that AHFC will go to a select broker system for property management and sale of AHFC mobile home REOs;
- c. that AHFC will contract with a single servicing agent to service all sales of AHFC mobile home REOs that have AHFC financing; and
- d. that AHFC will offer 95%, 10-year financing for AHFC mobile home REOs.

AHFC has made great strides in implementing this directive. A mobile home marketing specialist position was created within the Special Credits Department to coordinate all mobile home activities within the Corporation. To date, four sales seminars have been held in Anchorage, Fairbanks, and Juneau, to educate real estate agents about AHFC's marketing program. Sixty-five agents are now approved to sell AHFC mobile homes. In calendar year 1987, AHFC sold 256 units.

AHFC recently added another position to work specifically on sales strategy, particularly bulk sales.

On June 6, AHFC issued a Request for Proposal for three contractors, one each in Anchorage, Juneau and Fairbanks, to handle mobile home inventory and management. The selection has since been completed and contracts have been signed with Summit Logistics in Fairbanks, Coldwell Banker/Joe Shaw Realty in Juneau, and Western Enterprises in Anchorage.

- 3. "AHFC shall negotiate with park owners to obtain significantly lower space rents for vacant AHFC mobile home REOs located in those parks, and, if unsuccessful, AHFC shall obtain off-site sales and storage lots."

As suggested in this directive, AHFC contacted park owners. The results of that contact are in Attachment D. Based upon these figures, AHFC believed it was cost effective to obtain sales/storage lots. On August 24, AHFC issued an Invitation to Bid and selected a sales/storage lot in Anchorage in November. The space rent in this lot is over \$100/month less than in the average space rent from all other parks. AHFC once again contacted park owners to see if they would be willing to lower their rent to match the cost of our sales/storage lot. The results to date are also summarized in Attachment D. I should note that although some of the park owners have characterized the sales/storage lot as a "boneyard" from which we will never sell a mobile home, we do not agree. Others knowledgeable in the industry believe we will have a better sales performance off the lot since it makes it easier for a buyer to "comparison shop."

Memo to AHFC Board of Directors
Re: Mobile Home Program
March 9, 1988
Page 3

Furthermore, many of our recent sales have been of units that have been subsequently moved off their current lot, so again, we do not believe that moving these units to a storage lot will cripple our sales efforts.

At this point I would like to digress and state AHFC is not arbitrarily selecting mobile homes to move. AHFC staff have developed a matrix to determine which homes should be moved. The matrix takes into account such factors as the number of units, cost, location, repairs necessary, ability to move, among others.

4. "AHFC will solicit offers for bulk purchases of AHFC mobile home REOs. Before accepting offers for bulk purchases of AHFC mobile home REOs, AHFC must ascertain that these offers are:
 - a. financially beneficial to AHFC, and
 - b. that they take into consideration the need to stabilize the market by reducing excess supply."

Western Enterprises has been pursuing this, however, most of the offers have not been realistic. With a new staff person on board, more emphasis will be devoted to this subject in the near future.

5. "AHFC shall select a broker to manage the sales and storage lots described in number 3."

This is accomplished through use of the master agents.

6. "AHFC shall offer, on a trial basis, 95%, 10-year loans on all mobile home financing, in addition to AHFC's standard financing."

Same as 2(d), this has been accomplished.

7. "The AHFC Board of Directors will consider adopting a policy that mobile home loan amounts may not exceed the greater of the outstanding loan balance currently financed by AHFC, or the N.A.D.A. "blue book" value adjusted for transportation costs for the mobile homes. AHFC staff is to prepare a recommendation for the Board's consideration at its next meeting."

This was accomplished under regulation changes listed in 2(d).

8. "For mobile homes brought into the state after April 1, 1987, the minimum downpayment for an AHFC loan will be 10% and the maximum loan term will be 12 years."

Memo to AHFC Board of Directors
Re: Mobile Home Program
March 9, 1983
Page 4

This was accomplished under regulation changes cited in 2(d).

9. "Effective May 1, 1987, AHFC will no longer be responsible for back space rent on units not owned by AHFC."
10. "Space rents accumulated prior to May 1, 1987, on units in the process of being repossessed will be reimbursed."
11. "As of June 1, 1987, AHFC will pay space rent due on AHFC's mobile home REOs directly to park owners."

Nine, 10 and 11 were implemented immediately by staff.

12. "If the AHFC Board of Directors considers adopting a program for rental of AHFC mobile home REOs managed by park owners, AHFC will immediately hold public hearings for that purpose."

The Board has not give any further direction on the possible rental of AHFC mobile homes.

su

Attachment

RESOLUTION NUMBER 87-3

RESOLUTION OF THE ALASKA HOUSING FINANCE
CORPORATION CONCERNING THE CORPORATION'S
REAL ESTATE OWNED MOBILE HOMES

- 1) AHFC shall conduct a survey of delinquent mobile home loans to determine what steps the Corporation can take to reduce those delinquencies and foreclosures.
- 2) AHFC shall implement an aggressive and inclusive sales strategy for AHFC mobile homes owned. That strategy shall include:
 - a. that the mobile home marketing activities will be concentrated within the Special Credits Department;
 - b. that AHFC will go to a select broker system for property management and sale of AHFC mobile home REOs;
 - c. that AHFC will contract with a single servicing agent to service all sales of AHFC mobile home REOs that have AHFC financing; and
 - d. that AHFC will offer 95%, 10-year financing for AHFC mobile home REOs.
- 3) AHFC shall negotiate with park owners to obtain significantly lower space rents for vacant AHFC mobile home REOs located in those parks, and, if unsuccessful, AHFC shall obtain off-site sales and storage lots.
- 4) AHFC will solicit offers for bulk purchases of AHFC mobile home REOs. Before accepting offers for bulk purchases of AHFC mobile home REOs, AHFC must ascertain that these offers are:
 - a. financially beneficial to AHFC; and
 - b. that they take into consideration the need to stabilize the market by reducing excess supply.
- 5) AHFC shall select a broker to manage the sales and storage lots described in number 3.
- 6) AHFC shall offer, on a trial basis, 95%, 10-year loans for all mobile home financing, in addition to AHFC's standard financing.

Board of Directors
Resolution Number 87-3
Page Two

- 7) The AHFC Board of Directors will consider adopting a policy that mobile home loan amounts may not exceed the greater of the outstanding loan balance currently financed by AHFC, or the N.A.D.A. "blue book" value adjusted for transportation costs for the mobile homes. AHFC staff is to prepare a recommendation for the Board's consideration at its next meeting.
- 8) For mobile homes brought into the state after April 1, 1987, the minimum down payment for an AHFC loan will be 10% and the maximum loan term will be 12 years.
- 9) Effective May 1, 1987, AHFC will no longer be responsible for back space rent on units not owned by AHFC.
- 10) Space rents accumulated prior to May 1, 1987, on units in the process of being repossessed will be reimbursed.
- 11) As of June 1, 1987, AHFC will pay space rent due on AHFC's mobile home REO's directly to park owners.
- 12) If the AHFC Board of Directors considers adopting a program for rental of AHFC mobile home REOs managed by park owners, AHFC will immediately hold public hearings for that purpose.

This Resolution shall take effect immediately.

May 4, 1987

There are approximately 130 mobile home parks in Anchorage. Alaska Housing Finance Corporation has received 18 responses, with 11 reductions regarding space rent. Only 6 parks in Anchorage are offering \$125 or less in space rent to AHFC.

Park	Original Space Rent	Proposed Rent Request Letter 7/87	"Meet or Beat" Letter of 1/88
Alaskan Village	\$285	\$130	\$105
Four Seasons	285	130	105
Dimond Estates	225	218	Responded Requesting Meeting
Glencaren Court	230	200	Effective May 1,88 Verbal - \$170
Glen Muldoon	250	Reduced 200	-
Malaspina	265	Responded No reduction offered	-
Glacier Terrace	265	Responded No reduction offered	-
Manoogs Isle	250	Reduced 125	-
Mayflower	225-250	Responded No reduction offered	Responded No reduction indicated
Penland Park	260	Responded No reduction offered	180
Plaza 36	265	Responded No reduction offered	-
Rangeview	215	110	-
Riviera Terrace	250	Withdrawn 150	-
Southwood Manor	290	Reduced 228	-
Idle Wheels	280	-	Responded No reduction offered
Sunset M/H Park	230	Reduced 125	-
Brookside Manor	240	Reduced 190	-
Trails End	225	Reduced 125	-

Schools get funds for much-needed repairs

HARRY CAMPBELL

News reporter

The people at Clark Junior School won't have to risk being skewered when they sit on the gymnasium's wooden bleachers next year. And Williwaw Elementary, just down Bragaw Street from Clark, will finally get some new ceiling tiles and a coat of paint.

The Anchorage School District has the money to spend this summer, at \$10.4 million granted by the Alaska Legislature in the so-called "bill" passed earlier this session and signed by Gov. Steve Per.

The district is going to use the money to spruce up and fix up at most schools, and create between 250 and 300 jobs, according to Louis Overstreet, executive director of capital projects.

Besides replacing Clark's bleachers, which are 27 years old and splintering badly, many other projects are planned, like interior and exterior painting, landscaping, replacing floor and ceiling tiles and carpeting, upgrading ventilation systems and resurfacing parking lots and hockey rinks at schools from Government Hill to O'Malley.

Overall, the district has plans for about 300 projects this summer

at 62 locations. To oversee that many projects, the district will hire five temporary project managers for about six months to keep the scattered work coordinated, Overstreet said.

"It's labor intensive, and that's what the legislature said it wanted," Overstreet said. "But it's going to be a logistical nightmare. At one school, we could have electricians, sheetrockers and painters all working on different projects and we've got to keep them from getting in each other's way."

"It works out to spending about \$165,000 every working day. That's going to be tough."

The legislature intended for the money to be spent this summer. In addition, the district faces its own constraint of finishing projects before the three-month summer vacation is over and students return to classes. Some construction projects from last summer, such as the refurbishing at Service High's library, didn't make the deadline, and students and construction crews had to work around each other for a while.

The district must also finish surveying 77 buildings for asbestos and file a report with the federal government and the governor's office by October.

AHFC chief encourages holding properties

HARRY PERSILY

Associated Press

JUNEAU — The executive director of Alaska Housing Finance Corp. has urged with federal mortgage insurers the possibility of holding some foreclosed property off the market until prices recover.

Such a proposal to balance supply and demand — and avoid further erosion of selling prices — has been suggested by the legislative economic recovery committee.

For legislative approval or funding would be required for AHFC to take foreclosed property off the market, said Ron Lehr, executive director of the state loan agency.

An agreement from other investors, primarily mortgage insurers, would be needed, Lehr said.

"You need to be able to convince investment partners that it will have the effect you say it will have," he said.

"I need their cooperation ... we can't do it all by ourselves," Lehr said.

AHFC is working with the Federal

"I need their cooperation ... we can't do it all by ourselves."

— AHFC director Ron Lehr

Housing Administration, Veterans Administration, Federal National Mortgage Association and others to develop a plan for the agencies to manage supply and demand by holding back some of their properties.

AHFC holds 3,800 housing units taken over in foreclosure actions, Lehr said. About one-third are mobile homes, one-third condominiums and one-third single-family and duplex units.

The agency foreclosed at the rate of about 300 units a month in 1987.

Despite a generally poor economy, some of the homes are selling, Lehr said. "Our sales have gone up considerably in the last year."

AHFC sold 20 foreclosed homes in January 1987 and 120 units in December 1987.

"The prices definitely have firmed" for single-family homes, Lehr said. Condos and mobile homes are the biggest problem, he said.

In a draft report, the House subcommittee on housing and banking of the Joint Committee on Economic Recovery has recommended AHFC and other mortgage holders consider demolishing some substandard, unsafe and unsalable housing units.

The subcommittee draft report says demolishing some units would help eliminate low-end units from the market, stabilizing prices for homes left on the market.

"There's probably some housing out there that's probably best to tear down," Lehr said.

But, he said, if owners believe property may be needed in two or three years, it's better to take the property off the market and then put it back on sale in the future.

Permanent fund applications

■ INTERNATIONAL VENTURES
foreign investments for the perm

The Associated Press

JUNEAU — Alaskans will receive permanent fund dividend applications urging people to make sure they have enough numbers to avoid having their share of the oil money payments cut.

State revenue officials said applications will be distributed in June. Applications also will be a condition of office after April 11.

Generally, people who file early receive their dividend payments beginning in October.

The IRS requires 20 percent of the dividend to be withheld for federal income tax. The \$813.

Applicants who provide their social security number will receive the full dividend, and



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

1577 "C" STREET • SUITE 304 • ANCHORAGE, ALASKA 99501-5177 • (907) 274-1651

March 10, 1988

Honorable Kay Brown
State of Alaska
House of Representatives
P.O. Box V
Juneau, Alaska 99811

Dear Representative Brown:

Below is the additional information I promised to forward to you which explains the Small Business Administration (SBA) charts sent to you on March 7, 1988. (Those same charts are attached for your convenience.)

First of all, the chart, MARS 526, illustrates SBA's loan performance measurement system. This chart accounts not only for SBA loan guarantees, but also for SBA direct loans. Thus, on the chart, there is no distinction made between the direct loans or the guarantees which SBA has made over the last few years. However, you should be aware that SBA direct loans are minimal. The majority of business SBA sees is for loan guarantees.

The terms used in MARS 526 mean:

- | | |
|-----------------------|---|
| Cases Disbursed - | means the number of direct and guaranteed loans made in that year by SBA. |
| Failures (#'s) - | means the number of direct or guaranteed loans originated in that year which have failed. E.G. of 227 direct or guaranteed loans originated in 1986, 11 of those loans failed, not necessarily in 1986. |
| Percentage (by #'s) - | equals failures divided by cases disbursed, within the State of Alaska. |
| Region 10 Average - | refers to the SBA's Region 10 which includes Boise, Idaho; Portland, Oregon; Seattle and Spokane, Washington; and Alaska. |
| National Average - | refers to the average using the nation as a whole. |
| Cases Charged Off - | means actual number of loans that have been charged off as losses. |
| Dollars Disbursed - | means number of dollars for SBA's direct or |

guaranteed loans originated for the particular year.

Dollars Charged Off - means number of dollars that have been charged off as a loss.

Percent (by \$'s) - equals dollars charged off divided by dollars disbursed, within the State of Alaska.

Region 10 Average - refers to the SBA's Region 10 which includes Boise, Idaho; Portland, Oregon; Seattle and Spokane, Washington; and Alaska.

National Average - refers to the average using the nation as a whole.

The second chart, MARS 515, illustrates the number of direct loans and guaranteed loans extended by SBA during the years 1978 through 1987. This chart refers to Region 10 and the numbers you will see on the left hand side under the word "Office" correspond to each locale within Region 10. "1040" refers to Fairbanks; and "1084" refers to Anchorage. Here again, the chart is easier to understand when you consider that:

Disbursed in Dollars - means that direct loans or loan guarantees were extended by SBA in the amount of dollars shown for each corresponding year.

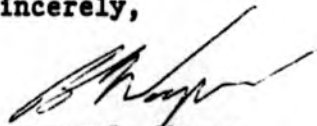
Purchase in Dollars - means that the SBA has had to disburse funds to honor guarantees. "purchase in dollars" does not necessarily mean that SBA is seeing a loss. E.G., the loan may have been rewritten.

Purchase Rate
in Dollars - equals purchase in dollars (i.e. buy backs) divided by the total dollar amount of disbursed dollars to show the rate in dollars bought back by SBA.

I hope that this information helps you to more fully understand the SBA charts. I believe that this information is helpful in that it shows that AIDEA should approach any loan guarantee program with caution. This is because loans guarantees are not a profitable business. In reality, the Authority is lending its balance sheet and taking on a future liability.

If you have any questions, please feel free to call me in Anchorage at 274-1651.

Sincerely,



Bertram L. Wagnon
Executive Director

BLW/ga

Attachments

DATE RUN 10/16/87

SMALL BUSINESS ADMINISTRATION
LOAN PERFORMANCE MEASUREMENT SYSTEM
AS OF 09/30/87
(DOLLARS IN THOUSANDS)

*Fin Loans,
Including Direct*

PAGE 93 MARS 526

ANCHORAGE, ALASKA

	YR-1 1986	YR-2 1985	YR-3 1984	YR-4 1983	YEAR OF APPROVAL					YR-8 1979	YR-9 1978	YR-10 1977	FIVE-YEAR SUMMARY		
					YR-5 1982	YR-6 1981	YR-7 1980						YEARS 86-82	YEARS 81-77	YEARS 76-72
FAILURE RATES (LOANS IN LIQUIDATION OR CHARGED OFF)															
CASES DISBURSED	227	298	466	342	283	125	107			181	133	132	1616	678	760
FAILURES (#'S)	11	40	82	51	33	17	20			18	22	18	217	95	81
PERCENTAGE (BY #'S)	4.8	13.4	17.6	14.9	11.7	13.6	18.7			9.9	16.5	13.6	13.4	14.0	10.7
REGION 10 AVERAGE	3.5	11.5	16.6	15.5	21.0	26.8	26.7			23.0	16.7	15.3	14.0	21.8	13.7
NATIONAL AVERAGE	3.1	10.2	16.1	16.8	21.7	26.2	29.7			26.5	23.7	21.9	13.6	26.0	22.7
CHARGE-OFF RATES															
CASES CHARGED OFF	1	12	24	14	11	6	12			13	17	13	62	61	72
DOLLARS DISBURSED	55623	67353	98401	73656	56502	20149	15540			19253	17140	18596	351536	90680	72035
DOLLARS CHARGED OFF	39	1231	1644	1389	1055	1264	1112			617	1250	445	5561	4690	1753
PERCENT (BY \$'S)	0.1	1.8	1.9	1.9	1.9	6.3	7.2			3.2	7.3	2.4	1.6	5.2	2.4
REGION 10 AVERAGE	0.3	1.4	2.8	3.1	6.9	14.5	12.7			10.1	6.3	4.4	2.8	9.9	4.9
NATIONAL AVERAGE	0.1	1.1	3.2	4.3	8.0	13.5	14.6			11.7	10.5	9.7	3.0	12.1	11.4

REGION 10

PERIOD ENDING FY 87

PAGE 19
MARS 515
(5 IN THOUSANDS)

DISBURSED IN DOLLARS

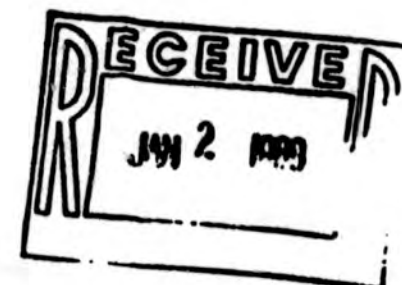
OFFICE	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
1013	0	39,257	46,846	44,084	21,199	21,867	34,313	39,429	26,237	14,681
F 1040	0	1,303	1,229	1,955	1,397	380	0	0	0	0
A 1084	0	17,624	17,462	17,056	54,487	71,215	90,442	63,752	54,258	17,715
1086	0	34,480	55,600	42,277	21,891	24,888	21,222	18,530	14,985	13,345
1087	0	22,466	24,367	20,604	18,424	25,985	22,050	16,237	16,752	11,574
1094	0	18,608	19,128	16,335	6,367	10,377	13,965	12,155	27,598	10,788
TOTAL	0	133,739	164,633	142,311	123,764	154,712	182,022	150,104	129,850	68,103

PURCHASE IN DOLLARS

OFFICE	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
1013	0	2,121	5,513	5,684	2,061	1,363	2,592	4,035	485	0
F 1040	0	0	0	0	0	0	0	0	0	0
A 1084	0	1,050	677	1,552	4,536	6,421	9,793	5,161	2,642	0
1086	0	2,696	3,869	1,801	2,545	3,008	982	2,079	282	157
1087	0	932	1,952	659	1,759	2,468	1,648	1,607	800	24
1094	0	614	1,313	338	449	745	640	345	199	0
TOTAL	0	7,413	13,324	10,034	11,350	14,006	15,655	13,228	4,409	181

PURCHASE RATE IN DOLLARS

OFFICE	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
1013	0.0	5.4	11.8	12.9	9.7	6.2	7.6	10.2	1.9	0.0
F 1040	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A 1084	0.0	6.0	3.9	9.1	8.3	9.0	10.8	8.1	4.9	0.0
1086	0.0	7.8	7.3	4.3	11.6	12.1	4.6	11.2	1.9	1.2
1087	0.0	4.2	8.0	3.2	9.5	9.5	7.5	9.9	4.8	0.2
1094	0.0	3.3	6.9	2.1	7.1	7.2	4.6	2.8	1.1	0.0
TOTAL	0.0	5.5	8.1	7.1	9.2	9.1	8.6	8.8	3.4	0.3



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ALASKA

REVIEW OF SOCIAL AND ECONOMIC CONDITIONS

University of Alaska Anchorage, Institute of Social and Economic Research February 1988, Vol. XXV, No. 1

Alaska Housing and the Recession

The recession that started at the end of 1985 turned the Alaska housing market on its head. Prices of houses, condominiums, and mobile homes—especially the last two—have come down so far that Alaskans have been left queasy and disbelieving. Recent ISER economic projections are for the recession to end in 1988, and a *gradual* economy recovery to begin—if oil prices remain stable in the \$16- to \$20-per-barrel range. Oil prices are the crucial element in ISER's projections. But if the Alaska economy does begin to recover in 1988, the effects of the recession on the housing market will not disappear overnight.

Since the end of 1985 Alaska has lost jobs, population, and income.¹ We now have much more housing than there is demand for. In Anchorage alone in 1987 nearly 14,000 housing units—including both owner-occupied and rental units—were vacant.² Thousands of Alaska houses, condominiums, and mobile homes have been foreclosed on over the past two years. Even after the economy bottoms out, the housing market will be slow in recovering. This is particularly true of the market for condominiums and mobile homes in Anchorage.

Recent ISER work indicates that it will likely be well into the 1990s before real—adjusted for inflation—condominium prices in Anchorage regain their 1985 levels. There are hundreds more mobile homes in Anchorage right now than are likely to be occupied by 1992. Very few condominiums or apartments

will be built in Anchorage over the next few years: the units that already exist will more than meet the projected demand.

Single-family houses should fare better—because most buyers prefer houses when they can afford them. Lower prices in the past two years have put single-family houses within the reach of some buyers who in the early 1980s might have bought condominiums or mobile homes.

Economic conditions will of course be crucial in determining the future health of the Alaska housing market. But after economic conditions, how the major lenders handle their big inventory of foreclosed properties will make the most difference to the stability of the Anchorage housing market in the next few years. If they try to quickly sell large numbers of those properties, they will further depress prices and increase loan defaults.

Depressed prices and large numbers of loan defaults are serious problems for all Alaska homeowners and mortgage lenders—but particularly for AHFC, which holds more than 60 percent of the outstanding residential mortgages in the state.

This publication has two main parts. The first part describes conditions in the Alaska housing market in 1987, and contrasts them with conditions during the economic boom of the early 1980s. Those descriptions set the stage for the second part, which

This Review is the second of two publications based on Alaska's Economy and Housing Market, a report ISER recently prepared for the Alaska Housing Finance Corporation (AHFC). AHFC commissioned the report to help the corporation in its efforts to stabilize the Alaska housing market. The first publication summarized the economic forecasts in the ISER report; this one discusses the report's findings on the housing market.

¹See "Alaska's Economy: What's Ahead?" *Alaska Review of Social and Economic Conditions*, December 1987, Vol. XXIV, No. 2, University of Alaska Anchorage, Institute of Social and Economic Research.

²Vacancies as of July 1987, as reported by the Municipality of Anchorage's Community Planning Department in 1987 *Anchorage Population Profile*, December 1987.



Winter scene in a residential area of south Anchorage.

Photo: Rob Hallinen/Anchorage Daily News

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Alaska Housing and the Recession

This publication is based on several chapters of *Alaska's Economy and Housing Market*, an October 1987 report by O. Scott Goldsmith, Matthew Berman, Lee Huskey, Linda Leask, and Teresa Hull. All the authors except Huskey are ISER faculty and staff members. Huskey is associate professor of economics with UAA's School of Economics and Public Policy.

reports on how various policies available to AHFC and other lenders might affect the housing market.

ALASKA MORTGAGES AND FORECLOSURES

National Secondary Lenders

Alaskans planning to buy houses generally apply for mortgage loans at banks or savings and loans or mortgage companies. These institutions—known as primary lenders—process the applications, approve or disapprove the loans, and collect the monthly mortgage payments. But very rarely do the banks themselves actually hold the mortgages: they sell almost all of them on the secondary market. In fact, primary lenders as a rule won't make a mortgage loan without first determining that a secondary lender will buy it. This system greatly reduces the risks for primary lenders in making long-term loans and frees their money for other uses.

The biggest secondary lenders nationally were created by the federal government to help increase the amount of home mortgage money available—on the grounds that a healthy housing industry is important to the U.S. economy. Of these, by far the biggest is the Federal National Mortgage Association (FNMA)—widely known as Fannie Mae—which holds about \$100 billion in mortgage loans. Another—much smaller—secondary lender is the Federal Home Loan

Mortgage Corporation (FHLMC, or Freddie Mac).

The Federal Housing Administration (FHA) and the Veterans Administration (VA) are federal agencies that do not actually buy mortgage loans but rather insure or guarantee them. Loans insured by FHA or guaranteed by the VA sell easily on the secondary market because they carry government backing. Most FHA-insured or VA-guaranteed loans go on to the secondary market through mortgage-backed securities that are issued by yet another federal organization—the Government National Mortgage Association (Ginnie Mae)—and are sold to investors. FHA and VA are often thought of as secondary lenders, because their backing for a loan generally insures its marketability.

The Farmers Home Administration is another federal agency that makes home loans, but only to farmers and to low-income Americans living in rural areas. This agency holds its own mortgages.

Alaska Housing Finance Corporation

The national lenders and insurers described above all operate in Alaska, but here the state government has also created several secondary lenders. The biggest is of course the Alaska Housing Finance Corporation, which holds more than \$4 billion in Alaska residential mortgages, or about 60 percent of the outstanding home mortgage debt in Alaska in 1987.

AHFC is a public corporation created by the

Alaska Legislature in 1971. As a public corporation, AHFC is under the control of the state government, but it has more autonomy than traditional state agencies, and it can sell bonds to raise mortgage money.

The state legislature originally established AHFC to help Alaskans with low or moderate incomes get housing at reasonable costs. Alaska officials said that the high cost of housing in the state, the lack of mortgage money in many rural areas, and other factors was making it hard for many Alaskans to buy houses.

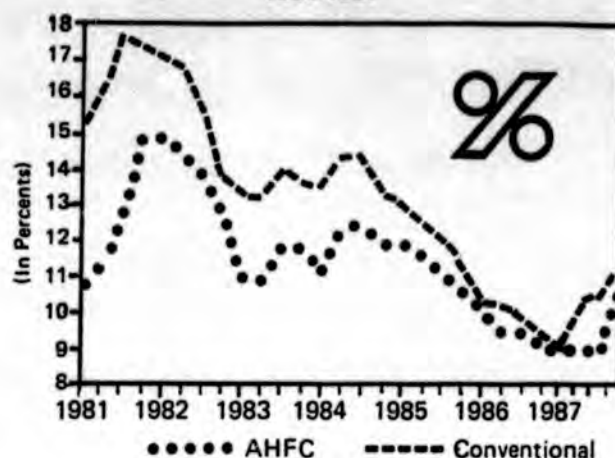
At the start of the 1980s the state legislature made several decisions that quickly transformed AHFC into the dominant mortgage lender in Alaska. National mortgage interest rates were at all-time highs, peaking above 17 percent. The legislature decided to begin subsidizing home mortgage interest rates. As Figure 1 shows, in 1981 Alaska borrowers could get a \$135,000 loan from AHFC for less than 11 percent—or they could go to a national lender and pay more than 15 percent. AHFC's interest rate advantage narrowed in later years as the legislature tied AHFC's rates closer to its costs of borrowing money, but through 1985 AHFC loaned money at significantly lower rates than the national lenders.

The legislature also decided to open AHFC's lending programs to virtually all Alaskans by removing the income ceilings for borrowers, and to establish special new programs that would make it easier for more Alaskans to buy houses. Examples of those programs are the mobile home program that makes long-term mortgages available for mobile homes in trailer parks, and the Home Ownership Assistance (HOF) program that pays part of monthly mortgage payments for borrowers whose incomes aren't high enough to qualify them for conventional loans.

AHFC's lower interest rates and special programs drew 80 percent of Alaska borrowers to AHFC in the first half of the 1980s. In the past several years AHFC's share of Alaska mortgages has declined steadily. Market interest rates began dropping off sharply in 1985, and in 1987 they reached their lowest point since the 1970s. At one point in 1987 rates under AHFC's biggest loan program were the same as those of other lenders (see Figure 1).

As national interest rates fell, special conditions and restrictions on AHFC loans prompted more borrowers to look to other lenders. For example, most AHFC loans written before 1985 couldn't be assumed, and before 1986 AHFC didn't have the authority to refinance loans. Also, in 1982 the corporation had adopted the Alaska Building Equity (ABE) payment system that increases mortgage payments five percent a year from the fourth through the ninth year of the loans. Still, in 1987 AHFC remained the biggest single buyer of mortgages written for home sales.

Figure 1. Home Mortgage Interest Rates, AHFC Taxable Program and Conventional,* 1981-1987



*Mortgage rates for a \$135,000 loan under AHFC's taxable program and under FNMA's 30-year, fixed-rate mortgages.

Since 1980 AHFC has raised several billion dollars in mortgage money by selling bonds. The legislature appropriated about \$1 billion for AHFC mortgage subsidies between fiscal years 1981 and 1984. For the past several years, AHFC has had a revolving loan fund and received no subsidies.

Other Sources of Mortgage Money

The Alaska Department of Community and Regional Affairs also acts as a secondary lender, but it buys loans only in the most remote areas of Alaska. Its operations are small as compared with AHFC's, and it gets its loan money not through bond sales but through state appropriations.

The managers of the Alaska Permanent Fund and the state pension funds (the Public Employees Retirement System and the Teachers Retirement System) also buy some residential mortgage loans—but not many as compared with the other secondary lenders, and frequently those that exceed the loan limits of other lenders. In recent times, however, those agencies have bought very few loans.

There are a variety of others who hold some Alaska mortgage loans. Credit unions hold rather than sell some mortgages. Individuals sometimes finance the sale of their own houses. Figures on mortgages held by those and others are not available, but they are few compared with those held by the big lenders.

Mortgage Activity, 1979-1987

Figure 2 marks the ups and downs of housing sales in Alaska from 1979 through 1987: it shows the numbers of mortgages written for home sales. (The figure excludes mortgages for refinancing, which are shown in Figure 3.)

Figure 2. Alaska Mortgages Written for Home Sales, 1979-1987*



*1987 figure is an estimate based on numbers for the first six months of the year.

About 5,500 mortgages worth \$380 million were written in Alaska in 1979. That was a slow year as compared with what was to come. The economic boom created by construction of the trans-Alaska pipeline was over; some people were leaving the state; and mortgage interest rates were on their way up. Mortgage activity in 1980 was not much higher, but the stage was set for the next boom. High oil prices were fattening the Alaska treasury. The state government began spending its oil revenues in many ways that sparked unprecedented economic growth. At the same time, the legislature also voted to subsidize mortgage interest rates.

The economic boom created by state spending drew tens of thousands of people into the state. The combination of a burgeoning population, growing incomes, and special programs tripled numbers of new

mortgages between 1979 and 1983, when more than 16,500 mortgages for home sales were written. Numbers of new mortgages began dropping in 1984, but it was in 1985 that the really sharp decline started.

The recession began toward the end of 1985, as state spending declined. In 1986 the recession worsened as oil prices plummeted. Fewer than 5,000 mortgages for home sales in Alaska were written in 1986—fewer than had been written in 1979. And in 1987 an estimated 3,000 mortgages were created for home sales in Alaska.

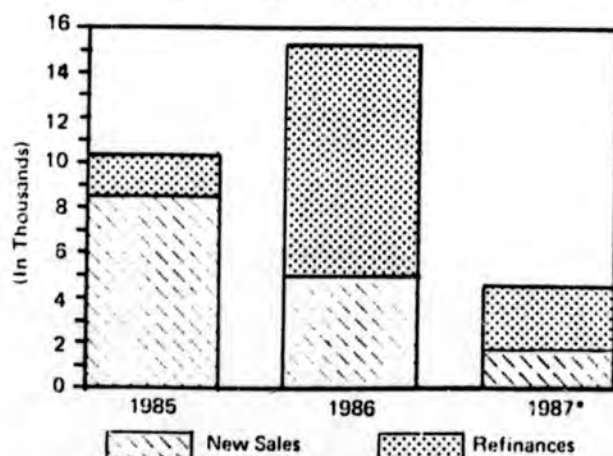
Home Refinancing

In 1985 national interest rates began dropping sharply, and many Alaskans who held home loans at much higher rates refinanced their houses. As Figure 1 shows, AHFC's subsidized rates in 1982 were as high as 14 percent; by late 1985 conventional and AHFC rates were below 11 percent. And in 1986 and early 1987 rates were near 9 percent.

Firm figures on how many mortgages are written for Alaskans refinancing their homes are hard to get. Figure 3 shows our estimates of how many mortgages written in Alaska in 1985, 1986, and the first half of 1987 were for refinances and how many for sales. Presumably there was very little refinancing before 1985, when interest rates were much higher.

The figure shows that in 1985 less than 20 percent of the 10,000 mortgages created in Alaska were for refinancing. In 1986, 15,000 mortgages were written—but more than 10,000 of those, or 70 percent, were for refinancing. In the first half of 1987, more than 60 percent of new Alaska mortgages were for refinancing.

Figure 3. Alaska Mortgages Written for Home Sales and Refinancing, 1985-1987*



*The 1987 figure is just the first six months.

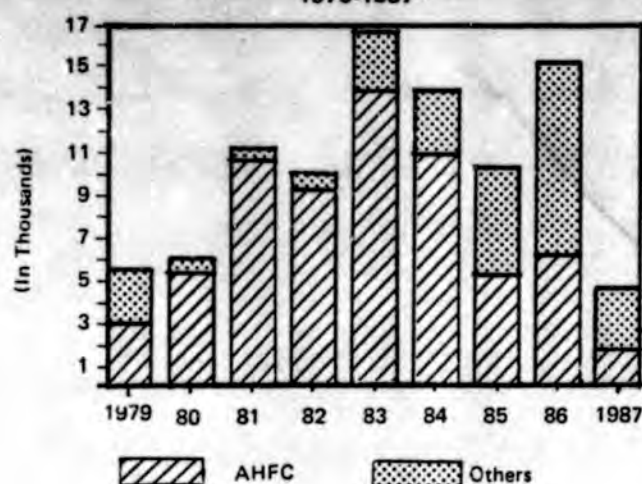
AHFC's Market Share

Figure 4 clearly shows why AHFC is the biggest mortgage holder in Alaska: it identifies shares of total mortgages (including those for sales and for refinances) AHFC and other lenders bought each year from 1979 through the first half of 1987. From 1980 through 1982, when AHFC's rates were several percentage points below those of other lenders, AHFC bought 90 percent or more of new mortgages. Through 1984 AHFC still had 80 percent of the market. In the past several years interest rates and terms of other lenders became more competitive. AHFC's share dropped from about 50 percent in 1985 to less than 40 percent in the first half of 1987.

1987 Mortgage Holdings of Major Alaska Lenders

What is at stake in the Alaska housing market? How much home mortgage debt is there in the state? Table 1 shows the mortgage holdings of major Alaska lenders as of mid-1987.

Figure 4. AHFC's Share of New Alaska Mortgages,^a
1979-1987^b



^aIncludes mortgages for sales and for refinances.

^bFigures for just the first six months of 1987.

In 1987 the major lenders in Alaska held more than 84,000 home mortgage loans worth \$7 billion dollars. The biggest mortgage holder is AHFC, which as of June held more than 52,000 home mortgages with an outstanding balance of about \$4.3 billion. Other state government entities held another 3,000 loans with a balance of \$230 million.

National lenders and insurers are also carrying tens of thousands of loans. AHFC holds some FHA-insured and VA-guaranteed loans; to avoid double-counting, those are included in AHFC's holdings and excluded from FHA's and VA's. In addition to those held by AHFC, there were nearly 8,500 FHA-insured loans and 8,600 VA-guaranteed loans in Alaska in 1987, with a combined unpaid balance of \$1.6 billion. FNMA and FHLMC were each carrying more than 5,000 mortgage loans with a combined balance of nearly \$900 million.

Table 1

Residential Mortgage Holdings of Major
Alaska Lenders, June 1987^a

	Number of Loans Outstanding	Unpaid Principal Balance (\$ millions)
AHFC		
Mobile Homes	4,760	\$ 151
AHFC/FNMA ^b	10,722	1,170
AHFC/Other	36,686	2,967
Total	52,168	\$4,288
FNMA^c	5,471	\$400
FHLMC^d	5,152	479
FHA-Insured^e	8,437	844
VA-Guaranteed^f	8,602	763
Alaska Dept. of CRA ^g	1,194	123
Farmers Home Admin. ^h	1,322	106
Alaska Permanent Fund	300	42
Alaska Pension Funds ⁱ	NA	NA
AIDA & Div. of Invest. ^j	1,565	68
Total	84,211	\$7,113

^aAs of June 1987, unless otherwise noted.

^bThese are loans financed with FNMA money from early 1984 through 1986; AHFC makes principal and interest payments to FNMA on collateralized notes. FNMA is, however, liable for any losses not covered by private mortgage insurance if borrowers default.

^cExcluding loans cited in note b; these are loans purchased from banks and other primary Alaska lenders.

^dFigures are for FHLMC loans serviced by Alaska

lenders as of June 1987; they may include some loans on homes outside the state but serviced by Alaska lenders and exclude some loans on Alaska homes that are serviced by lenders outside the state.

^eOutstanding loans as of December 31, 1986, excluding AHFC loans insured by FHA. The unpaid principal balance is an estimate, based on average size of outstanding loan. Although FHA is an insurer rather than a lender, FHA-insured loans are included here because most of those loans go to lenders other than those listed in this table. Most FHA-insured loans go into mortgage-backed securities (MBSs) issued by the Government National Mortgage Association (GNMA) and sold to various investors.

^fFigures as of March 31, 1987, excluding VA-guaranteed loans held by AHFC. A very large share of new VA-guaranteed loans in Alaska in the first half of the 1980s were purchased by AHFC. Most VA-guaranteed loans not purchased by AHFC go into MBSs issued by GNMA and sold to various investors.

^gAs of March 1987.

^hOutstanding loans as of May 1987. Unpaid principal balance is an estimate based on average size of outstanding loan.

Good estimates of cumulative Alaska residential mortgage holdings of the pension funds are not available because figures on such holdings are combined with figures on other mortgage holdings of the funds.

ⁱThese are mortgage loans made under a state veterans' loan program that no longer exists; it was replaced in the early 1980s by the state veterans' program administered by AHFC. Most of these loans are now held by the Alaska Industrial Development Authority (AIDA); the Division of Investments in the Alaska Department of Commerce and Economic Development holds a few and services those held by AIDA.

Source: *Alaska's Economy and Housing Market*, ISER Report, October 1987, Tables 3.1 and 3.3.

Mortgage Liabilities

The current recession has pushed thousands of Alaska homeowners into default and foreclosure. Before we look at 1987 figures on properties in foreclosure, we'll broadly outline liability on mortgage loans when borrowers default. When we say "mortgage liabilities," we mean just losses lenders and borrowers take when individual borrowers default. There are of course other kinds of liabilities—for instance, AHFC is liable for payment on the billions of dollars in bonds it sold to finance mortgage loans. We don't discuss that or other potential liabilities here.

Table 2 summarizes insurance requirements and liabilities of home buyers and major lenders. When agreeing to make a mortgage loan, lenders generally require two kinds of protection against default. The first step is requiring a down payment, generally 5 to 10 percent of the sales price. The chief exception is the Veterans Administration program, under which qualified veterans can borrow up to a specific amount with no money down.

Second, lenders typically require borrowers to carry private mortgage insurance (PMI) on loan amounts above 70 to 80 percent of the purchase price. If the borrower defaults, the private mortgage insurer pays the lender any losses on the insured portion of the loan. Loans in remote areas of Alaska generally don't carry private insurance because it usually isn't available in those areas. Loans held by the Alaska Department of Community and Regional Affairs and the Farmers Home Administration are uninsured. Also, some loans made before 1980 under various state loan programs are uninsured.

So what happens when a borrower defaults and his property goes into foreclosure? First, borrowers who default lose their down payments and any additional amount they've paid on the loan principal.

Another liability borrowers face is that lenders may institute what is known as a judicial foreclosure. If a lender believes that a borrower who defaulted could have continued to make his payments but chose not to, he may go to court to try to make the borrower liable for any losses when the property is re-sold. In a non-judicial foreclosure, the lender accepts that the borrower has neither the income nor the assets to meet his payments and does not press for any further liability. (Damage that defaulting does to a borrower's future credit is also certainly a loss, but a less measurable one.)

The losses that lenders and insurers face when properties go into foreclosure are complicated to calculate. The biggest factor is the condition of the housing market. If prices are rising, insurers and particularly lenders don't generally lose money—because they can expect to re-sell the relatively few

properties that go into foreclosure for enough to cover the outstanding mortgage and foreclosure costs. But when prices are falling—as they have been in Alaska over the past two years—it's a different story: there are thousands of foreclosed properties and they frequently sell for less than the outstanding mortgage, especially if the mortgage was written when prices were at their peak.

In Alaska's housing market today, insurers face the first losses when properties with private mortgage insurance go into foreclosure. They try of course to keep those losses to a minimum, and they have two broad choices. The insurer can take a foreclosed property and re-sell it, or the insurer can let the lender re-sell it and pay the lender a claim up to the maximum insured amount.

Say for example that a property with a \$100,000 outstanding mortgage goes into foreclosure, and that private mortgage insurance covers \$20,000 of that mortgage.³ Estimate the foreclosure costs at \$5,000. Suppose the insurer thinks the property will be hard to re-sell (which means that there will also be substantial interest and other holding costs) and that it might command only \$70,000 when it does sell. If the insurer took the property, held it, and re-sold it at a depressed price, his costs could easily exceed \$35,000. On the other hand, if the insurer let the lender take the property and simply paid the maximum insurance claim, he would limit his costs to \$20,000. Only in cases where the insurer thinks he can keep his costs below the maximum insurance claim will he be likely to try to re-sell it himself.

What about lenders? What losses do they take in foreclosures? Again, in a market where prices are rising, lenders who require down payments and mortgage insurance don't generally take any losses. But in the Alaska market today, values of many properties are so much lower than the outstanding mortgages that insurance doesn't cover all the losses. And on loans not covered by insurance, lenders take all the losses.

AHFC's liability on mortgage loans varies considerably among loans made at different times and under different programs, as Table 3 shows. But AHFC has better protection than most lenders on the majority of loans it made between 1981 and 1986. Most AHFC loans made during that period carry private mortgage insurance and additional features that limit AHFC's liability.

Most AHFC loans made between 1981 and early

³These figures are simplified to make the example straightforward. To show precisely how much private insurance covered of any given loan we would have to know original purchase price, size of down payment, subsequent payments on principal, and amount of insurance the lender required.

Table 2

Liability* in Home Foreclosures

Lender	Insurance Requirements	Liability of Borrowers in Foreclosure	Liability of Lenders in Foreclosure
FNMA/FHLMC	Borrowers required to carry private mortgage insurance (PMI) on loan amounts above 80% of the house price.		Lender liable for any losses not covered by PMI.
FHA-Insured Loans	Borrowers pay premium for government insurance, either in lump sum or as part of monthly payments.		FHA liable for all losses.
VA-Guaranteed Loans	The federal Veterans Administration guarantees up to \$27,500 on mortgage loans to veterans as a benefit of military service; this guarantee takes the place of private mortgage insurance.	<i>Borrowers in all cases lose their down payments, which can be as low as 0-5% but are generally 10% or more of the purchase price. Also forfeited is any amount subsequently paid on the loan principal. And, in some cases, lenders will undertake judicial foreclosures, in which they go to court to try to make borrowers who default liable for losses on resale of the properties.</i>	VA liable for losses up to \$27,500 on each loan; additional liability falls on primary or secondary lender.
Farmers Home Administration	This federal agency makes loans to low-income households in rural areas; no private mortgage insurance.		Farmers Home Administration liable for all losses.
State of Alaska			
AHFC	Most borrowers required to carry private mortgage insurance on loan amounts above 75% to 80% of the house price; on mobile home loans, borrowers must carry private credit insurance on 40% of the loan amount.		Varies substantially among different types of loans; see Table 3.
DCRA	Loans in rural areas; no private mortgage insurance required (because it is not available in many cases).		DCRA takes all losses.
Ak Permanent Fund	Borrowers required to carry private mortgage insurance on loan amounts over 70% of the house price.		Permanent Fund bears any losses not covered by PMI.
Division of Investments and AIDA	These loans were made to veterans before 1981 through the former Division of Veterans Affairs; no private mortgage insurance required.		Losses accrue either to Veterans' Revolving Loan Fund or AIDA.

*Includes just losses the various parties may be liable for when individual loans go into foreclosure; does not include AHFC's liability for repayment of bonds and notes financing the loans, or other kinds of liabilities.

1984 carry pool insurance—insurance that covers any losses not covered by private mortgage insurance. Mortgage Guarantee Insurance Company (MGIC) provided that pool insurance as a provision of bonds AHFC sold to finance loans during that period. So AHFC has virtually no liability when borrowers default on those particular loans.⁴

From 1984 through 1986, the national lender FNMA financed a large share of AHFC loans—and on those particular loans, FNMA rather than AHFC is liable for any losses not covered by private insurance. (AHFC is, of course, liable to re-pay principal and interest to FNMA on the notes that financed the loans.)

AHFC's liability on other loans varies, as Table 3 shows. Some loans it took over from earlier state loan programs carry no insurance. Mobile home loans made before 1983 carry no insurance; loans made

⁴However, the pool insurance is in effect only until the bonds financing the loans have been paid off—when the bonds are paid off, AHFC becomes liable for losses not covered by private mortgage insurance.

after that time carry private credit insurance on 40 percent of the value of the loan. AHFC takes losses beyond what private credit insurance covers.

Homes in Foreclosure

We've seen the mortgage holdings of major lenders and how the losses are divided up when borrowers default. Now we turn to the grim evidence of Alaska's battered housing market: properties in foreclosure.

Table 4 shows foreclosed properties held by the major lenders and insurers as of mid-1987. In June 1987, lenders and insurers were holding more than 4,200 foreclosed properties. During the preceding 18 months, they had sold an additional 1,600 properties that had been foreclosed on. Taken together, the foreclosed properties still in inventory and those re-sold during the preceding year and a half totaled nearly 5,900—or 7 percent of outstanding residential mortgages in Alaska in mid-1987. And there were doubtless other foreclosures not recorded on Table 4—properties held by individual banks and private mortgage insurers other than MGIC, for instance. Reliable figures on such foreclosures are hard to get.

Table 3

AHFC's Liability* in Foreclosures

All Loans Except Mobile Homes	AHFC Liability
Loans with private mortgage insurance and pool insurance; include most loans made from 1981 to early 1984.	None, until bonds carrying pool insurance provision are paid off; then AHFC liable for any losses not covered by PMI.
Loans with private mortgage insurance that were financed by FNMA, 1984-1986; include most loans made during that period.	None. FNMA is liable for any losses not covered by PMI on loans it financed for AHFC during this period.
Loans with just private mortgage insurance; include some loans made throughout AHFC history and almost all loans made since January 1987.	AHFC is liable for any losses not covered by PMI.
Loans with no insurance; include loans made under several special programs that no longer exist.	AHFC liable for all losses.
Loans with federal government insurance or guarantee; include loans made throughout most of AHFC's history.	FHA takes all losses on FHA-insured loans. VA takes liability only up to \$27,500 on each VA-guaranteed loan; AHFC liable for additional losses.
Mobile Home Loans	
Loans before 1983 with no insurance.	AHFC liable for all losses.
Loans since 1983 with private credit insurance.	AHFC liable for losses not covered by PCI.

*Includes just losses AHFC is liable for when individual borrowers default.

It's no surprise that AHFC held about 65 percent of foreclosed properties in mid-1987. AHFC bought most of the new mortgages written in Alaska in the 1980s and in particular most of those written when prices were at their peak. Also, from 1980 on,

AHFC bought almost all the mortgage loans on mobile homes—which have seen tremendous losses in value during the recession.

FNMA, FHA, and VA were also holding several hundred properties each in the middle of the year. Other lenders held fewer. The 100 properties that the insurer MGIC was holding at that time were just properties it had actually taken title to; remember that MGIC carries substantial liability on properties that are in AHFC's inventory.

We don't have foreclosure figures more recent than mid-1987 for most individual lenders, but we do have them for AHFC through the end of 1987. We know that, like AHFC, other lenders continued to add to their inventory of foreclosures in the second half of the year.

Table 5 and Figure 5 document the relentless climb in AHFC's inventory of foreclosures from 1984—before the start of the recession—through 1987. At year-end in 1984, AHFC held just 129 properties. By the end of 1985 that had grown to more than 500, and in 1986 to more than 1,600. At the end of 1987 AHFC held 3,700 properties. If we compare those figures with the mid-1987 figures in Table 4, we see that at the end of 1987 AHFC held 1,000 more properties than it had six months earlier.

Table 6 shows a more detailed breakdown of properties in AHFC's inventory as of the end of 1987: 1,325 single-family houses and duplexes, 1,171 condominiums and townhouses; 1,192 mobile homes; and 13 triplexes and fourplexes.

It's easy to see why the problems in the condominium and mobile home markets are more severe than in the market for single-family houses: there are a great many more single-family houses in Alaska

Table 4

Inventory of Foreclosed Properties Held by^a Major Alaska Lenders and Insurers, June 1987

	Held in Inventory June 1987	Foreclosed Properties Sold 1986-June 1987
AHFC		
Mobile Home	965	143
Other	1,793	1,075
Total	2,758	1,218
FNMA	394	160 ^e
FHLMC ^b	78	—
FHA-Insured	385	87
VA-Guaranteed ^c	366	80
MGIC	105	25 ^f
Alaska Dept. of CRA	40	1
Farmers Home Admin.	100	30
Alaska Permanent Fund	23	11
AIDA and Div. of Invest.	5	6
Others ^d	NA	NA
Total	4,254	1,618

^aProperties "held by" each lender or insurer include just those to which each already held title or was in the process of acquiring title as of June 1987.

^bIncludes both completed and nearly completed foreclosures.

^cIncludes both properties the VA had already acquired title to and pending title acquisitions. Excluded are properties that the VA paid claims on but did not take possession of. Most such properties probably went into AHFC's inventory of foreclosed properties; some ended up in the hands of mortgage companies, banks, or other primary lenders.

^dSome foreclosed properties are held by a wide range of Alaska banks, other primary lenders, and private mortgage insurance companies other than MGIC. Figures on such holdings are extremely difficult to get, and the numbers are small compared with the holdings of the secondary lenders and largest insurers.

^eProperties sold 1986–May 1, 1987.

^fEstimated sales from November 1986–June 1987.

Sources: See Sources, Table 3.1, *Alaska's Economy and Housing Market*.

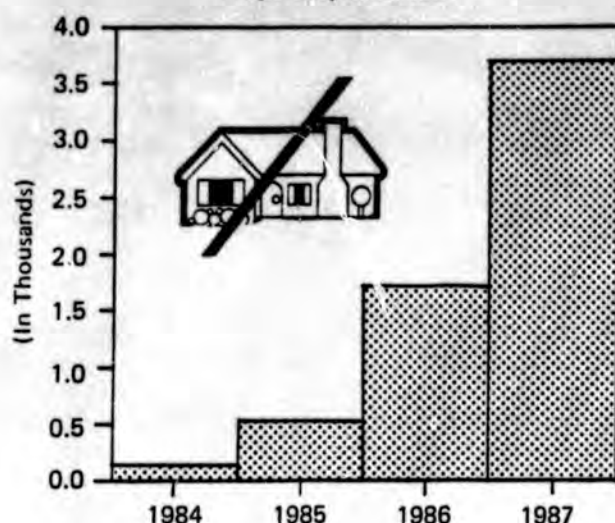
Table 5

AHFC Cumulative Inventory* of Foreclosed Properties, Year-End, 1984-1987

	1984	1985	1986	1987	% of 1987 Total
Mobile Homes	38	186	610	1,192	32%
Other	91	322	1,061	2,509	68%
All	129	508	1,671	3,701	100%

*The year-end inventories are total properties foreclosed on minus those resold. These figures are AHFC's state-wide inventory.

Figure 5. AHFC Year-End Inventory of Foreclosed Properties, 1984-1987



than there are either condominiums or mobile homes, but there are just about as many mobile homes and condominiums in foreclosure as there are single-family houses.

As the last column of the table shows, houses and duplexes made up more than 75 percent of active AHFC loans in 1987, but just 36 percent of foreclosures. By comparison, condominiums and townhouses made up 15 percent of total loans but 32 percent of foreclosures. Mobile homes, while making up just 7 percent of active AHFC loans, accounted for 32 percent of foreclosures.

Table 6

AHFC Inventory of Foreclosed Properties,
Year-End 1987

	Number of Fore- closures	Percent of Total Fore- closures	Active AHFC Loans by Type
Single-Family Houses & Duplexes	1,325	36%	77%
Condominiums & Townhouses	1,171	32	15
Mobile Homes	1,192	32	7
Triplexes & Fourplexes*	13	1	1
Total	3,701	100%	100%

Source: AHFC.

*Although AHFC loans by type give us a good idea of the composition of housing stock in general, this is not true of triplexes and fourplexes, of which AHFC finances few. Most are financed by other lenders.

POLICY OPTIONS

Future economic conditions will be the biggest force in the recovery of the Alaska housing market. But the next biggest force will be the mortgage lenders and insurers with big inventories of foreclosed properties. They can help stabilize the market by selling their holdings at a moderate pace rather than selling large numbers quickly—which would further depress prices and put more homeowners at risk of default.

What is the Problem?

The problem in the Alaska housing market today is that we have more housing than we have households: too many condominiums, mobile homes, houses, and apartments. Having too big a supply and too little demand has created an unstable market, where prices have already fallen dramatically and there is great anxiety about the future.

Thousands of homeowners have defaulted on their mortgages over the past two years. Some lost their jobs and were unable to keep up the payments; some had to move and were unable to sell the houses for what they still owed on them. Still others simply walked away from their properties because they had lost value. Many thousands more Alaskans are still making their payments but have negative equity—that is, their homes are worth less than their outstanding mortgages.

The big lenders and insurers are holding depressingly large inventories of foreclosed properties. They have already taken tens of millions of dollars in losses.

The worst thing for the housing market right now would be panic. If the big lenders decided to dump their inventories of housing on the market at any price in an attempt to cut their losses, they could create panic among homeowners with negative equity. Large numbers of homeowners might simply walk away from basically sound properties that will appreciate in value in the future. The result of such panic would be a continuing downward spiral of prices and many more foreclosures.

What would help the housing market most is a move toward stability: a leveling-off of prices and a reduction in defaults. Such a move toward stability would boost confidence among homeowners, and make them more likely to try to stay in their homes. Fewer defaults would ease the pressure on the lenders. Stability would help buy time toward solutions of the housing problems and eventual recovery of the market.

We are not saying that lower prices are bad for everyone and that higher prices are universally good.

Lower prices are obviously good for some Alaskans who might not have been able to buy houses a few years ago. What we are saying is that a *stabilization* of prices would be good. If prices became stable, the stage would be set for the recovery of the market and Alaskans could become more confident that housing is a good investment.

If, on the other hand, prices continue to fall and defaults persist in such disheartening numbers, investors will be reluctant to put money into the Alaska housing market in the future. That reluctance will translate into more expensive mortgage money for Alaskans. AHFC's ability to sell bonds could be hampered. Mortgage insurers might pull out of the Alaska market entirely, or charge much higher premiums for staying in.

So how can the market be stabilized? The biggest factor in the recovery of the housing market will of course be economic conditions. ISER projects that if—a crucial qualifier—oil prices remain stable in the \$16-to-\$20-per-barrel range, the state economy should bottom out in 1988 and begin a gradual recovery. This is our medium-case projection, and we consider it the most likely, if oil prices stay in that range. The economic recovery would be faster over the next several years if oil prices suddenly rose to around \$25 a barrel (our high-case projection) and stayed that high. At the other extreme, if oil prices dropped to \$15 a barrel or less and stayed that low for many months, the economy could continue to decline into 1989 and we would see very little growth over the next few years (the low-case projection).⁵

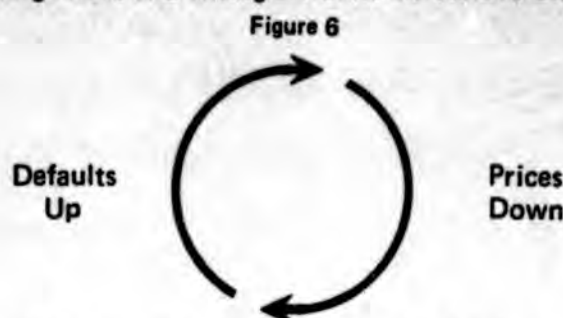
The next biggest factor in stability of the housing market will be—for reasons we describe below—sales of foreclosed properties. In the following pages we assess how rates of foreclosure sales and other factors could affect the Anchorage housing market between now and 1992.⁶ We don't have enough information to make such assessments for housing markets in other areas of the state, but movements in the Anchorage market will reflect general trends in housing markets throughout Alaska—with some obvious regional differences.

An important point to keep in mind is that we cannot forecast what is going to happen in the Anchorage housing market. To do that we would have to know how many foreclosed units the institutional sellers are going to put on the market and at what rate. What we can show are effects on the market of various rates of sale.

⁵Those economic projections appear in "Alaska's Economy: What's Ahead?" *Alaska Review of Social and Economic Conditions*, Vol. XXIV, No. 2, December 1987.

⁶Anticipating what may happen is of course complicated by the fact that each lending institution has its own interests in and constraints on holding foreclosed inventory.

Sliding Prices and Rising Defaults: A Vicious Circle



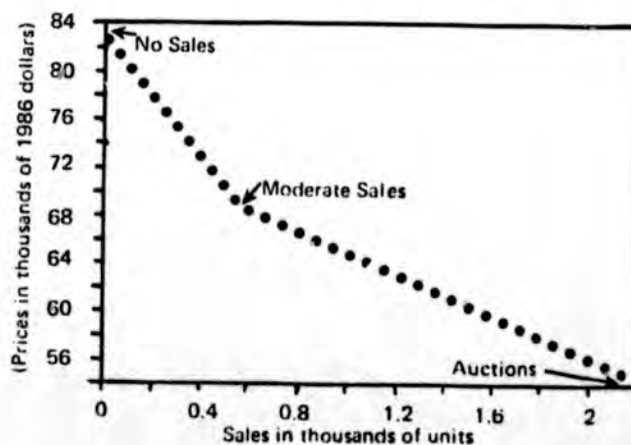
The faster AHFC and other big lenders and insurers put foreclosed properties on the market—at the extreme, through large auctions without bid floors—the more prices will be depressed and defaults persist, as illustrated by Figure 6. More defaults will mean the lenders will end up with even more foreclosed properties.

Flooding the market with housing pushes prices down. As prices go down, more and more homeowners find themselves with negative equity—that is, their mortgages are larger than the market prices of their properties. If owners with negative equity are forced to sell, many will likely default because they are unable or unwilling to make up what can be a very substantial difference between what they owe and what the properties will sell for.

Also, a continuing downward spiral of prices erodes confidence among would-be buyers and existing homeowners. Alaskans who might be attracted by lower housing prices won't buy if they think prices could go much lower. Demand for housing could dry up. Existing owners with negative equity become more likely to walk away from their properties if the value continues to drop and they can see no turnaround in sight.

Figure 7 illustrates how prices of Anchorage condominiums are related to the number of fore-

Figure 7. Relationship Between Real Prices and Sales of Foreclosed Anchorage Condominiums, 1988



closed units on the market. The prices shown on the vertical axis of the figure are for a particular kind of unit and are *not* intended to represent average prices of all condominiums on the Anchorage market. (We know that in recent months condominiums in Anchorage have sold for as little as \$25,000 and as much as \$100,000.) What we are showing here is how different rates of sale could affect the price of the same condominium. So it is more important to look at the difference in the prices at various rates of sale than at the dollar figures.

As the figure shows, if all foreclosed condominiums were kept off the market—a very unrealistic scenario—condominium prices could be nearly 50 percent higher than if the market were flooded with condominiums through large auctions. At more moderate rates of sale, prices would be about 25 percent higher than if large auctions were held.

Holding properties off the market is of course very expensive for lenders and insurers: they pay in the neighborhood of \$18 to \$30 a day for each unit, depending on the size of the outstanding mortgage and the interest rate. We are not suggesting that lenders and insurers should hold onto all their foreclosed units: that simply is not feasible. We are pointing out that lenders should consider the future costs they might face if their selling policies contribute to more defaults.

Sliding property values and rising defaults have already cost Alaska lenders, insurers, and borrowers tens of millions of dollars. The foreclosure process itself is expensive. Costs of judicial foreclosures—under which the lender goes to court to try to make borrowers liable for any losses when the property is re-sold—are particularly high. And falling property values also have other social costs. For example, some homeowners who could find better jobs elsewhere don't move because they can't sell their houses for what they owe on them, and they don't want to default.

What Can Be Done?

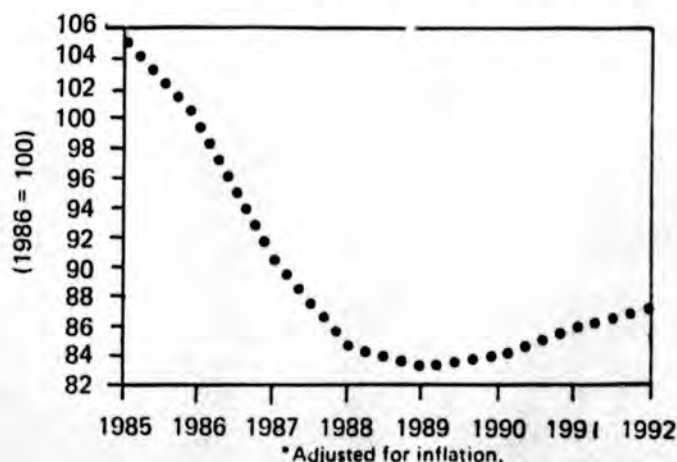
We examined a number of policies AHFC and other lenders might try to increase demand, reduce supply, stabilize prices, and reduce defaults. Those include loosening down payment and other loan requirements; easing restrictions on owner-occupancy in AHFC-financed condominium complexes; subsidizing interest rates; removing housing stock; and limiting or transferring mortgage liability in some circumstances.

We made our analysis with a complex computer model that simulates the Anchorage housing market and incorporates ISER's medium-case economic projections. Our findings about how various policies might affect the Anchorage housing market are de-

tailed in ISER's recent report, *Alaska's Economy and Housing Market*. Below we summarize our main findings:

- How the big lenders manage their large inventories of foreclosed properties will be far more important than anything else they do to try to stabilize the market. If they sell those properties very quickly—at the extreme, through big auctions without bid floors—and push prices further down, the housing market will continue to be unstable and defaults will persist.
- The market for single-family houses will recover more quickly than the market for condominiums. Most buyers prefer houses when they can afford them—and today's lower prices mean houses are within the reach of more buyers. Once the economy turns around, the market should be able to absorb the inventory of foreclosed single-family houses relatively quickly. And there will be some construction of single-family houses in Anchorage over the next several years—but the total number of new houses built between now and 1992 will likely be smaller than the number built during the peak construction year of 1983.
- Very few condominiums or apartments will be built in Anchorage between now and 1992, if our medium-case economic projections prove correct. The existing supply will be more than ample to meet demand. Under that same case, real rents—rents adjusted for inflation—in Anchorage in 1992 will still be below 1985 and 1986 levels (see Figure 8).
- Because such a large proportion of Anchorage condominiums are in foreclosure, it will likely take several years beyond 1992 to sell the inventory of

Figure 8. Projected Anchorage Real* Rent Index



foreclosed condominiums without further depressing prices.

- For some Alaskans there is a silver lining in the real estate cloud: lower prices will mean that they can move into better-quality housing than they could afford before. But a big barrier for those who already own homes is that many now owe more on their houses than the houses will sell for. Lenders may want to consider a policy that allows those who want to buy better houses in Alaska to transfer a portion of their current mortgage liability to new homes.

Faster or Slower Economic Recovery

We consider our medium-case economic projections most likely, if oil prices stay in the range of \$16- to \$20- per barrel. The findings outlined above are based on those medium projections. But it's always possible that the economy could grow faster or slower than we expect: the Alaska economy is often surprising. If oil prices were significantly higher or lower than we assume in the medium case, the housing market would of course be affected. Figures 9 and 10 illustrate the possible range of change in two housing market variables under the low, medium, and high economic cases.

Figure 9. Real Prices, Anchorage Condominiums Under Three Cases, 1985-1992

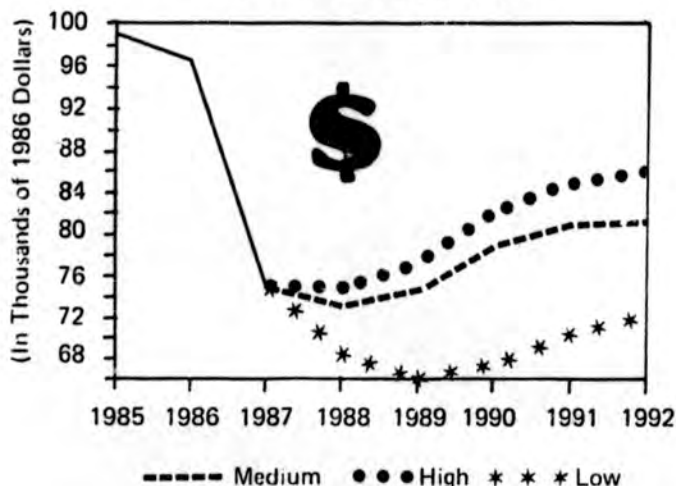
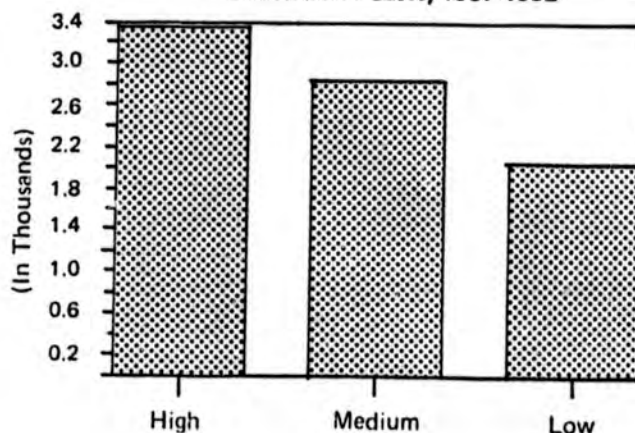


Figure 9 shows how real—adjusted for inflation—prices of Anchorage condominiums would be different under the high, medium, and low economic projections. All three cases assume the same moderate rate of sales of foreclosed properties. If more or fewer foreclosed properties were sold, the projections would change.

In the medium and the high cases, average real prices for a standard condominium would bottom out in 1988 and in the low case in 1989. Prices would then begin a very gradual recovery. But even under the most optimistic case, 1992 average condominium prices when adjusted for inflation would still be far below their 1985 peak of around \$100,000.

Real prices of single-family houses should rebound faster, and—unlike the case for condominiums—a number of new houses will likely be built in Anchorage in the next few years. Figure 10 shows projected cumulative numbers of building permits for new single-family houses in Anchorage from 1987 through 1992 under high, medium, and low economic projections. Under any of the cases total construction over the next few years would be modest as compared with the frenzied building of the early 1980s: under the medium case, a total of fewer than 3,000 new houses would be built in Anchorage between now and 1992. By contrast, in 1983 alone 3,500 new houses were built in Anchorage.

Figure 10. Projected Cumulative Building Permits for Anchorage Single-Family Houses, Under Three Cases, 1987-1992





Official Business

Alaska State Legislature

House of Representatives

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Juneau, Alaska 998

EXECUTIVE SUMMARY OF LEGISLATIVE ACTIONS HOUSE JOINT COMMITTEE ON ECONOMIC RECOVERY

When the Joint Committee on Economic Recovery was established by resolution this past January, the House side of the committee adopted a subcommittee framework within which three phases of action would be undertaken. The first phase was to examine the overall Alaska economic picture and identify existing legislation that should be promoted or addressed by the legislature. The second phase was to determine what new legislative proposals might be implemented to address these problems. The final phase of the House effort was to promote long term solutions at the state, federal and local level which might better prepare Alaskans to deal with similar economic situations. At this time we present the attached reports addressing the first two phases of our efforts.

In these reports each subcommittee has endeavored to present, where necessary, those pieces of legislation they believe might contribute most to the economic recovery of the state. Though initially focused on short-term proposals, the final lists of legislation also represent a number of ideas that will have significant long-term implications if adopted by the legislature. Some examples of these latter proposals include HB 492 (the Alaska Bottomfish Development Plan), and HB 430 and HB 431 (Neighborhood Business Development Initiative).

The subjects covered by these reports range from resource development to the housing market and include both Senate and House legislative proposals. While the Resource Development, Transportation, Employment and Industry subcommittee report focuses mainly on specific legislative proposals, other reports, such as the Interior and Southeast subcommittees, address the broader economies encompassed within their purview. The remaining subcommittees, Small Business, Housing and Banking and Rural, discuss broad policy questions and legislative actions.

In identifying new proposals not already introduced, the main emphasis and effort fell upon the Housing and Banking subcommittee. The members of this subcommittee found themselves immersed in the economic problems foremost in the public eye: the collapse of the residential housing and commercial real estate markets and the apparent deterioration of Alaska's banking industry, all areas which few legislative proposals initially addressed.

Other subcommittees, notably Small Business, recommended enhancement of existing programs to fill gaps not covered by legislative proposals.

Following a brief description of the Full Committee's meetings a short review of the activities of each subcommittee shall be presented.

The Full Committee

The Full House Committee has met consistently -- at times jointly with the Senate Committee -- since January 29 of this year. The initial meetings provided an overview of the Alaska Economy from a public, private and regional perspective. These meetings were followed by presentations generated outside of the legislature on plans and proposals to improve the economy. These were in turn followed by preliminary presentations of the subcommittee reports and actions which, after full committee review and amendment, were presented in final form. At present the House Committee is addressing legislative proposals passed from the Senate Committee and has submitted their reports and actions to that committee for review.

Housing and Banking

The Housing and Banking subcommittee, Co-chaired by Representatives Kay Brown and Steve Rieger, held extensive hearings and identified two broad policy recommendations for the state to pursue. The first of these was the improvement of the residential housing market. The second was to maximize the ability of the market to solve commercial real estate and loan problems while minimizing State intervention. Within the first area, specific strategies proposed included directing state agencies with institutionally-owned properties (REO's) to cooperate in demolishing unsafe and substandard housing, providing funding support for the demolition of the Willow Park Apartments, exploring the use of surplus housing for public purposes, directing AHFC to exercise prudent judgement and take prompt action in the management of its REO portfolio (including multi-family and mobile homes), and providing aid to distressed homeowners in the form of workouts, potential trades of property and flexible policies, through AHFC and other state agencies involved in the residential housing market. Other strategies under consideration include the revision of state lending programs -- both commercial and residential -- and the clarification of rules regarding foreclosure.

Within the second area, the subcommittee recommended relaxing limitations on the Alaska Industrial Development Export Authority (AIDEA) enabling them to better respond to current economic conditions.

As legislation was introduced in both the House and the Senate on issues affecting their purview, the subcommittee also considered those bills and made recommendations on many of them, often incorporating them into their strategies.

At this time the Housing and Banking subcommittee still has issues and proposals before them, and will hear them in the near future. These issues may lead to further recommendations of policy or legislation.

Small Business

This subcommittee, chaired by Representative Red Boucher, held public hearings to determine and help develop the level of communication between small Alaskan businesses.

Specifically, the subcommittee recommended that the Small Business Development Center for Alaska, the Alaska Center for International Business the Alaska Business Assistance Center (for rural Alaska) and the Made in Alaska program coordinate their activities -- potentially through the University of Alaska -- to allow greater access by Alaska small businesses to information and assistance presently provided by the state.

Along with support of a number of existing bills, the subcommittee also recommended the State pursue the development of a regulatory clearing house, establish an Alaska Economic Index, and improve the competitiveness of Alaska products.

Resource Development, Transportation, Employment and Industry

Chaired by Representatives Mike Navarre and Mike Miller, this subcommittee report concentrated on the three topic areas in their title. Their task was particularly difficult as it carried over into a number of sensitive areas presently under consideration in standing committees.

In Part One of their report particular emphasis was given to the Alaska Bottomfish Development Plan, HB 492. This was also the subject of a specific hearing of the subcommittee. Other bills the subcommittee believed merited consideration included legislation relating to fishing, tourism and resource agency funding. The controversial mariculture and forest management issues were also dealt with in this section through general policy statements that recognized present legislative activities in regard to these issues.

Part two of the report discussed a number of issues relating to employment and industry. Continued support for the Alaska Center for International Business, the subject of another hearing of the committee, was one of these issues supported by the subcommittee. Other areas the subcommittee believed would encourage economic recovery included the development of port authorities, bidder preference for state goods and recycled products, and both legislation and a general policy statement regarding local hire.

The third part of the report provided a brief overview of transportation measures, and recommended support of one measure, HB 479, relating to an appropriation to the Alaska Marine Highways system.

Interior

Through public hearings and solicited responses the Interior subcommittee, chaired by Representative Niilo Koponen, developed a report that merged legislative proposals with policy recommendations -- both long-term and short-term.

After a brief overall policy overview the report dealt extensively with the 11 pieces of legislation they recommend for passage. Among these were the Alaska Research Policy (HB 253), the Alaska Science and Technology Foundation (HB 390 and HB 391), the Neighborhood Business Development Initiative (HB 430 and HB 431), and the Alaska Energy Efficient Home Equity bill (HB 318 and SB 308). Specific emphasis was also devoted to HB 523, regarding recycled Alaska products, which would have direct impact on a local business within the Interior region. The subcommittee also referred to the activities of the non-regional subcommittees and supported proposals identified in those reports.

Besides legislation their report also addressed recommendations for administrative action, including information and market development services for Alaska manufacturers, centralized procurement practices, and the development of an import substitution strategy with State efforts to develop a resource export strategy.

The report concluded with a number of suggestions proposing broader long-term policy goals for the State and strategies to meet those goals.

Rural

The Rural subcommittee, chaired by Representative Al Adams, submitted a short, comprehensive, and well-documented list of recommendations to the Full Committee. Taking into account the large geographical area encompassed within the subcommittee purview, the members recommended proposals that would apply in the broadest possible manner with the maximum beneficial effect.

The subcommittee supported the passage of HB 439, with the accompanying \$3.6 million fiscal note, an act which would raise the minimum entitlement under the state revenue sharing program from \$25,000 to \$50,000 per year -- a number that has not been increased since 1981. The subcommittee also supported greater funding in the operating budget for the village public safety officer program and public health nursing, and increased capital budget funding for village safe water facilities, educational facilities, and waste heat and other appropriate power projects. These and other programs described in the report were deemed important to the social and economic well being of rural Alaska.

Southeast

The Southeast subcommittee report presented a generally optimistic overview of the economy of that region and specifically focused on topical issues affecting Southeast rather than on particular pieces of legislation.

Areas of importance stressed in this report included adequate funding of resource management in natural resource agencies, the development of export industries and markets for Southeast resources -- including tourism, support of the Alaska Marine Highways System at adequate levels, support for fisheries and mariculture development -- though excluding salmon and continuing the moratorium on pen reared salmon, and strong support for local hire and training initiatives.

The report concluded by stressing the need for stable public sector funding policies and emphasizing the interrelationship of the economy through each of the described subject areas.

Each of these reports is attached. It is the intent of the House members of the Joint Committee on Economic Recovery to include these in a final report addressing the need for long-term focus and direction for Alaska's economy.

BY:

Max F. Gruenberg, Jr. House Chair

Al Adams
Al Adams

Red Boucher
Red Boucher

Kay Brown
Kay Brown

Mike Koponen
Mike Koponen

Mike Miller
Mike Miller

Mike Navarre
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Steve Rieger
Steve Rieger

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REPRESENTATIVE
JIM ZAWACKI
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MEMBER
COMMUNITY & REGIONAL
AFFAIRS COMMITTEE
LEGISLATIVE BUDGET &
AUDIT COMMITTEE
FINANCE SUBCOMMITTEE

M E M O R A N D U M

February 22, 1988

TO: SENATE LEGISLATORS

FROM: Representative Jim Zawacki *Jim*
Co-Chair, A.L.E.R.T.

SUBJ: ALERT's Final Report

Please find attached a report done by the Alaska Legislative Economic Recovery Team (A.L.E.R.T.) that was formed by the House Republicans to look at Alaska's economic recovery.

The report focuses on the natural resources, renewable and nonrenewable, in Alaska. The ALERT group is planning to do a sequel to the report on other issues that would further address economic recovery in Alaska.

The ALERT group only looked at pending legislation, we did not recommend new legislation. We felt it was important to deal with and use the information for the report that was available to us. We pulled together information from key organizations and individuals, such as you.

If you have any questions, please feel free to contact me at 465-2719.

Thank you.

Attachment

A.L.E.R.T.

ALASKA LEGISLATIVE ECONOMIC RECOVERY TEAM

REPUBLICAN
HOUSE OF REPRESENTATIVES

REPORT
FEBRUARY 1988

A.L.E.R.T.

ALASKA LEGISLATIVE ECONOMIC RECOVERY TEAM

REPUBLICAN

HOUSE OF REPRESENTATIVES

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February 1988
Alaska Legislative Economic Recovery Team
A.L.E.R.T.

R E P O R T 1 9 8 8

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INTRODUCTION

The complex problems of the state's economy over the last two years, made it imperative that Alaskans were given some sign that their input, recommendations, and concerns to help Alaska's economy were not being ignored.

To this end the House Republicans realized Alaskans needed to see and hear that the input, recommendations, and concerns "were" being heard and something was being done, or at least steps taken to implement these recommendations to help the economy.

The following report does not claim to have all the answers to every specific problem facing Alaska's economy. What it does cover are areas that can stimulate the economy and create employment immediately, as well as lay the groundwork for future economic stabilization.

We, the A.L.E.R.T. group, did not try to reinvent the wheel. This proposal and its recommended legislation was put together with the help of key individuals, associations, organizations, leaders of the Senate and House and as well as Governor Cowper and his administration. From the makeup of the groups and individuals involved, all geographical areas of the state were represented. We have referred to all of them in the acknowledgement section listed at the end of this report.

The inclusion of specific legislation in this report is meant to indicate support for the goals of the legislation, and should not be construed as a statement that no changes in the legislation should be made. In addition, if a bill which is listed were to be radically altered through amendments or committee substitutes, it might not warrant support by the A.L.E.R.T. group.

PREAMBLE

The House Republicans of the Fifteenth House of Representatives support four fundamental freedoms to ensure the immediate and long-term success of Alaska's economy:

- 1.) The freedom for an individual to increase one's opportunity for employment.
- 2.) The freedom to enjoy the fruits of one's employment.
- 3.) The freedom of an individual to own and manage private land and property.
- 4.) The freedom to participate in a free market.

The legislature must evaluate where government services can be more effectively rendered in the private sector of the economic market.

The legislature must root out unnecessary restrictions on an individual's pursuit of a livelihood.

The legislature must protect Alaskans from the threat of excessive government spending that leads to new or increased taxation.

The legislature must protect Alaskan's rights to own and manage private lands and property. Placing more land into the hands of Alaska citizens is an important fundamental principle for a strong economy that will last for generations.

The legislature must reform Alaska's welfare system from one of dependency to one of encouraging independence of welfare as full participants in the Alaska economy.

The legislature should promote privatization of a number of functions now carried on by the state government, in order to be less vulnerable to political pressure and operate more efficiently.

The legislature should promote programs that prepare participation in our economy of today and into the future. We must promote programs that assist students with problems to complete their education and to encourage students who dropout to return to school.

The legislature must assist Alaskans and promote Alaska's businesses for full participation in the increasingly complex world of international marketing and trade. We must encourage and assist in training in technological fields appropriate to our natural resources.

The legislature should promote and encourage science and technology by increasing its support for basic research and development.

NATURAL RESOURCES

RENEWABLE

AGRICULTURE

The agricultural industry consists of two major activities: growing crops and raising livestock. Crop production includes several grains, forage, nursery plants and vegetables. Livestock mainly consists of cattle and dairy cows. Agriculture is a small but important sector of our economy. In 1984 Alaskan farm commodities cash receipts totaled \$25,411,084.0 and approximately 516 Alaskans were directly employed in the industry.

Costs are comparatively higher than those in other states with transportation of equipment and materials adding to the expense. The small number of operations results in limited demand and increased cost. The following recommendations and legislation are needed to maintain Alaska's present production and employment levels.

RECOMMENDATIONS

- * The Department of Natural Resources, in decisions concerning size and location of agriculture parcels to be conveyed, must take into account economic efficiencies and the use of advanced technology.
- * Farmers who acquired large agriculture parcels (when the state's emphasis was entering the export market) should be allowed to reduce the size of their agriculture tracts to assure economic viability. This could be accomplished through private sales or by returning portions of tracts to the state.
- * The Department of Natural Resources should allow flexibility in agriculture land use to encourage farmers to diversify their productions for commodities to meet market opportunities.
- * Agricultural Revolving Loan Fund restrictions on planting should be made more flexible to accommodate productive farming practices; loan applications should be processed to meet planting schedules.
- * Legislation should be enacted establishing a production credit program to help relieve farmers' existing debt loads without requiring additional state funding. Farmers, stock growers and dairy farmers would be allowed to deduct a percentage of gross annual production from interest payments on state loans.

- * Flexible policies are needed to restructure existing agriculture loans. Under conditions and standards established by the Agricultural Revolving Loan Fund Board, loan repayment should be rescheduled and repayment time increased. This action would enhance the economic viability of existing operations and stimulate expansion.
- * All state agencies should assist with promoting Alaska products through its "Grown in Alaska" and the "Made in Alaska" programs.
- * Pending legislation should be enacted mandating that state agencies purchase Alaska farm products when of comparable price and quality to imported products.
- * State agencies responsible for agriculture development should coordinate establishment of an effective data base and positive marketing programs for the industry.
- * University programs must be examined and measured for their adequacy. Information should be made available to encourage high school students to become knowledgeable in the field of agriculture and animal husbandry.
- * The governor of Alaska should appoint a person to the University of Alaska Board of Regents to provide the leadership needed to fulfill the University's agriculture obligations as a Land Grant College. This person should serve as an advocate for and be familiar with the science and practices of agriculture and forestry research stations to provide scientific information to farmers, processors and consumers.

AGRICULTURE
LEGISLATION

HB 26 "An Act relating to the sale of certain milk products."

HB 105 "An Act relating to the financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agriculture Bank."

HB 400 "An Act relating to the procurement preference for state agricultural and fisheries products."

HB 415 "An Act relating to agricultural industry production credits for dairy products; and providing for an effective date."

HB 456 "An Act relating to agricultural loans and extending the agricultural production credit law; and providing for an effective date."

SB 23 "An Act relating to agricultural rights to land."

SB 105 "An Act relating to the sale of certain milk products."

SB 192 "An Act relating to the membership of the agricultural revolving loan fund board."

SB 340 "An Act relating to moratoriums on agricultural loan payments."

SB 353 "An Act extending the agricultural production credit law."

SB 359 "An Act relating to reorganization of private debt at a Delta Project; and providing for an effective date."

SB 370 "An Act relating to rates and fees of the Alaska marine highway system and providing for preferential vehicle rates for the transportation of agricultural products grown in Alaska."

SB 472 "An Act authorizing the commissioner of natural resources to transfer certain assets formerly owned by Matanuska Maid, Inc."

SJR 5 Proposing amendments to the Constitution of the State of Alaska relating to agricultural rights in state lands.

FISHERIES

Traditionally, Alaska's seafood industry has been one of the state's largest private sector employers, employing persons in the manufacturing, trade, services and transportation sectors. Alaska's seafood industry, based on a well managed renewable resource represents tremendous economic growth potential.

It is anticipated that the greatest gains in the fisheries industry by 1990 will occur in the domestic processing sector, aquaculture and product/market development. Actions which would encourage this growth are discussed herein.

Fisheries development, in addition to biological and technical handling issues, also concerns questions of commerce, taxation, finance, regulation, market enhancement and general business and economic aspects.

The state's vast and varied fisheries resources offer substantial development opportunities to Alaska. More fish and shellfish are harvested off Alaska's coast than in the rest of the United States combined, and management of this resource is vitally important to the long-range future of Alaska residents.

The following recommendations and legislation need to be addressed to maintain Alaska's present production and employment levels, as well as insuring the future success its Fisheries' objectives.

RECOMMENDATIONS

Allocation of our fisheries resources between competing uses must be addressed in a manner that provides the greatest balanced growth to Alaska's fisheries industry. Since the present Board of Fisheries has not adequately addressed all the issues, the legislature should identify and facilitate changes to the present system which will provide for enhanced management and sustained yield of the resource.

Develop in-state fleets through favorable regulation.

- * Set harvest quotas that encourage fresh market prices and local home ports.
 - * Establish biologically based harvest management q_r as to lengthen seasons where possible.
 - * Rebuild the share of Alaskan Native and non-Native permit holders.
- Study modifications to fishery permit systems
--Consider state buy back of some permits

Develop in-state, onshore processing through improved competitiveness.

- * Identify factors for success that have resulted in processing growth outside Alaska.
- * Give first priority to projects that reduce energy and cold storage costs.
- * Follow the support-activity preference which is embodied in the Magnuson Act.

Develop adequate harbor and vessel service facilities.

- * Use state lands for port development, staging area and bunker fuel storage to increase the capability of ports to fuel and supply vessels.
- * Improve dry docks and haul-out rails for in-state vessel maintenance and repairs.

Incentives.

- * The brood stock of state hatcheries should be managed to enhance lakes and streams throughout the state for recreational purposes and to provide fry to the aquaculture industry.
- * The state should allow funding to qualified aquaculture associations to continue the enhancement of wild stocks, fertilizing lakes, removing barriers in streams and planting fish in sterile or near-sterile streams.
- * The state should continue to address and assist in the development of a compatible mariculture/aquaculture/wild stock fisheries by the private sector through private or nonprofit associations.
- * The Alaska Seafood Marketing Institute (ASMI) and the Cooperative Extension Service should emphasize and promote the safety, quality and nutritional value of Alaska's seafoods worldwide.

Education and Employment.

- * The Department of Education should work in concert with the University system and school districts to develop a comprehensive marine education curriculum for grades K through 12. The marine program should provide balanced coverage of the industry and should receive special focus during part of each school year.
- * The state should continue to provide economic support for the Marine Advisory Program so that it can help enhance and continue its adult education program.
- * The University of Alaska should develop strong marine programs at existing facilities throughout the state. Sheldon Jackson College should continue development of its fisheries program.
- * Fishermen and processors should recognize that, to improve product quality they must avail themselves of the latest educational and technological resources.

FISHERIES
LEGISLATION

HB 94 "An Act relating to boat numbering, accidents, and safety, and providing for an effective date."

HB 105 "An Act relating to financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agriculture Bank."

HB 226 "An Act relating to fisheries business tax refunds to local government; and providing for an effective date."

HB 314/SB 317 "An Act relating to the allocation of fisheries business taxes to municipalities by Department of Community and Regional Affairs; and providing for an effective date."

HB 316 "An Act relating to the leasing of limited entry permits by the elderly."

HB 324 "An Act specifying the circumstances for restricting the number of vessels on which a salmon limited entry permit may be used; and providing for an effective date."

HB 330 "An Act relating to the fisheries business tax revenue refunded to local governments; and providing for an effective date."

HB 364 "An Act relating to commercial fishing violations; and providing for an effective date."

HB 400/SB 356 "An Act relating to the procurement preference for state agricultural and fish products."

HJR 45/SJR 51 Requesting a support service priority for American carriers and bulk fuel suppliers servicing foreign processing vessels in the exclusive economic zone.

SB 14 "An Act relating to the interest rate on commercial fishing loans."

SB 267 "An Act relating to the transfer of limited entry permits upon the death of the permit holder."

SB 309 "An Act relating to the definition of commercial fisherman under statutes regulating commercial fishing."

SJR 14 Relating to the documentation and crews of United States-documented fish processing vessels.

FORESTRY

In Southeast Alaska, stands of virgin western hemlock, Sitka spruce and cedar average 20,000-50,000 board feet to the acre. In Interior Alaska there is vast acreage of white spruce, paper birch, poplar, cottonwood and aspen.

Timber acreage is divided fairly equally among Federal, state, private, and Native land owners. In Southeast Alaska the vast Tongass National Forest is owned by the Federal Government. Federal policy regarding the Tongass mandates a goal of 450 MMBF available for sale each year. Timber from the Tongass is processed into cants to fulfill Federal requirements for primary processing. State forests are located near Fairbanks in the Interior and Haines in Southeast Alaska.

In the Southeast region, Native corporation lands produce round log exports. Timber holdings in the Interior region are largely undeveloped.

The timber industry in Southeast Alaska is vertically integrated with pulp mills, sawmills and a mix of round logs, cants and pulp products for sale. Interior Alaska is in early stages of timber development with no major processing facilities.

The output of Alaska's wood products industry should be more than doubled by 1990. Less than 50% of the state's yearly sustainable yield of timber harvest would be required to reach that goal. Harvesting of timber causes more rapid growth of seedlings, especially when tied to mandatory reforestation, which we recommend. This will accomplish one of the benefits called for by the governor in the State of the State Address, ". . . consider how much we would benefit if we discovered a way to make trees grow faster in Alaska."

By 1990 the federal government should offer at least 600 million board feet from its lands, the state should offer 150 million board feet from its lands and private landowners should be producing 400 million board feet. Offerings at the 1.1 billion board feet level could contribute over one billion dollars annually to the state's economy.

Sixteen percent of the forested lands in the United States are in Alaska. This encompasses more than 28 million acres of potentially economically productive woodlands, publicly and privately owned.

The following recommendations and legislation are needed to maintain Alaska's present production and employment levels as well as the future success of its Forestry Industry.

RECOMMENDATIONS

- * Regulations should be based on the use of reasonable performance standards rather than design standards to encourage productivity increases and environmental protection.
- * A means of improving and simplifying the process of obtaining permits and eliminating those which are duplicative and unnecessary should immediately be developed.
- * Legislation should be enacted requiring an analysis of the economic impacts of proposed regulations and be made available to the public for review prior to adoption.
- * The Alaska Legislature should authorize the executive branch to enter into long-term forest management agreements (FMAs) with qualified private parties on state owned land.
- * By establishing binding performance standards, private parties would harvest timber, perform reforestation, site improvement and other resource needs.
- * A statewide, privately financed forest products association should be established to address issues cooperatively, educate the public, promote the use of Alaska wood products, establish quality standards and lobby for sound, stable forest lands and industry policy.
- * Alaska university programs and the Alaska Vocational Technical Training Center's Forestry Program must provide expanded education, research and extension services to meet industry needs.
- * Alaskans need to become more familiar with the markets they serve or seek to serve in order to supply the most preferred product (niche marketing) and establish long-term relationships and commitments with those consumers.

FORESTRY
LEGISLATION

HB 105 "An Act relating to financing of fish processors and agricultural and timber processors and harvesters the by Commercial Fishing and Agriculture Bank."

HB 141/SB 112 "An Act relating to forest management agreements."

SJR 35 Relating to maintaining timber industry employment, funding of U.S. Forest Service operations, and the allowable timber harvest level in Southeast Alaska and amendment of sections 703 and 705 of the Alaska National Interest Lands Conservation Act.

LAND OWNERSHIP AND MANAGEMENT

Alaska contains 589,757 square miles or 375 million acres, an area the size of one fifth of the area of the contiguous 48 states. Alaska is the only state bounded by two oceans and three seas. Glaciers carved many large islands from the mainland and when they retreated, uncovered a shoreline with narrow fjords and craggy headlands. Volcanic activity also formed numerous islands. As a result of its vast convoluted coastline, Alaska has approximately 34,000 miles of marine shoreline and 560,000 square miles of Continental Shelf. This is about one third the total marine shoreline of the U.S. and its possessions combined.

The Statehood Act of 1959 granted 104 million acres (28 percent) to the State of Alaska and the Alaska Native Claims Settlement Act of 1971 granted 44 million acres (11.6 percent) of land to Alaska Native Corporations. The remainder of the state (59 percent) remains in federal ownership, with the exception of approximately five million privately owned acres (1.4 percent).

The Department of Natural Resources has the constitutionally mandated responsibility to encourage the settlement of state lands and the development of state resources by making them available for maximum use consistent with the public interest.

Private ownership of land is the basis of Alaska's free enterprise system and should therefore be encouraged. The Department of Natural Resources should accelerate its efforts in making lands available to every Alaskan. The homesteading concept or a similar program which encourages private ownership, while keeping limitations and restrictions at a minimum, should be renewed. To implement these requirements the following recommendations and legislation are needed.

RECOMMENDATIONS

Land Management: Oil and Gas

- * The state administration should evaluate its overall land use plans and exert its influence in a strong, positive manner on federal land management plans to assure multiple use and prevent unexplored lands being placed in wilderness classification.

- * The state should support opening ANWR to oil and gas leasing, exploration and production. A legislative resolution should be passed and the Governor should convey to Congress the state's position supporting the opening of ANWR which would provide jobs, enhance state and federal revenues and help the nation achieve its goal of energy self-sufficiency.
- * The state should permit access to state lands and use its influence to strongly support access to and development of OCS and federal lands which have petroleum potential.
- * The Department of Natural Resources should permit utilization of more acreage to facilitate exploratory drilling, improve efficiency and create greater economic incentives.
- * The state and federal governments should consult with industry and coordinate with each other on its five year lease schedules. Each should make available all onshore and offshore acreage in an orderly and expeditious manner.
- * The legislature should amend the leasing statute (AS 38.05.180) to make it easier for the Commissioner of Natural Resources to add new areas to the five-year schedule.
- * Department of Natural Resources should aggressively pursue a more liberal "exempt sale" leasing policy to encourage early and cost-effective exploration in areas where previous leasing has taken place and no further environmental and social studies are required by state law.
- * The state should provide stable lease terms, bidding methods and stipulations which will encourage early exploration and development of state lands.

Land Management: Power Development

- * State lands having power development resources should be protected from unnecessary or unreasonable classifications or legislative designations which would prevent development of these resources by the private sector.
- * Utility corridors across public lands must be kept free of unreasonable statutory constraints to help with development.

- * The state and federal government must ensure that long-term contract prices are utilized when valuing royalty oil and natural gas taken in-value from leaseholders.

Land Management: Minerals and Coal

- * The Alaska Division of Mining or its proposed successor should provide mineral and geological information, and its staff should be an integral part of the land management process. The staff must work in conjunction with appropriate federal agencies to assure that mineral assessments are made before land withdrawals are approved that prohibit mineral exploration.
- * Legislation should be enacted providing that lands in excess of 640 acres may not be closed to mineral entry without direct legislative approval.
- * The state should adopt a policy stipulating that economic needs of the state be considered as a critical element of federal land plans. State administration review of land plans must emphasize the protection of economic opportunities for resource development.
- * The state must assert its authority over the right-of-way granted under RS 2477.
- * The state should work closely and aggressively with federal agencies to protect the mining industry from unreasonable legal and administrative challenges that are detrimental to resource development and production.
- * State and federal agencies should encourage the use of land exchanges to facilitate minor boundary changes to address problems not foreseen by Congress.
- * Legislative affirmation of coastal zone boundaries as originally defined in 1978 by the Alaska Department of Fish and Game should be required. Limited boundary extensions should be granted only where clear and convincing arguments can be made that activity in the uplands poses a serious impact on coastal resources. The state must identify all mineralized areas as "areas of state concern" in coastal zone districts.

- * Public agencies should develop alternative methods such as polls for determining public attitudes to supplement the public hearing process which frequently fails to obtain input from the "silent majority."
- * The state must retain the surface ownership of mineralized areas in order to allow access to minerals for appraisal and potential development.

Land Management: Forestry

- * Federal, state and municipal land agencies must offer land for sale or lease to increase timber harvest. The desires of industry should be given great weight in these offerings.
- * Land management plans being developed for federal, state and borough lands must address timber production goals, and opportunities and stress intensive timber management.
- * To comply with the constitutional mandate to encourage settlement of Alaska land, a land disposal system should be initiated that would allow for private acquisition in fee simple forestry lands in acreages large enough to be economic.
- * The legislature must fund and initiate a public/private congressional campaign to maintain the timber harvest from the Tongass National Forest and protect federal funding of \$40 million for the Tongass Timber Supply Fund, as required by the Alaska National Interest Lands Conservation Act.
- * Public and private land managers should allow insect and disease infested timber to be cut promptly through salvage sales to reduce the threat of fire and utilize wood fiber that would otherwise be lost. Land managers should allow immediate harvest of over mature timber stands susceptible to fire, windthrow, and insect and disease epidemics.

Land Management: Agriculture

- * The most accessible lands for near-term agriculture development are controlled by the state. The state should maintain agriculture and timber land disposal programs.
- * To enable farmers to efficiently and effectively bring their land into production, a 10-year development schedule should be established and applied to those disposals.

Land Management: Fisheries

- * Federal agencies should ensure compliance with ANILCA (the Alaska National Interest Lands Conservation Act) by allowing appropriate fisheries enhancement measures and fishery support facilities on all federal lands.
- * Land managers should develop long-term leasing procedures for coastal land, and local communities should make available the land needed for docks, processing and storage facilities.
- * The state should facilitate industry access to private venture capital for warehouses, refrigerator units, vessels, processing plants and support facilities.
- * The state and industry should share the costs of upgrading facilities and maintaining ports and harbors.

Land Management: Tourism

- * Section 1301 of ANILCA mandates inclusion of professional studies of the socioeconomic effects of development of a park as a tourist destination point. Options for public use and enjoyment on public lands need to be expanded in the federal management plans now being considered. A complete inventory of statewide destination points should be undertaken and incorporated into the process of developing land management plans. No plan should be released until it is thus in compliance with the law.

- * Federal agencies should comply with Section 1306 of ANILCA which encourages establishment of sites for visitor facilities in land planning. Care should be taken to provide a broad spectrum of visitor facilities. Construction of these facilities must be accelerated to keep pace with current demand and address future use.
- * Development of lands within national and state parks should be encouraged by promoting cooperative projects on these lands between special use permittees and managing agencies. Such development should emphasize construction of winter recreation facilities.
- * The forest service public recreational cabin system should be expanded to accommodate increasing demand for this unique recreational experience. Opportunities for private sector operation, maintenance and development of the system should be explored.
- * User fees should be imposed to help fund construction and operation of more interpretive facilities that provide a diversity of visitor use options within national and state parks. Such facilities should include visitor centers, nature trails, exhibits, audiovisuals, guided tours by naturalists and would expand use and enjoyment of our parks.
- * Lands adjacent to national or state parks are ideally situated for providing an economic base for tourism development. The state should make this land available for private ownership or, at least, provide complete information regarding site risk factors involved in developing cooperative projects on state lands.

LAND OWNERSHIP AND MANAGEMENT
LEGISLATION

HB 141/SB 112 "An Act relating to forest management agreements."

HB 69/SB 71 "An Act relating to management of state sand and gravel."

HB 464/SB 373 "An Act extending the termination date of the Citizens' Advisory Commission on Federal Areas in Alaska; and providing for an effective date."

HCR 5/SCR 4 Relating to management of state sand and gravel resources.

SB 94 "An Act relating to a state mineral policy; and providing for an effective date."

SB 136 "An Act relating to multiple use of state land."

SB 137 "An Act relating to state land withdrawn from mineral location or mining.."

SJR 7 Relating to oil and gas exploration development, and production within the Arctic National Wildlife Refuge, Alaska, and declaring state policy.

TOURISM

One of Alaska's greatest natural resources is unparalleled natural beauty. Hundreds of thousands of visitors are drawn to the Great Land each year by its promise of adventure, scenic splendor, magnificent wildlife and colorful history.

Tourism has been a part of Alaska's economy ever since the first hardy visitors sailed north aboard the steamships which served Alaska's coastal communities before the turn of the century. While sightseeing remains the single most popular activity, increasing number of visitors come to Alaska specifically to participate in sportsfishing and hunting, camping and backpacking, river rafting, skiing, local sports and cultural events. Opportunities abound for investors to develop facilities to accommodate a host of visitor activities.

Today's modern tourism industry, supported by the state's sophisticated marketing program, bears little resemblance to its early origins. Substantial advertising and promotion budgets in recent years, have placed Alaska among the top ten states for tourism promotion. Throughout the 1980's, visitor volume has grown by an annual rate of five to seven percent. In 1986, nearly 800,000 visitors traveled to Alaska, generating expenditures in excess of \$1 billion, of which more than one half was spent in Alaska. It is anticipated that one million visitor level will be reached by 1991.

The following recommendations and legislation are needed to maintain, as well as expand, Alaska's tourism markets statewide.

RECOMMENDATIONS

- * The Federal Customs and Immigrations law should be revised to allow stopovers in Alaska by international air travelers.
- * At present 31% of vacationers in Alaska arrive with a package cruise and most of this business is in the Southeast. State and federal agencies should urge Congress to modify the Jones Act to grant foreign tour ships the opportunity of staying in an Alaskan port for

more than 24 hours. Many foreign built tour ships will not visit Alaska because they are limited to port-of-call of 24 hours or less. In modifying this stringent time limit -- perhaps extending it to 72 hour or longer -- ship passengers can connect with on-land tourist businesses and see the interior of Alaska.

- * The state Division of Tourism should increase its marketing of year-round and foreign visitor promotion, and increase promotion of winter sports and off-season cultural events. One way to increase the effectiveness of budgeted dollars is to initiate joint efforts with private operators or local communities for off-season or special events advertising and marketing.
- * If Anchorage is successful in being awarded the 1994 Winter Olympic Games, lending institutions should allow loans to people in the visitor industry to be repaid on a seasonal repayment schedule.
- * The state Division of Tourism should use Alaska firms as primary contractors for the state's advertising and public relations efforts, allowing them to subcontract with Outside firms only as necessary.
- * Road and rail improvements that would enhance recreational opportunities in Prince William Sound and Kenai Peninsula communities should be developed.
- * The cooperative planning and development between the State Division of Parks, National Parks Service, and the private sector for the Curry Ridge Visitor Center and appropriate commercial facilities envisioned there should be supported and encouraged to proceed to completion. This complementary planning and development proposal will diversify the impacts on Denali National Park and its wildlife and provide the optimum viewing opportunities of Mt. McKinley from a state park location.
- * The Division of Tourism must place more emphasis on points of interest along the road systems leading to Anchorage and Fairbanks. In conjunction with improved facilities, promotional materials should recognize in detail the Wrangell/St. Elias National Park. This area which is twice the size of its Mt. McKinley counterpart, has two access routes, each of which are over 35 miles long. The favorable weather patterns of the Copper River Basin allow unparalleled alpine viewing opportunities, even during the summer months.

- * Since 10% of visitors to Alaska travel by car or RV and since road traffic has declined by approximately 23% during the 1986 and 1987 tourist season, it is imperative the Division of Tourism as pointed out by the governor put more emphasis in areas that will help the small businesses along our highway system. It is also imperative the Division of Tourism put more emphasis on promoting access to Alaska via the Alaska Marine Highway and road system. Furthermore, the Division of Tourism needs to emphasize the Alaska Highway is no longer a dusty army trail but a modern all weather highway and easy access to Alaska. It is essential that we develop more well equipped roadside facilities. Future state and federal highway construction projects should consider designs that contribute to scenic driving experiences. Rest areas, turnouts, and parking facilities should be provided.
- * To encourage overseas tourists to travel in Alaska, all new and existing visitor facilities should have multilingual signs and interpretive tools.
- * The Alaska Marine Highway System should strive for closer coordination with travel agencies and communities concerning reservations, cancellations and package deals for local events. This will increase the volume of passengers, resulting in more efficient operation of AMHS and an expanded visitor industry in local communities.
- * Interpretative Visitors Centers must include adequate representation of all Alaska's resource sectors. Development interests such as the timber, fishing, mineral, oil and gas industries should provide interpretive facilities at key locations around the state to help visitors understand their pivotal role in the economy, history, and culture of Alaska.
- * Gradually increase state support for Youth Conservation Corps to construct tourism facilities (trails, signs, etc.).
- * The governor should create a standing tourism mini-cabinet, comprised of commissioners or designees of resource responsible departments, to develop a statewide tourism plan that returns maximum value added benefits to the state, and ensures sound management of Alaska's natural beauty and resources to achieve full potential for tourism, fisheries, minerals and other economic development.

TOURISM
LEGISLATION

HB 173 "An Act relating to the international airports in Anchorage and Fairbanks and establishing the Alaska International Airport Authority; and providing for an effective date."

HB 423 "An Act making appropriations for tourism and recreation related capital projects, grants, and expenses of state government; and providing for an effective date."

HB 450 "An Act relating to out-of-state solicitation for state contracts and state employees."

HJR 49 Relating to the development of a visitors' center and facilities on the south size of the Alaska Range.

HCR 34 Relating to tourist-oriented directional signs.

NATURAL RESOURCES

NON-RENEWABLE

MINERALS

The minerals industry offers the greatest potential of any Alaska industry for expanding and diversifying the State's economic base; for increasing new wealth to create business and provide revenues for State and local governments.

However, Alaska has a complex pattern of land ownership and management; has overlapping and uncertain regulatory requirements; has unique geographic, geologic and climatic conditions; and has an underdeveloped transportation system.

To attract the capital necessary for the exploration and development of new mines; to ensure that mines can be developed feasibly and in a timely fashion; and to ensure that producing mines remain viable -- constraints on the industry must be mitigated.

The mining industry ranks fourth in the state and employs approximately 3600 Alaskans. Given a cooperative business climate and favorable market conditions, it is projected the industry's value could increase by 200 percent and employ 2,300 additional Alaskans by 1990.

The following recommendations and legislation will not only curb the downward spiral in employment but will help to attain Alaska's potential into the future.

RECOMMENDATIONS

- * The Alaska legislature should change the statutory definition of multiple use to accommodate the greatest number of uses on state lands to maximize economic and social opportunities.
- * Legislation should be enacted providing that no lands in excess of 640 acres may be closed to mineral entry without direct legislative approval.
- * The state should adopt a policy stipulating that economic needs of the state be considered as a critical element of federal land plans. State administration review of land plans must emphasize the protection of economic opportunities for resource development.

- * The state must assert its authority over the right-of-way granted under RS 2477.
- * The state should work closely and aggressively with federal agencies to protect the mining industry from unreasonable legal and administrative challenges that are detrimental to resource development and production.
- * Alaska's Congressional Delegation should be active in working with the state administration to urge federal agencies to institute permitting reform. We suggest an arbitration process along with imperative coordination between governmental agencies.
- * Legislative affirmation of coastal zone boundaries as originally defined in 1978 by the Alaska Department of Fish and Game should be required. Limited boundary extensions should be granted only where clear and convincing arguments can be made that activity in the uplands poses a serious impact on coastal resources. The state must identify all mineralized areas as "areas of state concern" in coastal zone districts.
- * The state must retain the surface ownership of mineralized areas in order to allow access to minerals for appraisal and potential development.
- * The state should assume National Pollutant Discharge Elimination System (NPDES) permitting from the federal government under Section 402 of the Clean Water Act. Governments should adopt site-specific limits on turbidity and suspended solids where streams are naturally turbid or where downstream uses, if any, would not be unreasonably impacted. Mixing zones and start up variances should also be adopted to achieve more flexible water quality regulations.
- * The state should reclassify Alaska's streams (those not used for fish hatcheries or community drinking water) to reflect a reasonable balance between environmental and industrial concerns, with priority given to those waters within active mining districts.
- * Land reclamation programs must be consistent with mining plans for site-specific operations. Several years of mining may be required before a reclamation process is feasible.
- * The Division of Mining within the Department of Natural Resources must serve as lead agency in exploration and development permitting.

- * State regulatory agencies must be required to balance the needs of concurrent or competing users. Single-interest agency recommendations or stipulations should be carefully examined in this context.
- * Regulation of mining should be based on cost-benefit analyses with economic considerations reflected in final regulations.
- * The state should adopt tax, regulatory and land policies which are reasonable and stable to promote exploration and development in the mining industry.
- * The state should adopt policies which will not cause increased costs to Alaska consumers or hinder product competitiveness in world markets.
- * The state should continue efforts of providing tax incentives to companies that start new development projects and/or utilize new technology.
- * Through its policies and powers, the state should actively support development of transportation and related systems which enhance economic competitiveness of Alaska's minerals in world markets.
- * For maximum economic advantage, the state should allow future coal-fired power plants to be built close to the mine sites and in increments of size which benefit from economics of scale.
- * The state must recognize its mineral resources as capital assets in its comprehensive resource development policy.
- * The Alaska Department of Education and private industry should expand minerals educational programs (such as the "Alaska Resources Kit: Minerals") in the public school system. Educational programs designed to provide quality supplemental materials to students about the role of minerals and energy resources in society should be encouraged.
- * State and private industry should undertake a joint effort to educate the public on the positive attributes of Alaska coal such as low pollution and combustion characteristics and size and availability of the resource.
- * The state and federal governments should, in cooperation with state educational systems and private parties, increase their research capabilities regarding coal development in the Arctic and subarctic, specifically the use and possible enhancement of sub-bituminous coal.

- * Public and private research institutions should focus attention on new technological approaches to comply with environmental standards.

MINERALS/MINING
LEGISLATION

Other than SB 94 listed first, this list is not in any particular order of priority. We feel SB 94 is the most important element to encourage mineral development.

SB 94 "An Act adopting a mineral policy for the state."

This bill would spell out the minerals policy for the State of Alaska. It would require that mineral exploration and development be given fair and equitable consideration with other resource uses in the multiple use management of state land.

Such legislation will help to advance the minerals industry and will give a positive signal to encourage mining companies and investors that Alaska is a good place to do business.

HB 69/SB 71 "An Act relating to the management of sand and gravel resources."

These bills call for a systematic inventory of sand and gravel resources.

HB 109/SB 98 "An Act relating to the use of water."

These bills would not allow DEC to require a higher quality for discharge water than the quality of the water before use. It does allow DEC to require that discharge be compatible with immediate downstream use and would not allow state requirements for the discharge water to be more restrictive than federal standards.

These bills are an important step in protecting the placer mining industry from the arbitrary application of criteria.

HB 162 "An Act relating to work in underground mines and workings."

This bill would allow a work shift of 10 hours at the working face. The 10 hour shift provision is necessary for operation of remote mines in Alaska where the miners home residence is many miles away. Existing law limits the work shift to eight hours at the working face.

HB 212/SB 280 "An Act relating to the issuance of permits and consistency determinations."

These bills would designate DNR as a lead agency for resource development projects on state lands, it would require the coordination between departments on all permits and DNR administration of issued permits.

HB 524 "An Act relating to the application of water quality criteria."

SB 126 "An Act relating to payment of overtime."

This bill would allow work schedules to be adjusted on a site by site basis. This would allow more efficient work schedules and provide more desirable time-off patterns for the employees. This is particularly significant in Alaska where mines are in remote locations and the miners maintain a residence in a community far removed from the mining operation.

SB 136 "An Act relating to multiple use of state land and water."

This bill cleans up the statutes leaving only one good definition of multiple use and putting minerals on a par with other resources.

SB 137 "An Act relating to state land withdrawn from mineral location or mining."

This bill would require DNR to report to the Legislature and the Governor at the start of each legislative session detailing any state lands that were closed to mineral location and mining during the previous calendar year and specify for each closure: the known resource values of the area, reason for the closure, effective date, legal description of the area.

SB 186 "An Act limiting the scope and content of regulations adopted under the Administrative Procedure Act."

This bill will not allow state standards to set regulatory requirements more rigorous than federal standards, in areas where the activity is regulated by both.

SB 200 "An Act amending the mining loan fund law."

This bill allows the same type of extensions allowed for fishing and other types of loans, for the mining loans.

NATURAL RESOURCES

NON-RENEWABLE

OIL & GAS

PRESENT AND FUTURE POTENTIAL (Excluding ANWR)

Alaska, with a total crude oil production exceeding 1.9 million barrels a day, is a major supplier of oil and natural gas. Yet, with 30% of the proven reserves in the United States, there is still a huge petroleum potential to be tapped. Alaska's offshore potential is enormous. Surveys estimate that in Alaska's Outer Continental Shelf, undiscovered recoverable oil reserves are between 12.2 billion to 27.0 billion barrels. Gas reserves are estimated to be 90 trillion to 167 trillion cubic feet.

Between 1959 and 1987, the state conducted 50 lease sales, issuing a total of 4,022 leases covering nine million acres. 1,205 leases covering over four million acres are presently active. An additional 16 lease sales are planned through 1989.

The anticipated availability of gas liquids from the Prudhoe field bodes well for the development of a viable petrochemical industry in Alaska.

FUTURE (ANWR) POTENTIAL

Even by conservative estimates, ANWR'S coastal plain, situated between the oil and gas rich Canadian Beaufort Sea-McKenzie Delta province and the oil fields of Prudhoe Bay, Kuparuk and Point Thompson, is considered the most promising oil field in North America.

In fact, the ANWR coastal plain shows every indication that it could yield a giant oil field in the same class as those in the Persian Gulf. The region is on trend with the same kinds of regional, structural and stratigraphic elements as other giant oil and gas fields.

The Federal government estimates there is a 19 percent chance that economically recoverable oil is present beneath the ANWR coastal plain. That percentage represents a substantial success ratio for the industry, which routinely explores for oil in far less promising areas, and with much less favorable odds.

If oil is found, experts predict a 5 percent chance of finding between 26.5 and 29.4 billion barrels of oil in place, and a 95 percent chance of finding at least 4.8 billion barrels of oil.

To add perspective to this percentage, industry officials estimated, prior to drilling, there was only a 2 percent probability the Prudhoe Bay area contained 2 billion barrels of oil. Now it is estimated that the Prudhoe Bay complex originally contained 23.5 billion barrels of oil -- more than 10 times -- the highest pre-drilling estimates.

Because of the high potential for a significant oil find, and America's alarming dependence on foreign sources for oil, the State of Alaska must strongly support the exploration and development of oil and gas in the ANWR coastal plain.

To derive the greatest potential in existing and future oil exploration and production the following recommendations and legislation need to be implemented.

RECOMMENDATIONS

The threat to national security posed by greater reliance on imported oil can be mitigated through affirmative action by Congress on ANWR. Congress and the State of Alaska must act in concert to open areas onshore and offshore to explore for oil and gas potential if the future well-being of our state and our nation is to be assured.

The leaders of State government must enact the following:

- * Approve a Joint Resolution calling on Congress to authorize exploration in the coastal plain of ANWR.
- * The Governor must lead the State's efforts to open ANWR.
- * The Legislature should approve additional appropriations and require a plan of action to implement a successful national ANWR educational program.
- * An ANWR task force headed by the leaders of Alaska's state government and the private sector to work to achieve these objectives should be created.

The state should permit access to state lands and use its influence to strongly support access to, and development of, OCS and federal lands which have petroleum potential.

The Department of Natural Resources should permit utilization of more acreage to facilitate exploratory drilling, improve efficiency and create greater economic incentives.

The state and federal governments should consult with industry and coordinate with each other on their five-year lease schedules. Each should make available all onshore and offshore acreage in an orderly and expeditious manner.

Government personnel should be instructed, and those instructions enforced, to set clear, reasonable performance standards for industry instead of governments designing the operation through stipulations. Violators of the laws and regulations should be penalized.

Local, state and federal governments should positively commit to an effective regulatory reform program that eliminates duplication and multiple handling of permits, statutory authorities, and "networking." These entities should require their employees to adhere to and stringently enforce that commitment.

The state administration should assure that the resource agency responsible for issuing permits should be the lead agency and be responsible for all provisions of permits. The lead agency should have final authority for recommendations of any agency furnishing advice and should not include stipulations of other agencies not provided for under the law authorizing the permit. The lead agency should establish and enforce reasonable time limits by other agencies. Lead agencies should add stipulations only when there is a proven need, and then only if required by statute.

Regulations should be promulgated only in accordance with Alaska Statute 44.62.030. Prior to adopting any regulation, an agency must evaluate the economic cost of the regulation, both public and private, related to permit processing and administration and to hold hearings and take testimony on costs and benefits. We must revise the Alaska Constitution to streamline the ability of the Legislature to overturn regulations promulgated beyond original legislative intent.

To discourage frivolous lawsuits that delay or stop development, legislation should be enacted to eliminate the "public interest" exception with respect to award of attorney's fees.

Alaska's Congressional delegation should work to remove federal statutory and regulatory prohibitions on the export of crude oil and surplus gas liquids.

In cases of dual jurisdiction between the state and federal governments, the state should request the federal authority to relinquish controls so that the state can assume dominant authority. Otherwise, the state should develop standards consistent with federal regulations.

The state should reinstate the "discovery royalty" to provide incentives for first discovery of a new oil or gas field.

The state should provide for royalty "holidays" for a period of time until investment expenses are recaptured to encourage early exploration, rapid installation of projects and early production.

The legislature and administration should establish and make public a policy of maintaining a stable tax structure.

The state should develop, construct and maintain a public transportation system for the benefit of the public which would also help form a base for realistic resource development and support local economic development.

OIL & GAS
LEGISLATION

HB 421 "An Act authorizing and extension of the exemption from the levy and collection of the tax imposed on oil and gas production and pipeline transportation property during the period of pipeline construction; and providing for an effective date."

HJR 13 Relating to export of Alaska oil.

HJR 40 Relating to petroleum research and development in the state.

SB 47 "An Act relating to the sale of royalty oil."

SB 48 "An Act relating to oil recovery and to royalty oil and gas storage and trading; and providing for an effective date."

SB 182 "An Act relating to the written findings required for certain state oil and gas lease sales.

*SJR 7 Relating to oil and gas exploration development, and production within the Arctic National Wildlife Refuge, Alaska, and declaring state policy.

SJR 43 Relating to the shipping of state oil.

* Key Legislation

A C K N O W L E D G E M E N T S

The following individuals, organizations and associations provided the needed material for ALERT's report:

AIDA - Alaska Industrial Development & Export Authority

Alaska Bankers Association - Wes Coyner, Lobbyist; Jerry Weaver, Legislative Chairman, Alaska Bankers Association and Senior Vice-President Loan Administrator, B.M. Behrends Bank

Alaska Department of Fish & Game

Alaska Loggers Association - Jim Clark, Attorney and Jerry Reinwand, Lobbyist

Alaska Minerals Commission

Alaska Miners Association

Alaska Municipal League Policy Statement 1988

Alaska Oil & Gas Association - William Hopkins, Executive Director

Alaska State Building Authority - Bill Miles, Chairman

Alaska State Chamber of Commerce: 1988 Legislative Position Paper; Commission on Strategic Planning 1990

Alaska Support Industry Alliance: 1988 Public Policy Objectives

Alaska Trucking Association: 1988 Position Papers

Alaska Visitors Association

Anchorage Chamber of Commerce: Legislative Priorities 1988; Economic Recovery Task Force - Joseph Heintz

Anchorage Convention Visitor Bureau (ACVB) - Bill Elander, Executive Director

Anchorage School District - Bill Miles, Lobbyist; Mike Malone, Rick Arndt

ARCO, Alaska

Associated General Contractors (AGC) - Bill Schneider, President; Resa Jerrell, Lobbyist

Common Sense for Alaska, Report of the Task Force on the Dept.
of Commerce and Economic Development of Alaska

Commonwealth North, Alaska's Budget Crisis Facing the Facts --
Closing the Gaps

Department of Education - Bill Demmert, Commissioner

Department of Health and Social Services - Myra Munson,
Commissioner

Department of Natural Resources

Department of Commerce & Economic Development, Division of
Business Development: Alaska Focusing on Development and
Investment

House Republicans: Economic Stabilization Program

Kenai Peninsula Caucus: 1988 Statement of Legislative
Positions

Kenai Peninsula Borough: Legislative Priority List

Matanuska-Susitna Dairy Farmers - H. Ray Hendershot, Joe
Cange, Harry Wassink, Karen Lee, and Tom Rogers

Mayor Tom Fink, Anchorage: Legislative Program

National Education Association (NEA), Alaska Chapter - Bob
Manners

Office of the Governor: Directory of Projects and Proposals
with Direct Economic Impact

Permanent Fund Corporation - Dave Rose, Director

Resource Development Council: New Strategies for Advancing
Alaska's Economy 1986 - 1990

Senate, Office of the President: Economic Incentives

Standard Alaska

University of Alaska, Anchorage - Institute of Social and
Economic Research

University of Alaska, Southeast - Pat Anderson, Economic Dept.

U.S. Coast Guard - Rear Admiral Ed Nelson, Jr., Commander 17th
Coast Guard District

Usibelli Coal - John Sims

Yukon 2000 Report - The Things That Matter

MEMORANDUM

TO: ALL MEMBERS

FROM: REPRESENTATIVE MAX F. GRUENBERG, JR.
HOUSE CHAIR, JOINT COMMITTEE ON ECONOMIC RECOVERY

RE: 1) CHANGES IN HCR 32, 2) SUBCOMMITTEES AND 3) SCHEDULE
CHANGES

DATE: JANUARY 25, 1988

I. The Senate passed the Senate Finance committee substitute for HCR 31 today by a vote of 17 -0. Attached are highlighted copies showing the differences between the Senate CS and the House passed bill.

The first change strikes the provision limiting the number of committee members. The second provides that the senate and the house members may meet separately.

We will bring SCS HCR 32(Finance) out of the limbo file this Wednesday and recommend the members concurrence in the Senate amendments. Let me know if you have any problems with the senate bill.

II. Below is a list of subcommittees and chairs. If you have not already done so, please let the subcommittee chair and me know, in writing, on which subcommittees you would be interested to serve. Your requests must be in by noon Tuesday. We'll make the final appointments by the close of business Tuesday.

Housing and Banking: Rep. Brown and Rep. Rieger (co-chairs)

Resource Development, Employment and Industry: Rep. Navarre and Rep. Miller (co-chairs)

Small Business: Rep. Boucher
Interior: Rep. Koponen
Southeast: Rep. Ulmer
Rural: Rep. Adams

III. Attached are some changes to the announced schedule for the House joint committee. The Wednesday meeting has been moved to Friday at 3:30 in the Senate Finance Committee room. Monday's meeting is unchanged.

Original sponsor: Rules Committee

1 IN THE HOUSE BY THE FINANCE COMMITTEE
2 SENATE CS FOR HOUSE CONCURRENT RESOLUTION NO. 32 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 Relating to establishing a Joint Commit-
6 tee on Economic Recovery.
7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:
8 WHEREAS many areas of the state are experiencing a severe economic
9 crisis that has led to bankruptcies, foreclosures, business failures, and
10 the loss of homes, property, and millions of dollars to Alaskans; and
11 WHEREAS citizens and municipalities from throughout the state have
12 requested immediate legislative assistance to meet this crisis; and
13 WHEREAS the legislature is determined to provide leadership in solving
14 this problem;
15 BE IT RESOLVED by the Alaska State Legislature that a Joint Committee
16 on Economic Recovery is established, consisting of members of the Senate
17 appointed by the President of the Senate and members of the House of Rep-
18 resentatives appointed by the Speaker of the House, to develop legislative
19 solutions to the current economic crisis; and be it
20 FURTHER RESOLVED that the House members and the Senate members are
21 authorized to meet separately and may meet jointly from time to time; and
22 be it
23 FURTHER RESOLVED that the joint committee is authorized to take action
24 only upon majority approval of the Senate members and majority approval of
25 the House members; and be it
26 FURTHER RESOLVED that the committee is authorized to meet during the
27 Second Regular Session of the Fifteenth Legislature and is terminated on
28 the final day of that session.

State of Alaska

House Majority Leader

COMMITTEES

HOUSE HEALTH, EDUCATION
AND SOCIAL SERVICES
HOUSE JUDICIARY
HOUSE RULES



Representative Max F. Gruenberg, Jr.
District 11
Spenard, Upper Midtown Anchorage

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MEMORANDUM

TO: REPRESENTATIVE BEN GRUSSENDORF, SPEAKER OF THE HOUSE
ALL HOUSE MEMBERS

SENATOR ARLISS STURGULEWSKI, SENATE CO-CHAIR
SENATOR LLOYD JONES, SENATE CO-CHAIR
JOINT COMMITTEE ON ECONOMIC RECOVERY

FROM: REPRESENTATIVE MAX F. GRUENBERG, JR., HOUSE CHAIR
JOINT COMMITTEE ON ECONOMIC RECOVERY

A handwritten signature in dark ink, appearing to be "Max", written over the "FROM" line.

DATE: MARCH 31, 1988

RE: REPORT OF ACTIONS TAKEN BY THE HOUSE MEMBERS OF THE JOINT
COMMITTEE ON ECONOMIC RECOVERY

Since the creation of the Joint Committee on Economic Recovery the House members have taken a number of actions. A summary of those actions follows.

The House Committee members have reviewed legislation recommended by its subcommittees and has introduced the following bills and resolutions through the House Rules Committee:

- 1.) HB 549 "An Act relating to notice requirements on the use of a deed of trust; and providing for an effective date."
- 2.) HB 550 "An Act authorizing the Department of Community and Regional Affairs to modify the terms of its mortgage loans; and providing for an effective date."
- 3.) HCR 52 Relating to state economic indices and reports.
- 4.) HCR 54 Relating to the management of mobile homes owned by the Alaska Housing Finance Corporation.
- 5.) HJR 72 Relating to the residential real estate market.
- 6.) HJR 73 Urging extension of the Federal Home Loan Bank Board's "Southwest Plan" to Alaska.

Also, through approval of interim reports of the Housing and Banking subcommittee, the members have endorsed state support of the demolition of the Willow Park Apartments and rejected a proposal by the Anchorage Economic Development Council (AEDC) for a \$250,000.00 appropriation to conduct an appraisal of Federal Deposit Insurance Corporation (FDIC) Alaskan held properties.

Other bills and resolutions are under consideration by subcommittees.

The House members of the Joint Committee have also considered four Senate bills and have offered the following recommendations:

- 1.) SCR 32 "Urging the state's financial institutions to adopt more flexible lending and collection policies."

The members of the House Committee conceptually endorse this resolution and recommend consideration by the standing committees.

- 2.) CS SB 333 "An Act relating to wage, salary, and benefit claims having priority in certain bank liquidations and to certain bank reports required by the Department of Commerce and Economic Development; and providing for an effective date."

The members of the House Committee conceptually endorse this legislation and recommend consideration by the standing committees.

- 3.) SB 471 "An Act establishing a program in the Alaska Industrial Development and Export Authority to guarantee business loans and to refinance debt; and providing for an effective date."

The members of the House Committee recognize there is interest in this issue and urge the standing committees to consider the concepts in this legislation.

- 4.) CS SB 392 (RULES) "An Act relating to the Alaska Industrial Development and Export Authority; and providing for an effective date."

The members of the House Committee conceptually endorse this legislation and recommend that both Houses consider the additional language included in HB 402, the House companion legislation.

Each of the six House subcommittees also completed the first two phases of their activities, the identification of existing and needed legislation to spur economic recovery, and produced

committee reports recommending support of various legislative proposals, budget increments and agency improvements. These, under cover of an executive summary, were adopted by the House members and submitted to the House and the Senate.

Through its oversight responsibility, the Committee, meeting jointly with the Senate and as a House body, reviewed economic recovery proposals offered by the Private sector, reports on the Anchorage and state economies, overviews of regional economic areas and overviews by public and private sector economists on Alaska long-term economic direction and short-term prospects. The committee also held special hearings with the F.D.I.C. to address the dual questions of surplus properties held by them and the impact of bank failures on the state's economy.

Future work of the House members of the Joint Committee will focus on Insurance issues and the development of long-term recommendations to improve Alaska's economic prospects. Also, the work of some of the subcommittees, in particular the Subcommittee on Housing and Banking, will continue and it is expected that a number of additional legislative proposals will be generated.

BY THE RULES COMMITTEE BY REQUEST
OF THE HOUSE MEMBERS OF THE JOINT
COMMITTEE ON ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE BILL NO. 549

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to notice requirements on the use of
7 a deed of trust; and providing for an effective
8 date."

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

10 * Section 1. AS 34.20 is amended by adding a new section to read:

11 Sec. 34.20.132. NOTICE OF OTHER REMEDIES. When a lender uses a
12 note as evidence of an obligation secured by a deed of trust, the note
13 must affirmatively advise the trustor and any other party bound by the
14 note, in writing within the note, of the security, recourse, and other
15 remedies, if any, available to the beneficiary. If it is intended to
16 permit the beneficiary to bring suit to collect an amount owing on the
17 obligation without foreclosing the deed of trust, this intent must be
18 stated in writing in the note. A beneficiary may not use a remedy not
19 specifically and clearly stated on a note executed after the effective
20 date of this Act. If a note executed after the effective date of this
21 Act fails to contain the notice required by this section, the debt
22 secured by the deed of trust may be foreclosed only under AS 34.20.-
23 070 - 34.20.135, a deficiency judgment may not be entered, and no
24 other action may be taken nor judgment entered against the trustor,
25 surely, or guarantor on the obligation secured by the note.

26 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

BY THE RULES COMMITTEE BY REQUEST
OF THE HOUSE MEMBERS OF THE JOINT
COMMITTEE ON ECONOMIC RECOVERY

1 IN THE HOUSE

2

HOUSE BILL NO. 550

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act authorizing the Department of Community and
7 Regional Affairs to modify the terms of its mortgage
8 loans; and providing for an effective date."

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

10 * Section 1. FINDINGS. The legislature finds that

11 (1) some residents of the state who have obtained mortgage loans
12 from the Department of Community and Regional Affairs have mortgages with
13 payment obligations that exceed their present ability to make the required
14 payments;

15 (2) the Department of Community and Regional Affairs does not
16 have statutory authority to reduce interest rates;

17 (3) the costs of foreclosure and resale, including legal ex-
18 penses, publication costs, maintenance costs, repair and renovation costs,
19 sales expenses, closing costs, and costs due to sale in a distressed mar-
20 ket, may be very substantial;

21 (4) it may be in the department's and state's best direct finan-
22 cial interest to avoid foreclosure by modifying loan terms including
23 rescheduling principal payments, reducing interest rates and payment
24 amounts, and adjusting maturity dates to induce existing owners to remain
25 in title to the property and maintain active management of the property.

26 * Sec. 2. AS 44.47 is amended by adding a new section to read:

27 Sec. 44.47.525. MODIFICATION OF LOANS. (a) Notwithstanding
28 AS 44.47.410(a) and (b) and 44.47.520(b), on mortgages that it has
29 financed under AS 44.47.360 - 44.47.560 the department may, by loan

1 modification, reschedule principal payments or reduce interest rates,
2 or both, if the department finds that

3 (1) a loan modification would result in the likelihood that
4 the loan would pay to maturity and induce the borrower to remain in
5 active management and ownership of the property; and

6 (2) the loan modification would be

7 (A) in the best financial interest of the department
8 and the state; and

9 (B) considered prudent by private lending standards
10 taking into account the financial circumstances of the borrower
11 and other costly alternatives such as foreclosure.

12 (b) Rescheduling of the borrower's repayment of principal under
13 (a) of this section provides an interim payment adjustment and is not
14 intended to affect the obligation of the borrower to repay the princi-
15 pal amount on the mortgage loan.

16 (c) The department may reduce the interest rate payable on a
17 mortgage under (a) of this section only if the modification contains
18 an interest rate reopener clause. The interest rate reopener clause
19 must

20 (1) require that, if the interest rate is reduced, the
21 borrower and the department shall renegotiate the rate of interest on
22 the mortgage within five years of the date of an interest rate reduc-
23 tion approved by the department under this section;

24 (2) specify the date by which the borrower and the depart-
25 ment are to renegotiate the rate of interest under (1) of this sub-
26 section;

27 (3) incorporate a call feature reserving to the department
28 the right to demand repayment of the entire principal amount due if
29 the borrower and the department are unable to conclude renegotiation

1 of the rate of interest under (1) of this subsection; the department
2 may not use the call feature incorporated under this paragraph to
3 demand repayment of the entire principal amount due before the date
4 determined under (2) of this subsection.

5 (d) An interest rate reduction approved by the department under
6 this section cancels the borrower's obligation to pay the amount due
7 that is attributable to the difference between the original interest
8 rate and the interest rate reduction for the period of the rate re-
9 duction.

10 (e) When an interest rate is renegotiated under (c) of this
11 section, the renegotiated rate may not exceed the interest rate orig-
12 inally charged on the loan.

13 (f) The department shall adopt regulations prescribing the terms
14 and conditions of and the procedures applicable to loan modifications
15 made under this section.

16 * Sec. 3. This Act takes effect July 1, 1988.

BY THE RULES COMMITTEE BY
REQUEST OF THE HOUSE MEMBERS
OF THE JOINT COMMITTEE ON
ECONOMIC RECOVERY

1 IN THE HOUSE

2

HOUSE CONCURRENT RESOLUTION NO. 52

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

Relating to state economic indices and

6

reports.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8

WHEREAS promoting the economic well-being of Alaska citizens is a

9

responsibility of the Alaska State Legislature; and

10

WHEREAS the state's economy is subject to periodic cycles of economic

11

growth and contraction; and

12

WHEREAS the current economic contraction has continued for a long time

13

and is harming the economic well-being of many Alaskans; and

14

WHEREAS state spending and saving decisions have a major effect on

15

both the short-term and long-term growth or contraction of the state's

16

economy; and

17

WHEREAS accurate and complete information on the condition of and

18

outlook for the state's economy is critical to legislative spending and

19

saving decisions; and

20

WHEREAS needed economic information and analysis are not now available

21

on a timely basis;

22

BE IT RESOLVED that the Alaska State Legislature respectfully requests

23

the Governor to direct the Department of Commerce and Economic Development

24

to arrange for the University of Alaska's Institute of Social and Economic

25

Research to

26

(1) prepare quarterly economic indices for the state and an

27

annual report on the condition of and outlook for the state's economy; and

28

(2) gather and analyze on a continuing basis the data needed to

29

produce the indices and reports; and be it

1 FURTHER RESOLVED that the Alaska State Legislature respectfully re-
2 quests the Governor to direct the Department of Commerce and Economic
3 Development to distribute to the Alaska State Legislature and to the public
4 the state economic indices and reports prepared by the University of
5 Alaska's Institute of Social and Economic Research under the first resolve
6 of this resolution.

BY THE RULES COMMITTEE BY
REQUEST OF THE HOUSE MEMBERS
OF THE JOINT COMMITTEE ON
ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE CONCURRENT RESOLUTION NO. 54

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Relating to the management of mobile
6 homes owned by the Alaska Housing Fi-
7 nance Corporation.

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

9 WHEREAS the legislature finds that some portions of the state are
10 undergoing a substantial financial crisis in the residential housing mar-
11 ket; and

12 WHEREAS the financial crisis has resulted in financial institutions,
13 various mortgage insurers, nonstate institutional lenders, and state
14 agencies becoming owners of excess mobile homes; and

15 WHEREAS a portion of the vacant and unsaleable housing on the market
16 is substandard and should, if possible, be removed from the market; and

17 WHEREAS it has been noted that to some extent the financial insti-
18 tutions and state agencies have not yet developed a coherent policy that
19 addresses this crisis; and

20 WHEREAS the state is currently paying in excess of \$373,000 a month in
21 carrying costs for foreclosed-upon mobile homes; and

22 WHEREAS removing mobile homes from the market could save the state
23 considerable money, as well as strengthen the housing market by eliminating
24 some of the excess supply; and

25 WHEREAS attempts to sell excess properties can unreasonably depress
26 the remainder of the housing market, endangering the strength of the re-
27 mainder of the portfolio of properties; and

28 WHEREAS removing such excess properties will strengthen the remainder
29 of the portfolio and would be in the best financial interest of the Alaska

1 Housing Finance Corporation; and

2 WHEREAS a program of removing excess housing can be best achieved if
3 the various participants work cooperatively, each sharing in the effort and
4 expense;

5 BE IT RESOLVED by the Alaska State Legislature that the Alaska Housing
6 Finance Corporation should

7 (1) exercise prudent business judgment in managing its vacant
8 and excess mobile homes;

9 (2) take immediate action to lower holding costs associated with
10 its excess mobile homes;

11 (3) consider removing excess mobile homes from the market, if
12 possible in concert with other institutional owners of foreclosed residen-
13 tial properties; and

14 (4) analyze and implement alternative ways of managing its
15 excess mobile homes, including demolition, sales, storage in storage lots
16 and mobile home parks, and sales out of the market within and outside of
17 the state.

18 COPIES of this resolution shall be sent to the Honorable Steve Cowper,
19 Governor; and to Ron Lehr, executive director, and the members of the Board
20 of Directors of the Alaska Housing Finance Corporation.

21

BY THE RULES COMMITTEE BY
REQUEST OF THE HOUSE MEMBERS
OF THE JOINT COMMITTEE ON
ECONOMIC RECOVERY

1 IN THE HOUSE

2

HOUSE JOINT RESOLUTION NO. 72

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

Relating to the residential real estate

6

market.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8

WHEREAS some areas of the state are experiencing a severe economic
9 crisis as evidenced by bankruptcies, foreclosures, business failures, and
10 the loss of homes and property values; and

11

WHEREAS the state is experiencing a difficult economic period, espe-
12 cially in the residential real estate market, and many persons are finding
13 it difficult to meet their financial obligations during these times; and

14

WHEREAS keeping people in their homes and facilitating the purchase
15 and sale of homes serves an important public purpose and is financially
16 beneficial to both the borrower and the lender; and

17

WHEREAS borrowers are anxious to continue to meet their financial
18 obligations, but there is a significant number of individuals who are under
19 severe risk of being unable to do so; and

20

WHEREAS many borrowers would be able to meet their financial obliga-
21 tions if various forms of debt restructuring were made possible; and

22

WHEREAS debt restructuring requires the cooperation of the various
23 parties to each real estate loan, including the borrower, the loan origina-
24 tor, the Alaska Housing Finance Corporation or other loan packager, the
25 secondary purchasers of the loans, and the various loan insurers; and

26

WHEREAS the state's economy would be greatly helped if the financial
27 institutions of the state would adjust their lending and collection pol-
28 icies to the present needs and abilities of their customers by using more
29 flexible approaches to stabilize and improve the economy of the state; and

1 WHEREAS present financing packages available to residential real
2 estate borrowers do not provide adequate market liquidity or ability to
3 buy, sell, or trade properties in today's economic circumstances in which
4 debt balances on the properties are nearly equal to or greater than the
5 values of the property; and

6 WHEREAS, in order for residents of the state to meet their financial
7 obligations, the parties to residential loans in the state must be willing
8 to negotiate more creative financing terms and conditions for the benefit
9 of all concerned; and

10 WHEREAS to some extent state agencies and the financial institutions
11 in the state have not yet developed a coherent policy that addresses the
12 current economic crises; and

13 WHEREAS the likelihood of loss or default is lessened if a market is
14 made more liquid, something that will benefit all participants in real
15 estate loans; and

16 WHEREAS the ability to buy, sell, and trade properties in a market
17 that has very high loan-to-value ratios can only be accomplished through
18 innovation and cooperation of the various parties to a real estate loan;
19 and

20 WHEREAS the Alaska Housing Finance Corporation is presently working
21 with the legislature, lending institutions, federal governmental agencies,
22 and private mortgage insurers to find creative ways of refinancing existing
23 mortgages and managing recent acquisitions in the residential real estate
24 market;

25 BE IT RESOLVED by the Alaska State Legislature that the various finan-
26 cial participants in the Alaska real estate market, including the Alaska
27 Housing Finance Corporation, the Department of Commerce and Economic Devel-
28 opment, the Department of Community and Regional Affairs, the Department of
29 Revenue, the Alaska Permanent Fund Corporation, and the various loan

1 servicers, guarantors, and insurers are urged to cooperate in developing
2 innovative ways to restructure debt and to buy, sell, and trade properties
3 for their collective benefit; and be it

4 FURTHER RESOLVED that economic stabilization of the residential real
5 estate market be accomplished with the joint cooperation of the Alaska
6 Housing Finance Corporation, the Department of Commerce and Economic Devel-
7 opment, the Department of Community and Regional Affairs, the Department of
8 Revenue, and the Alaska Permanent Fund Corporation and other agencies of
9 the state and of lending institutions in the state as well as the Federal
10 Housing Administration, the U.S. Department of Housing and Urban Develop-
11 ment, the Veterans Administration, the Federal National Mortgage Asso-
12 ciation, the Government National Mortgage Association, the Federal Home
13 Loan Mortgage Corporation, and private mortgage insurers; and be it

14 FURTHER RESOLVED that the legislature fully supports efforts on the
15 part of the Alaska Housing Finance Corporation, the Department of Commerce
16 and Economic Development, the Department of Community and Regional Affairs,
17 the Department of Revenue, and the Alaska Permanent Fund Corporation to
18 hold foreclosed-upon residential properties off the market in instances
19 where such action makes long-term economic sense.

20 COPIES of this resolution shall be sent to the Honorable Steve Cowper,
21 Governor; the Honorable J. Anthony Smith, commissioner of commerce and
22 economic development; the Honorable David Hoffman, commissioner of com-
23 munity and regional affairs; the Honorable Hugh Malone, commissioner of
24 revenue; Ron Lehr, executive director, Alaska Housing Finance Corporation;
25 Dave Rose, executive director, Alaska Permanent Fund Corporation; the
26 Federal Housing Administration; the U.S. Department of Housing and Urban
27 Development; the Veterans Administration; the Federal National Mortgage
28 Administration; the Government National Mortgage Association; the Federal
29 Home Loan Mortgage Corporation; and to the Honorable Ted Stevens and the

- 1 Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S.
- 2 Representative, members of the Alaska delegation in Congress.

BY THE RULES COMMITTEE BY REQUEST
OF THE HOUSE MEMBERS OF THE JOINT
COMMITTEE ON ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE JOINT RESOLUTION NO. 73

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Urging the Federal Home Loan Bank Board
6 to consider extension of assistance to
7 Alaska financial institutions similar to
8 the board's "Southwest Plan."

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

10 WHEREAS some areas of the state are experiencing a severe economic
11 crisis, as evidenced by bankruptcies, foreclosures, business failures, and
12 the loss of homes and property values; and

13 WHEREAS the state's financial system has been severely strained by the
14 extraordinary economic events precipitated by the collapse of world oil
15 prices; and

16 WHEREAS several banks have closed, to the disadvantage of the families
17 and businesses that banked and borrowed at those banks; and

18 WHEREAS further erosion of the state's banking system is not in the
19 best interests of the state's businesses, homeowners, and a competitive
20 banking system; and

21 WHEREAS the economic distress because of the unprecedented economic
22 contraction within the state is not unlike the economic distress that has
23 been experienced by other petroleum-producing states, notably those in the
24 South and Southwest; and

25 WHEREAS, among other responses to the economic downturn in the South
26 and Southwest, the Federal Home Loan Bank Board, the federal agency that
27 regulates and supervises the federal home loan banks that provide a flexi-
28 ble credit reserve for member savings institutions as a principal financing
29 source for lending institutions, has determined that the region, comprising

1 the states of Arkansas, Louisiana, Mississippi, New Mexico, and Texas,
2 warrants special assistance due to its economic difficulties; and

3 WHEREAS the board has fashioned and implemented a "Southwest Plan"
4 that has provided economic and noneconomic assistance to thrift insti-
5 tutions in that region, partially offsetting the effects of the economic
6 slump; and

7 WHEREAS one of the principal purposes of the "Southwest Plan" is to
8 lower costs for both the Federal Home Loan Bank Board and the lending
9 institutions through an infusion of capital, while preserving adequate
10 services, competition, and basic structure; and

11 WHEREAS the reforms proposed within the "Southwest Plan" should assist
12 thrift institutions in that region to reduce operating costs while main-
13 taining a competitive environment, and improve public confidence in those
14 institutions during a period of economic difficulty;

15 BE IT RESOLVED that the Alaska State Legislature respectfully requests
16 the Alaska delegation in Congress to request the Federal Home Loan Bank
17 Board to consider extension of assistance to financial institutions in
18 Alaska similar to the "Southwest Plan."

19 COPIES of this resolution shall be sent to M. Danny Wall, chairman,
20 and Roger F. Martin and Lawrence J. White, members, Federal Home Loan Bank
21 Board; and to the Honorable Ted Stevens and the Honorable Frank Murkowski,
22 U.S. Senators, and the Honorable Don Young, U.S. Representative, members of
23 the Alaska delegation in Congress.

BY FISCHER, HALFORD, FAIKS, JONES,
STURGULEWSKI, UEHLING, KERTTULA,
KELLY

1 IN THE SENATE

2

SENATE CONCURRENT RESOLUTION NO. 32

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

Urging the state's financial insti-

6

tutions to adopt more flexible lending

7

and collection policies.

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

9

WHEREAS the state is experiencing a difficult economic period, and
10 many persons are finding it difficult to meet their financial obligations
11 and to improve their economic conditions; and

12 WHEREAS it would greatly help the state's economy if the state's
13 financial institutions would adjust their lending and collection policies
14 to the present abilities and needs of their customers by using more flexi-
15 ble approaches, such as collection moratoriums and flexible payment sched-
16 ules;

17 BE IT RESOLVED that the Alaska State Legislature urges the financial
18 institutions of the state to adopt more flexible lending and collection
19 policies in order to help improve the economy of the state.

Original sponsors: Halford, Kelly,
Uehling, et al.

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 333 (L&C)(efd add)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to wage, salary, and benefit claims
7 having priority in certain bank liquidations and to
8 certain bank reports required by the Department of
9 Commerce and Economic Development; and providing for
10 an effective date."

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

12 * Section 1. AS 06.05.045(a) is amended to read:

13 (a) Each [EVERY] state bank shall make at least four reports of
14 condition each year to the department on days designated by it, and on
15 forms prescribed by it. The report shall be verified by an oath of
16 the president, vice president, or cashier and by at least three direc-
17 tors, certifying and subscribing under oath that they and each of them
18 have personal knowledge of the facts stated in the report and that the
19 facts are true. The reports shall exhibit in detail and under appro-
20 priate heads the resources and liabilities of the bank, and each
21 report shall be transmitted or mailed to the department no later than
22 30 [WITHIN 10] days after the date designated for the report [OF THE
23 RECEIPT OF THE REQUEST FROM THE DEPARTMENT].

24 * Sec. 2. AS 06.05.470(t) is amended to read:

25 (t) The following claims have priority in liquidation proceed-
26 ings, in the order listed:

27 (1) obligations incurred by the department;

28 (2) wages, [AND] salaries, and benefits of officers and
29 employees earned during the 12-month [THREE-MONTH] period preceding

1 the department's possession in an amount not exceeding \$12,000
2 [\$3,000] for each person;

3 (3) fees and assessments due to the department;

4 (4) deposits.

5 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

BY HALFORD, FAIKS, UEHLING,
JOSEPHSON, STURGULEWSKI AND
ABOOD

1 IN THE SENATE

2 SENATE BILL NO. 471

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a program in the Alaska Indus-
7 trial Development and Export Authority to guarantee
8 business loans and to refinance debt; and providing
9 for an effective date."

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

11 * Section 1. AS 44.88 is amended by adding new sections to read:

12 ARTICLE 6A. BUSINESS ASSISTANCE PROGRAM.

13 Sec. 44.88.500. BUSINESS ASSISTANCE FUND. The business assis-
14 tance fund is established in the authority from appropriations for the
15 purpose. Subject to the requirements of AS 44.88.500 - 44.88.599, the
16 authority may use money in the fund

17 (1) to guarantee loans to businesses that qualify under
18 AS 44.88.510(a) and apply under AS 44.88.520(a); and

19 (2) to refinance the debt of businesses that qualify under
20 AS 44.88.510(b) and apply under AS 44.88.520(b).

21 Sec. 44.88.510. APPLICANT QUALIFICATIONS. (a) A business
22 enterprise may apply for a loan guarantee under AS 44.88.500 - 44.88.-
23 599. The authority may establish additional applicant qualifications
24 by regulation and these qualifications may vary depending upon the
25 type of business the applicant is engaged in.

26 (b) A business enterprise may apply under AS 44.88.500 -
27 44.88.599 to refinance existing debt. The authority may approve a
28 refinancing of existing debt if the authority finds that

29 (1) the refinancing involves a viable project; and

1 (2) the refinancing will save existing jobs.

2 Sec. 44.88.520. APPLICATION. (a) An applicant for a loan
3 guarantee shall provide an economic benefit analysis prepared by a
4 person acceptable to the authority together with other information
5 that the authority may require by regulation.

6 (b) An applicant for refinancing of existing debt shall provide
7 the information that the authority may require by regulation.

8 Sec. 44.88.530. POWERS OF THE AUTHORITY. The authority may

9 (1) designate agents and delegate powers necessary to
10 implement AS 44.88.500 - 44.88.599;

11 (2) adopt regulations to implement AS 44.88.500 - 44.88.-
12 599;

13 (3) establish terms and conditions for loan guarantees and
14 refinancing agreements subject to the requirements of AS 44.88.500 -
15 44.88.599;

16 (4) make and execute contracts and other instruments to
17 implement AS 44.88.500 - 44.88.599;

18 (5) acquire real or personal property by purchase, trans-
19 fer, or foreclosure when the acquisition is necessary to protect an
20 interest in the fund; and

21 (6) exercise any other power necessary to implement AS 44.-
22 88.500 - 44.88.599.

23 Sec. 44.88.540. CONDITIONS OF LOAN GUARANTEES. (a) The author-
24 ity may guarantee a loan under AS 44.88.500 - 44.88.599 if the

25 (1) loan is commercially reasonable, secured by adequate
26 collateral, and the net cash flow from the borrower provides adequate
27 coverage for the debt service on the loan;

28 (2) term of the loan does not exceed 20 years;

29 (3) loan is originated with and serviced by a state

1 chartered or federally chartered financial institution;

2 (4) portion of the loan not guaranteed by the authority is
3 held by the originating financial institution or another financial
4 institution approved by the authority; and

5 (5) loan is made to a business with a majority interest
6 held by state residents.

7 (b) The authority may provide a guarantee from the fund for up
8 to 90 percent of a loan that qualifies under AS 44.88.550 - 44.88.560.
9 The ratio of the guarantee to the outstanding principal of the loan
10 shall remain the same over the term of the loan.

11 (c) The authority may not guarantee

12 (1) the payment of interest on the guaranteed portion of a
13 loan; or

14 (2) more than \$1,000,000 per loan.

15 Sec. 44.88.550. CONDITIONS OF DEBT REFINANCING. The authority
16 may not refinance debt unless the refinancing

17 (1) is necessary to extend substantial debt payments over a
18 longer period of time, thereby improving the applicant's net cash flow
19 and working capital position consistent with the useful life of the
20 assets being refinanced;

21 (2) assists with short-term debt or cash expenditures when
22 lenders will not extend reasonable longer terms to the applicant; or

23 (3) is necessary to place a permanent loan subsequent to an
24 interim loan for financing construction of the project.

25 Sec. 44.88.560. INTEREST. The maximum interest rate on a loan
26 guaranteed by the authority is

27 (1) for a loan guarantee that equals or exceeds 80 percent
28 of the loan, one and one-half percentage points above the prime rate
29 on the day the loan guarantee is made; and

1 (2) for a loan guarantee that is less than 80 percent of
2 the loan, two and three-quarters percentage points above the prime
3 rate on the day the loan guarantee is made.

4 Sec. 44.88.570. DEFAULT OR FORECLOSURE. (a) Payments received
5 toward satisfaction of a default on a loan guaranteed under AS 44.88.-
6 500 - 44.88.599 shall be allocated between the lender and the fund
7 according to the guaranteed percentage of the loan until the principal
8 balance has been repaid.

9 (b) The authority shall dispose of property acquired through
10 default or foreclosure of a loan guaranteed or refinanced under
11 AS 44.88.500 - 44.88.599. Disposal shall be in a manner that serves
12 the best interest of the state and may include the amortization of
13 payments over a period of years.

14 Sec. 44.88.580. SPECIAL ACCOUNT ESTABLISHED. (a) There is
15 established as a special account within the fund the foreclosure
16 expense account. The account is established as a reserve from fund
17 equity.

18 (b) The authority may expend money credited to the foreclosure
19 expense account when necessary to protect the state's security inter-
20 est in collateral on loans guaranteed or refinanced under AS 44.88.-
21 500 - 44.88.599 or to defray expenses incurred during a foreclosure
22 proceeding after a default.

23 Sec. 44.88.590. PREREQUISITE FOR OTHER LOANS. Notwithstanding
24 other provisions of law, a business enterprise that qualifies under
25 AS 44.88.510(a) to apply for a loan guarantee under AS 44.88.500 -
26 44.88.599 shall apply for a loan guarantee before it may apply for a
27 direct loan of state money under any other state loan program. Only
28 after an application for the guarantee of a loan to be used for a
29 particular purpose is rejected under AS 44.88.500 - 44.88.599 may a

1 business enterprise apply for a direct state loan for that purpose.

2 Sec. 44 88.599. DEFINITIONS. In AS 44.88.500 - 44.88.599,

3 (1) "fund" means the business assistance fund established
4 under AS 44.88.500;

5 (2) "prime rate" means the lowest money center prime rate
6 of interest that is published in the Wall Street Journal.

7 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

Original sponsors: Halford, Faiks,
Kelly, et al.

1 IN THE SENATE BY THE RULES COMMITTEE
2 CS FOR SENATE BILL NO. 392 (Rules)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the Alaska Industrial Development
7 and Export Authority; and providing for an effective
8 date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 44.88.165 is repealed and reenacted to read:
11 Sec. 44.88.165. DELINQUENT LOANS. (a) The authority shall
12 adopt regulations to describe the circumstances under which it will
13 discontinue purchasing loans from a financial institution because of
14 excessive delinquencies among the loans previously purchased from the
15 financial institution. In adopting the regulations, the authority
16 shall take into consideration its delinquency experience with loans it
17 has purchased from all financial institutions.
18 (b) The authority may include in the regulations other remedies
19 it considers appropriate as alternatives to the discontinuance of
20 purchasing loans from the financial institution.
21 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).



Official Business

Alaska State Legislature

House

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Members of the House State Affairs Committee

FROM: Representative Steve Rieger, Co-Chair *SR*
Representative Kay Brown, Co-Chair *Kay*
Subcommittee on Housing and Banking of the
House Joint Economic Recovery Committee

DATE: April 18, 1988

RE: HB 555 - Authorizing AHFC to stabilize the market price
of and the demand for residential housing in the state.

The following is an overview of the above referenced bill. Suggested amendments are noted below and comments to each section are included in boldfaced type for your review. These changes were recommended by Alaska Housing Finance Corporation after their April 11, 1988 board meeting, and most changes have also been discussed by the Subcommittee on Housing and Banking.

Sec. 1 AS 18.56 is amended by adding a new section to read:

*pg. 1
line 13*

Sec. 18.56.210 MARKET STABILIZATION POWERS. (a) If the board of directors determines that it is in the [state's] corporation's best interest, the corporation may take appropriate action to stabilize the market price of and demand for residential housing in the state. To accomplish the purposes of this section, the corporation may:

(1) make and execute necessary agreements and conveyances under which a borrower may exchange residential housing securing a mortgage loan owned, held or sold by the corporation for other residential housing owned by the corporation;

(SPECIFICALLY AHFC LOANS ON LOW QUALITY TRADE UP TO HIGHER QUALITY AHFC HELD CONDOS: WOULD NOT PRE-EMPT CONDO TO HOUSE TRADE UNDER THIS LANGUAGE)

(2) repurchase a mortgage loan sold or pledged by the corporation for the purpose of exercising a power conferred by this section;

(I.E. TRADE UP/DOWN, REFINANCING ABE, EXISTING AHFC MORTGAGES)

(3) for the purpose of qualifying residential housing situated in a condominium project for the best available financing for mortgage loans, make and execute agreements, contracts and other agreements necessary to encourage all owners who occupy units in a condominium project that is not eligible for financing under this chapter to exchange their ownership interest for a condominium unit owned by the corporation in another project;

(ADDRESSES CURRENT "OWNER-OCCUPANCY" FINANCING PROBLEM IN CONDO PROJECTS AND MAY ALSO AFFECT TRADE-UP PROGRAM)

(4) make and execute appropriate agreements with insurers, investors, and guarantors concerning the temporary removal of residential housing owned by the corporation from the resale market;

(AS PER HJR 72 - HOLD FORECLOSED-UPON PROPERTIES OFF THE MARKET IN INSTANCES WHERE SUCH ACTION MAKES LONG-TERM ECONOMIC SENSE)

(5) demolish residential housing owned by the corporation if the corporation determines that the housing is substandard compared to housing available on the open market, cannot be converted to a public or charitable use, and for which there is a substantial oversupply of similar housing on the open market;

(DEMOLISH LOW QUALITY SUBSTANDARD CONDO UNITS)

(6) convert residential housing owned by the corporation which is designed and constructed for owner - occupancy to another beneficial use;

(INCLUDES MENTAL HEALTH HOUSING, SENIOR CITIZEN HOUSING, ASBA LOW INCOME HOUSING, UNIVERSITY DORM HOUSING, ETC.)

(7) make bulk sales of property owned by the corporation under procedures and terms the corporation determines are in the best interests of the corporation;

(ADDRESSES AHFC EXCESS MOBILE HOME PROBLEM (HCR 54); COULD ALSO ADDRESS OVERSUPPLY OF CONDOS)

(8) provide financing under terms established by the board, to promote the sale of residential housing owned by the corporation, if the board of directors determines that the terms of financing do not work an excessive hardship on competing individual sellers of residential housing;

(ALLOWS AHFC TO COMPETE WITH HUD, FNMA LOW FINANCING TERMS IN THE CURRENT MARKET) (NEW LANGUAGE ADDED WOULD ALSO ADDRESS CURRENT OWNER FINANCING PROBLEMS, I.E. THOSE INDIVIDUALS WHO ARE

pg. 2
line 21

ATTEMPTING TO SELL THEIR PROPERTY BUT ARE COMPETING WITH AHFC LOWER FINANCING/OWNER-OCCUPANCY REQUIREMENTS)

(9) invest funds of the corporation in publicly-owned projects involving the destruction of substandard residential housing if the board of directors determines that the investment is prudent, properly secured, and in the long-term best interests of the corporation;

(COULD MEAN A SECURITY INTEREST IN THE LAND IF AHFC FUNDS ARE UTILIZED FOR THIS PURPOSE.)

(10) create subsidiary entities to implement a power conferred by this section and to provide insurance as provided in AS 18.56.093 and 18.56.095; and

(ALLOWS AHFC TO SET UP SUBSIDIARY MANAGEMENT OF AHFC OWNED PROPERTIES. ALSO ALLOWS AHFC TO ESTABLISH ITS OWN MORTGAGE INSURANCE ON CERTAIN PROPERTIES. THEY DO HAVE BROAD GENERAL POWERS IN THIS AREA; HOWEVER, AT THIS TIME, AHFC IS NOT PREPARED TO ESTABLISH IN-HOUSE MORTGAGE INSURANCE PROGRAM UNTIL THEY HAVE HAD A CHANCE TO REVIEW A SIMILAR ARRANGEMENT USED BY THE STATE OF CALIFORNIA. THIS WOULD WORK TO THE BENEFIT OF AHFC IN INSURING MORTGAGES THAT MGIC, FNMA AND OTHER PMI WILL NOT TOUCH IN ALASKA, I.E. CONDO UNITS.)

(11) take other actions necessary, convenient or desirable to carry out the powers granted in this subsection.

(SIMILAR TO GENERAL AHFC POWERS PROVISION IN AS 18.56.090)

(b) The corporation shall implement the powers conferred by this section by adopting regulations under the procedures set out in AS 18.56.088.

Sec. 2 AS 45.50.572 is amended by adding a new subsection to read:

(i) AS 45.50.562 - 45.50.596 do not forbid activities of the Alaska Housing Financing Corporation to stabilize the market price of and demand for residential housing in the state as provided in AS 18.56.210.

(ANTI-TRUST PROVISION - GIVES AHFC SPECIFIC EXEMPTION AUTHORITY TO MAKE ARRANGEMENTS TO HOLD PROPERTIES OFF OF THE MARKET FOR PUBLIC PURPOSES)

Sec. 3 This act takes effect immediately under AS 01.10.070 (c).

Handwritten mark: a stylized 'H' or 'X' with a diagonal line through it.

BY THE RULES COMMITTEE BY
REQUEST OF THE HOUSE MEMBERS
OF THE JOINT COMMITTEE
ON ECONOMIC RECOVERY

1 IN THE HOUSE

2

HOUSE BILL NO. 555

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-
7 ration to fund disposal of substandard publicly owned
8 housing; and providing for an effective date."

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

10 * Section 1. DISPOSAL OF PUBLICLY OWNED SUBSTANDARD HOUSING. Consis-
11 tent with the best interests of the agency, the Alaska Housing Finance
12 Corporation may use not to exceed \$10,000,000 in unrestricted funds avail-
13 able to it for the purpose of making grants to state agencies and munici-
14 palities of the state for the disposal of substandard housing owned by the
15 state or a municipality of the state. The corporation shall take a non-
16 recourse security interest in land occupied by substandard housing disposed
17 of under this section. The funds advanced shall bear interest.

18 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

*Introduced 4/7/88
by House Sec -*

BY THE RULES COMMITTEE BY
REQUEST OF THE HOUSE MEMBERS
OF THE JOINT COMMITTEE
ON ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-
7 ration to fund disposal of substandard publicly owned
8 housing; and providing for an effective date."

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

10 * Section 1. DISPOSAL OF PUBLICLY OWNED SUBSTANDARD HOUSING. Consis-
11 tent with the best interests of the ^{agency} state, the Alaska Housing Finance
12 Corporation may use not to exceed \$^{10,000,000}~~20,000,000~~ in unrestricted funds avail-
13 able to it for the purpose of making grants to state agencies and munici-
14 palities of the state for the disposal of substandard housing owned by the
15 state or a municipality of the state. The corporation shall take a ^{Non-Recourse} securi-
16 ty interest in land occupied by substandard housing disposed of under this
17 section, ~~to recover funds granted under this section.~~ ^{funds advanced} The security interest
18 shall bear interest.

19 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).
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29

Original sponsor: Rules by request/House
Members of the Joint
Committee on Economic
Recovery

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 555 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act authorizing the Alaska Housing Finance Corpo-
7 ration to stabilize the market price of and the
8 demand for residential housing in the state; and
9 providing for an effective date."

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

11 * Section 1. AS 18.56 is amended by adding a new section to read:

12 Sec. 18.56.210. MARKET STABILIZATION POWERS. (a) If the board
13 of directors determines that it is in the best interest of the ^{Corporation} state,
14 the corporation may take appropriate action under this section to
15 stabilize the market price of and demand for residential housing in
16 the state. To accomplish the purposes of this section, the corpo-
17 ration may

18 (1) make and execute necessary agreements and conveyances
19 under which a borrower may exchange residential housing securing a
20 mortgage loan owned, held, or sold by the corporation for other res-
21 idential housing owned by the corporation;

22 (2) repurchase a mortgage loan sold or pledged by the
23 corporation for the purpose of exercising a power conferred by this
24 section;

25 (3) for the purpose of qualifying residential housing
26 situated in a condominium project for the best available financing for
27 mortgage loans, make and execute agreements and contracts necessary to
28 encourage all owners who occupy units in a condominium project that is
29 not eligible for financing under this chapter to exchange their

ownership interest for a condominium unit owned by the corporation in another project;

(4) make and execute appropriate agreements with insurers, investors, and guarantors concerning the temporary removal of residential housing owned by the corporation from the resale market;

(5) demolish residential housing owned by the corporation if the corporation determines that

(A) the housing is substandard compared to housing available on the open market;

(B) the housing cannot be converted to a public or charitable use; and

(C) there is a substantial oversupply of similar housing on the open market;

(6) convert residential housing owned by the corporation that is designed and constructed for owner occupancy to another beneficial use;

(7) make bulk sales of property owned by the corporation under procedures and terms the corporation determines are in the best interests of the corporation;

(8) provide financing under terms established by the board to promote the sale of residential housing owned by the corporation;

if the board of directors determines that the terms of financing do not work an excessive hardship on competing individual sellers of residential housing;
(9) invest funds of the corporation in the removal and disposal of substandard publicly-owned residential housing if the board of directors determines that the investment is prudent, properly secured, and in the long-term best interests of the corporation;

(10) create subsidiary entities to implement a power conferred by this section and to provide insurance under AS 18.56.093 and 18.56.095; and

(11) take other actions necessary, convenient, or desirable

1 to carry out the powers granted in this subsection.

2 (b) The corporation shall implement the powers conferred by (a)
3 of this section by adopting regulations under AS 18.56.088.

4 * Sec. 2. AS 45.50.572 is amended by adding a new subsection to read:

5 (i) AS 45.50.562 - 45.50.596 do not prohibit activities of the
6 Alaska Housing Finance Corporation to stabilize the market price of
7 and demand for residential housing in the state under AS 18.56.210.

8 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).
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Official Business

Alaska State Legislature

House

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Members of the House Judiciary Committee

FROM: Representative Steve Rieger *SR*
Co-Chair, Subcommittee on Housing and Banking
for the House Joint Committee on Economic Recovery

DATE: April 19, 1988

RE: CSHB 549(L&C) - "An Act relating to notice requirements
in the use of a deed of trust; and providing for an
effective date."

* * * * *

The purpose of CSHB 549(L&C) is to inform the borrower who has signed Note secured by the Deed of Trust that he is in fact personally liable for the total amount of the debt, regardless of the market value of the property. In short, it requires a disclosure statement to the borrower of the lender's available remedies, should foreclosure actions be deemed necessary.

If foreclosure is warranted, under current law the lender generally has three choices:

- Suit on the Note for fulfillment of the debt;
- Nonjudicial foreclosure on the Deed of Trust with no deficiency judgment, no right of redemption and no recourse as to the Note;
- Judicial foreclosure on the Deed of Trust with a possible deficiency judgment awarded by the court, and a one year right of redemption period to the borrower.

Under the current CS, if the lender fails to give sufficient notice to the borrower of the lender's foreclosure remedies, then the lender can only foreclose nonjudicially or judicially.

When a person wants to buy a piece of property and does not have sufficient cash for the total payment, he obtains a loan. The borrower agrees to pay the lender for a debt and the lender agrees to give the borrower the funds necessary to secure the property.

A typical loan in Alaska requires the borrower to understand and sign a volume of paperwork upon closing of the loan. A Deed of Trust to secure the property is used, and usually a Note is also signed as evidence of an obligation secured by the Deed of Trust.

Historically, property values had a tendency to increase over the life of a loan. If nonjudicial foreclosure was warranted, the lender simply foreclosed on the Deed of Trust, thereby extinguishing the debt owing, as the property was worth more than the loan and sufficient to cover the debt.

Recently, property values have dropped substantially, and the loan on the property can now exceed the actual market value of the property when purchased. When foreclosure action is taken, the suit alone on the Deed of Trust often will not cover the entire debt amount, (i.e. the property is "under water" or has "negative equity"). The lender has the option to foreclose judicially or nonjudicially; nonjudicial foreclosures are more typical than the judicial type, and definitely less costly.

The borrower's assumption in the past has often been that the lender could only sue on the Deed of Trust. However, the lender does have the option to sue on the Note through judicial means prior to foreclosing on the Deed of Trust (nonjudicially) in order to obtain payment of the debt, and two recent Alaska Supreme Court decisions are cases in point. (Moening v. Alaska Mutual Bank (2/26/88), Conrad v. Counsellors Investment Company (2/26/88)).

At the time of closing, the borrower did indeed sign the Deed of Trust as security for the property and also signed the Note promising to pay the amount of the debt. Yet, because there is so much involved with closing a loan, the simple facts and understandings sometimes get lost in the paper shuffle. The problem lies in the fact that some borrowers were under the assumption that if they were foreclosed upon, they could just turn in the keys and walk away from the property, (thereby extinguishing the debt), and many more borrowers were under the assumption that the lender could not take any personal assets as payment of the debt unless the lender first pursued judicial foreclosure, (i.e. deficiency judgment and right of redemption period). Many borrowers today seem surprised that the lender does indeed have the option to sue on the Note prior to foreclosing on the Deed of Trust.

Attached are copies of the standard notes used by FNMA/FHLMC, AHFC, FHA, VA and a "generic" note one can purchase at a stationary store. You will note that the FNMA/FHLMC and AHFC notes contain language which advises the borrower that he is personally liable for the debt, should foreclosure be deemed necessary. The FHA, VA and generic notes are vague in this area. The Subcommittee on Housing and Banking of the House Joint Economic Recovery Committee has heard testimony from many individuals who felt that the lender had no recourse but to foreclose on the Deed of Trust, even though they did in fact sign a Note as evidence of the obligation secured by the Deed of Trust. CSHB 549 (L&C) would require that the ability of the lender to sue on the Note prior to foreclosing on the Deed of Trust, be stated explicitly; otherwise, that remedy is not available.

In practice, the lender usually forecloses on the Deed of Trust nonjudicially if no workout arrangement can be arranged between the borrower and lender, and in very few cases would the lender chose to look towards the Note prior to foreclosing on the Deed of Trust. Further, if private mortgage insurance (PMI) is in place, (required by the lender when the loan-to-value ratio is 80% or above), the PMI pays the lender for the percentage of the loan it originally covered, frequently with no recourse to the borrower. Therefore, in a foreclosure situation where there is negative equity, it is possible that the market value of the property and the private mortgage insurance would cover the entire debt.

Both FHLMC (Federal Home Loan Mortgage Corporation) and FNMA (Federal National Mortgage Association) have provided positive endorsement for the concept of the legislation. However, due to federal government requirements, they have requested that the "notice" information be contained outside the actual document of the Note, rather than within the body of the Note. FHLMC has also recommended that we consider requiring the explanation to be spelled out in law in order to avoid future "language" problems that would develop if each lender is allowed to write their own language.

Further, the Alaska Association of Realtors endorses the concept of the legislation with an amendment that the language be included as a "rider" to the Note to avoid redrafting of standard forms now used in the industry. Testimony from various Alaska banking institutions recommends the notice language be included as a rider to the Note.

Please be aware that the CS to HB 549 (L&C) provides a change only in the ability of a lender to sue on the Note directly, and even then only in the event that the remedy was not stated on the Note or as a rider to the Note. The original version stated that the only recourses available to the lender were the recourses stated in the Note. In other words, the original version of HB 549 would have required disclosure of the personal obligation of the borrower, and if not disclosed, both the direct suit on the Note remedy and the remedy of a deficiency judgment against personal assets by a court (judicial foreclosure) would not be available.

The lending community has strongly objected to that loss of the judicial foreclosure remedy, even though the remedy would not be available only if there was no disclosure.

JUDICIAL V. NONJUDICIAL FORECLOSURE PROVISIONS:

JUDICIAL FORECLOSURE -

In a judicial foreclosure, the court forecloses on the Deed of Trust, orders the property sold, and may give the lender a deficiency judgement for the difference of what they can sell the property for and what is actually owed on the property. This deficiency judgement is a personal obligation on the part of the borrower. The borrower is also given a "right of redemption" period (one year) to pay what is owed and regain possession to the property, (unless the property is sold to a bonafide purchaser and not subject to the right of redemption).

Judicial foreclosures can take a great deal of effort, are expensive, and time consuming as well.

NONJUDICIAL FORECLOSURE -

Foreclosure conducted outside the court system. No deficiency judgement or right of redemption period allowed. Lender has option to sue on the Note (by judicial means) prior to suing on the Deed of Trust, (AS 09.45.170).

The Alaska Supreme Court concluded in Moening v. Alaska Mutual Bank (2/26/88), a secured creditor may initially ignore the security, and sue on the note, absent an agreement to the contrary. Further, under Conrad v. Counsellors Investment Company (2/26/88), the Supreme Court concluded that the deed of trust does not expressly preclude a suit on the note. Under common law, (AS 34.20.100), a prior suit on the note does not preclude subsequent nonjudicial (or judicial foreclosure) of the security.

Up until recently, it was to the benefit of the lender to foreclose on the Deed of Trust, as the property was usually worth more than the amount owing; suit on the Note was unnecessary, as the lender received the full amount of the debt upon a foreclosure sale of the property. Within the past several years, many property values have dropped significantly, and the amount owing can be more than the actual market value of the property, hence the term "negative equity" or "under water".

The Alaska lending institutions have taken the following three approaches to foreclosure:

1. If the borrower has no significant assets, the lender forecloses on the Deed of Trust. However, if the borrower is making a good faith effort to remedy his defaulting loan status, then the lender usually works with him to bring the loan current before taking steps to foreclose. The lenders are not interested in managing foreclosed properties.

2. If the borrower has other assets to cover the debt, but is willing to work with the lender to alleviate the debt, then the lender does not take up a suit on the Note, but rather attempts to work out some arrangement for payment with the borrower.
3. If the borrower has other assets to cover the debt, but is unwilling to cooperate with the lender in working out some sort of payment arrangements, then the lender may take steps to sue on the Note prior to foreclosing on the Deed of Trust.

Only in Case #3 does the lender sue on the Note, and there have been very few instances where they have been forced to take this remedy prior to foreclosing on the Deed of trust.

The recent Alaska Supreme Court decisions have not altered the way the banks do business in Alaska, and it is "business as usual". What these two cases have pointed out is that the lender does indeed have the option to sue on the Note prior to foreclosing nonjudicially on the Deed of Trust, as per AS 34.20.070 - 34.20.135.

The lender does have the option to a judicial foreclosure, and will in some cases go this route if the lender feels that it is worth going after the holder of the deed of trust personally via a deficiency judgement issued by the courts. (In many cases, it is not worth the time, effort and expenditure to the lender to foreclose via the court system.)

* * * * *

JUDICIAL FORECLOSURE

NONJUDICIAL FORECLOSURE

-Requires Court Action

-No court action required

-Deficiency judgment may be awarded

-No deficiency judgment
-Suit on the Note is optional prior only to nonjudicial foreclosure on Deed of Trust

-Right of Redemption period allowed (one year)

-No Right of Redemption

* * * * *

Mortgage -

A lien on property - does not create title or estate to secure the unpaid balance of the purchase price.

(Mortgages are rarely used in the State of Alaska.)

Foreclosure proceedings can only be conducted judicially, (through the court system) with a mortgage because there is nothing in place in the mortgage document for default remedies.

Deed of Trust

Instrument used by which legal title to real property is placed in one or more trustees to secure the repayment of a sum of money, (or the performance of some other condition). Differs in form from a mortgage as it is essentially a security.

The deed of trust document has prescribed foreclosure provisions, thereby allowing the lender to foreclose outside of court, i.e. nonjudicial foreclosure proceedings. Foreclosure proceedings can be accomplished by judicial or nonjudicial means. Deficiency judgements are prohibited in a nonjudicial foreclosure; however, the lender can sue on the Note prior to a nonjudicially foreclosing on the Deed of Trust. No suit is allowed on the Note if the lender chooses to foreclose nonjudicially on the Deed of Trust first.

Note -

A unilateral instrument containing an express and absolute promise of signer to pay a specified person a definite sum of money at a specified time.

Right of Redemption - that period of time, (one year), as set by statute for the defaulting borrower to "redeem" himself and pay up on the mortgage, thereby regaining "custody" of his property. Generally, there is no right of redemption in a nonjudicial foreclosure.

1776 G Street NW
PO Box 37248
Washington, DC 20013
202/789.4700

**Freddie
Mac**

Owned by America's
Savings Institutions

April 9, 1988

Representative Steve Rieger
Co-Chair, Subcommittee on Housing and Banking
House Joint Economic Recovery Committee
Pouch V
State Capitol
Juneau, Alaska 99811
C/O Ann Ringstad

Dear Representative Rieger:

At Ann Ringstad's request, I am providing you with comments on H.B. 549, a bill requiring a notice on the mortgage note of the lender's remedies under Alaskan state law when a borrower defaults on a mortgage.

By way of background, the Federal Home Loan Mortgage Corporation, better known as Freddie Mac, was created by Congress in 1970 to increase the amount of funds available for mortgage lending. Freddie Mac accomplishes its mandate by purchasing residential mortgages from lenders, thereby replenishing their supply of funds to be lent to additional home buyers. Freddie Mac guarantees the payment of the mortgages and sells securities backed by the mortgages to institutional and private investors. In 1987, Freddie Mac purchased nearly \$102 million in mortgages from Alaska lenders.

Freddie Mac certainly agrees with the concept of an informed consumer. This is not only good public policy, it is good business practice. We commend the Legislature for its concern that consumers be made aware of the lender's ability to utilize several remedies, including deficiency judgments, in default situations.

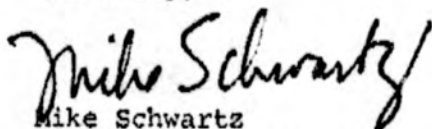
We are concerned about your method for informing the consumer. Adding more information to the note or deed may defeat your intent by making the document too complicated, wordy and intimidating. Also, making Alaska mortgage documents less uniform from notes in other states runs counter to the national trend toward uniform documents. As the mortgage finance industry becomes more reliant on the secondary mortgage market and its investors, uniform documents take on increasing importance.

Representative Steve Rieger
April 9, 1988
Page two

We recommend that you consider requiring an explanation of lenders' remedies on a separate piece of paper which both borrower and lender would sign at closing time. The language of this explanation should be spelled out in the law in order to avoid a different explanation from each lender.

I hope this information is helpful to you and that you will call whenever you have questions on this or other issues of mutual interest.

Sincerely,



Mike Schwartz
Legislative Director

MS:mcf



ALASKA ASSOCIATION OF REALTORS, INC.*

1836 West Northern Lights Blvd. • Anchorage, Alaska 99517
Telephone 907-278-0855

Representative Steve Rieger
Alaska State Legislature
P.O. Box V (MS 3100)
Juneau, Alaska 99811

April 7, 1988

Dear Representative Rieger,

The Alaska Association of REALTORS®, after careful consideration, is supporting the passage of HB 549. The full disclosure to all parties involved in real estate transactions can only benefit the public. The Association would suggest however, that the disclosure be accomplished through a "rider" to other documents. This would serve the purpose without a complete redrafting of the standard forms.

We enthusiastically support passage of HB 549.

Sincerely,

Dea Turner
Executive Vice President



NOTE

See # 8 + 6(c)

19

(City)

Alaska

(Property Address. Add Borrower's Post Office Address, if Different)

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$..... (this amount is called "principal"), plus interest, to the order of the Lender. The Lender is I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

2. INTEREST

Interest will be charged on unpaid principal until the full amount of principal has been paid. I will pay interest at a yearly rate of%.

The interest rate required by this Section 2 is the rate I will pay both before and after any default described in Section 6(B) of this Note.

3. PAYMENTS**(A) Time and Place of Payments**

I will pay principal and interest by making payments every month.

I will make my monthly payments on the day of each month beginning on 19..... I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. My monthly payments will be applied to interest before principal. If, on I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "maturity date."

I will make my monthly payments at or at a different place if required by the Note Holder

(B) Amount of Monthly Payments

My monthly payment will be in the amount of U.S. \$.....

4. BORROWER'S RIGHT TO PREPAY

I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment." When I make a prepayment, I will tell the Note Holder in writing that I am doing so.

I may make a full prepayment or partial prepayments without paying any prepayment charge. The Note Holder will use all of my prepayments to reduce the amount of principal that I owe under this Note. If I make a partial prepayment, there will be no changes in the due date or in the amount of my monthly payment unless the Note Holder agrees in writing to those changes.

5. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (i) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (ii) any sums already collected from me which exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the principal I owe under this Note or by making a direct payment to me. If a refund reduces principal, the reduction will be treated as a partial prepayment.

6. BORROWER'S FAILURE TO PAY AS REQUIRED**(A) Late Charge for Overdue Payments**

If the Note Holder has not received the full amount of any monthly payments by the end of calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be% of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

(B) Default

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

(C) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of principal which has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is delivered or mailed to me.

(D) No Waiver By Note Holder

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Note Holder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys' fees.

7. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

8. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

9. WAIVERS

I and any other person who has obligations under this Note waive the rights of presentment and notice of dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

10. UNIFORM SECURED NOTE

This Note is a uniform instrument with limited variations in some jurisdictions. In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of those conditions are described as follows:

Transfer of the Property or a Beneficial Interest in Borrower. If all or any part of the Property or any interest in it is sold or transferred (or if a beneficial interest in Borrower is sold or transferred and Borrower is not a natural person) without Lender's prior written consent, Lender may, at its option, require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if exercise is prohibited by federal law as of the date of this Security Instrument.

If Lender exercises this option, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is delivered or mailed within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

(Seal)
Borrower

(Seal)
Borrower

(Seal)
Borrower

[Sign Original Only]

APL 08 '88 09:02 LIO - FAIRBANKS

P.2

\$ _____, Alaska, _____, 19____ No. _____

For value received, we jointly and severally promise to pay to the order of

DENALI STATE BANK at its office in _____, Alaska,

_____ DOLLARS

with interest from _____ at the rate of _____ per cent per annum until this note is fully paid.

Principal and interest payable \$ _____ per month _____ on the _____ day of each month, beginning _____, and continuing until this note is paid in full.

The amount of interest due on this note is to be paid at the same time the principal installments are paid. If any such installments of principal or interest is not paid when due, the whole sum of principal and interest shall at the option of the holder become immediately due and payable. Principal and interest are payable only in Legal Currency of the United States of America. For value received each and every party signing or endorsing this note hereby waives presentment, demand, protest, and notice of non-payment, any release or discharge arising from any extension of time, discharge of a prior party, or from any cause other than actual payment in full hereof, binds himself hereon as a principal, not as surety, and promises, if this note is not paid at maturity and is placed in the hands of an attorney for collection, or suit is brought hereon, to pay all costs of collection including reasonable attorney's fees.

Security _____

Mailing Address _____

Living Address _____

FHA FORM NO. 9197A
Revised 1/71

This form is used in connection
with deeds of trust insured under
the one-to-four-family provisions
of the National Housing Act.

DEED OF TRUST NOTE

FHA CASE NO.

\$

, Alaska.
19

FOR VALUE RECEIVED, the undersigned promise(s) to pay to the order of

the principal sum of
Dollars

(\$), with interest from date at the rate of
per centum (%) per annum on the balance remaining from time to time unpaid. The
principal and interest shall be payable at the office of

in
or at such other place as the holder hereof may designate, in writing, in monthly installments of
Dollars

(\$), commencing on the first day of , 19 , and on the
first day of each month thereafter, until the principal and interest are fully paid except that the final
payment of the entire indebtedness evidenced hereby, if not sooner paid, shall be due and payable on
the first day of

If default be made in the payment of any installment under this note, and if such default is not made
good prior to the due date of the next such installment, the entire principal sum and accrued interest
shall at once become due and payable at the option of the holder of this note. Failure to exercise this
option shall not constitute a waiver of the right to exercise the same in the event of any subsequent de-
fault. If any suit or action is instituted to collect this note or any part thereof the undersigned promi-
se(s) and agree(s) to pay, in addition to the costs and disbursements provided by statute, a reasonable
sum as attorney's fees in such suit or action.

The undersigned, whether principal, surety, guarantor, endorser, or other party hereto, agrees to be
jointly and severally bound, severally hereby waive any homestead or exemption right against said debt,
waive demand, protest and notice of demand, protest and nonpayment, and expressly agree that this note
or any payment thereunder may be extended from time to time and consent to the acceptance of further
security, including other types of security, all without in any way affecting the liability of such parties.

This note is secured by a Deed of Trust, of even date herewith, to
as Trustee, on real estate situated in the Recording Precinct,
State of Alaska, and this note is to be construed according to the laws of the State of Alaska.

NOTICE: THIS LOAN IS NOT ASSUMABLE WITHOUT THE APPROVAL OF THE VETERANS ADMINISTRATION OR ITS AUTHORIZED AGENT.

\$ _____, Alaska
_____ 19 _____

FOR VALUE RECEIVED, the undersigned jointly and severally, promise to pay to the order of

the principal sum of

(\$ _____), with interest from date at the rate of _____ Dollars
per centum (_____ %) per annum on the unpaid
balance until paid. The said principal and interest shall be payable at

or at such other place as the holder may designate in writing delivered or mailed to the debtor, in monthly installments of

(\$ _____), commencing on the _____ day of _____ Dollars
19 _____, and continuing on the _____ day of each month thereafter, until this note is fully paid,
except that, if not sooner paid, the final payment of principal and interest shall be due and payable on the
day of _____

Privilege is reserved to prepay at any time, without premium or fee, the entire indebtedness or any part thereof not less than the amount of one installment, or one hundred dollars (\$100.00), whichever is less. Prepayment in full shall be credited on the date received. Partial prepayment, other than on an installment due date, need not be credited until the next following installment due date or thirty days after such prepayment, whichever is earlier.

If any deficiency in the payment of any installment under this note is not made good prior to the due date of the next such installment, or if there be failure to comply with any of the agreements contained in the Deed of Trust securing the Note, the entire principal sum and accrued interest shall at once become due and payable without notice at the option of the holder of this note. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. In the event of default, the undersigned promise(s) and agree(s) to pay necessary expenses as may be incurred in collection, including reasonable attorney's fee.

This note is secured by a Deed of Trust of even date executed by the undersigned on certain property described therein and represents money actually used for the acquisition of said property or the improvements thereon.

The undersigned agree to be jointly and severally bound, severally hereby waive demand, protest and notice of demand, protest and nonpayment, and expressly agree that this note or any payment thereunder may be extended from time to time and consent to the acceptance of further security, including other types of security, all without in any way affecting the liability of such parties.

I HEREBY CERTIFY that this is the note described in and secured by a Deed of Trust of even date herewith and in the same principal amount as herein stated and secured by real estate in the
Recording District, State of Alaska. Dated this _____ day of
_____ 19 _____

My commission expires

Notary Public in and for the State of Alaska

7 HFC
ABE NOTE

NOTE

Loan No. _____, Alaska
_____, 19____

Property Address (Street and Borrower's Post Office Address, if different)

City _____ State _____ Zip Code _____

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay _____ Dollars
(U.S. \$ _____) (this amount will be called "principal"),
plus interest, to the order of the Lender. The Lender is _____. I understand that the Lender
may transfer this Note. The Lender or anyone who takes this Note by
transfer and who is entitled to receive payments under this Note will be
called the "Note Holder".

2. INTEREST

I will pay simple interest at an annual rate of _____%.

Interest will be charged on that part of principal which has not been
paid. Interest will be charged beginning on the date of this Note and
continuing until the full amount of principal has been paid.

3. PAYMENTS

I will pay principal and interest by making payments each month of _____ Dollars
(U.S. \$ _____) on the _____ day of each month beginning
_____, 19____. Such monthly installments shall
remain the same through the third (3rd) year and then shall increase
according to the following schedule.

Beginning of year

4 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

5 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

6 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

7 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

8 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

9 _____ Dollars
(U.S. \$ _____) on the First day of _____, 19____

The monthly installment of _____ Dollars (U.S. \$ _____)
shall continue until the entire indebtedness evidenced by this Note is
fully paid, except that any remaining indebtedness, if not sooner paid,
shall be due and payable on _____.

I will make my monthly payments at _____, or at a different place if required by
the Note Holder.

4. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charges for Overdue Payments

If the Note Holder has not received the full amount of any of my monthly payments by the end of 15 calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be 4% of my overdue payment. I will pay this late charge only once on any late payment.

(B) Default

If I do not pay the full amount of each monthly payment by the date stated in Section 3 above, I will be in default.

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described below, the Note Holder will still have the right to do so if I am in default at a later time.

(C) Notice from Note Holder

If I am in default by more than 30 days, the Note Holder may require me to pay immediately the full amount of principal which has not been paid and all the interest that I owe on that amount.

(D) Payment of Note Holder's Costs and Expenses

If the Note is in default, the Note Holder will have the right to be paid back for all of its costs and expenses in collection amounts due it to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorney's fees.

5. THIS NOTE SECURED BY A DEED OF TRUST

In addition to the protections given to the Note Holder under this Note, a Deed of Trust, dated _____, 19____, protects the Note Holder from possible losses which might result if I do not keep the promises which I make in this Note. The Deed of Trust may be made subject to any addendums attached to the Deed of Trust. If there is a conflict between the provisions of this Note and the provisions of any Addendum, the provisions of the Addendum shall control.

6. BORROWER'S PAYMENTS BEFORE THEY ARE DUE

I have the right to make payments of principal at any time before they are due. A payment of principal only is known as a "prepayment". When I make a prepayment, I will tell the Note Holder in a letter that I am doing so. A prepayment of all of the unpaid principal is known as a "full prepayment". A prepayment of only part of the unpaid principal is known as a "partial prepayment".

I will make a full prepayment or a partial prepayment without paying any penalty. The Note Holder will use all of my prepayments to reduce the amount of the principal that I owe under this Note. If I make a partial prepayment, there will be no delays in the due dates or changes in the amounts of my monthly payments unless the Note Holder agrees in writing to those delays or changes. I may make a full prepayment at any time. If I choose to make a partial prepayment, the Note Holder may require me to make the prepayment on the same day that one of my monthly payments is due. The Note Holder may also require that the amount of my partial prepayment be equal to the amount of principal that would have been part of my next one or more monthly payments.

7. BORROWER'S WAIVERS

I waive my rights to require the Note Holder to do certain things. Those things are: (a) to demand payments of amounts due (known as "presentment"); (b) to give notice that amounts due have not been paid (known as "notice of dishonor"); (c) to obtain an official certification of nonpayment (known as "protest"). Anyone else who agrees to keep the promises made in this Note, or who agrees to make payments to the Note Holder if I fail to keep my promises under this Note, or who signs this Note to transfer it to someone else also waives these rights. These persons are known as "guarantors, sureties, and endorsers".

8. GIVING OF NOTICES

Any notice of default that must be given to me under this Note will be given by delivering it or by mailing it by certified mail addressed to me at the Property Address above. A notice will be delivered or mailed to me at a different address if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by mailing it by certified mail to the Note Holder at the address stated in Section 3 above. A notice will be mailed to the Note Holder at a different address if I am given a notice of that different address.

9. RESPONSIBILITY OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each of us is fully and personally obligated to pay the full amount owed and to keep all of the promises made in this Note. Any guarantor, surety, or endorser of this Note (as described in Section 7 above) is also obligated to do these things. The Note Holder may enforce its rights under this Note against each of us individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note. Any person who takes over my rights or obligations under this Note will have all of my rights and must keep all of my promises made in this Note, but I will still remain liable unless released in writing by the "Note Holder". Any person who takes over the rights or obligations of a guarantor, surety, or endorser of this Note (as described in Section 7 above) is also obligated to keep all of the promises made in this Note.

Borrower

Borrower

Borrower

Borrower

Original sponsor: Rules by Request/House Members
of the Joint Committee on
Economic Recovery

IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

CS FOR HOUSE BILL NO. 549 (L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to notice requirements in the use of
a deed of trust; and providing for an effective
date."

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

* Section 1. AS 34.20 is amended by adding a new section to read:

Sec. 34.20.132. NOTICE OF OTHER REMEDIES. (a) When a lender
uses a note as evidence of an obligation secured by a deed of trust,
the note must affirmatively advise the trustor or borrower and any
other party bound by the note if the beneficiary or lender wants the
option to bring suit directly on the note to collect an amount owing
under the note without first foreclosing the deed of trust. This
option must be stated in writing within the note or as a separate
document. If a note executed after the effective date of this Act
fails to contain the notice specified in this section, the debt
secured by the deed of trust may be foreclosed under AS 09.45.170 -
09.45.220 or AS 34.20.070 - 34.20.135.

(b) If the beneficiary or lender wishes to collect an amount
owing under the note without first foreclosing the deed of trust, the
following language is sufficient in the note:

The trustor or borrower is personally obligated and fully
liable for the amount due under the note. The security
available to the beneficiary or lender is not limited to
the property identified in the deed of trust and the bene-
ficiary or lender has the right to sue on the note and

1 obtain a personal judgment against the trustor or borrower
2 for satisfaction of the amount due under the note either
3 before or after a judicial foreclosure of the deed of
4 trust under AS 09.45.170 - 09.45.220.
5 (c) In this section, "note" includes a rider to the note.
6 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

345

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSHB 549 (L&C)
PUBLISH DATE: HOUSE 4/15/88

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
Title: An Act relating to notice BRU: _____
requirements on use of a deed of trust
Sponsor: Rules Committee Components: Banking
Requester: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Lawrence P. Carroll
Prepared by: Lawrence P. Carroll, Acting Director
Division: Banking, Securities & Corporations
Approved by Commissioner: *J. Anthony Smith*
Agency: Department of Commerce & Economic Development

Phone: 465-2521
Date: 4/11/88
Date: 4/12/88

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

BY THE RULES COMMITTEE BY REQUEST
OF THE HOUSE MEMBERS OF THE JOINT
COMMITTEE ON ECONOMIC RECOVERY

1 IN THE HOUSE

2 HOUSE BILL NO. 549

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to notice requirements on the use of
7 a deed of trust; and providing for an effective
8 date."

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10 * Section 1. AS 34.20 is amended by adding a new section to read:

11 Sec. 34.20.132. NOTICE OF OTHER REMEDIES. When a lender uses a
12 note as evidence of an obligation secured by a deed of trust, the note
13 must affirmatively advise the trustor and any other party bound by the
14 note, in writing within the note, of the security, recourse, and other
15 remedies, if any, available to the beneficiary. If it is intended to
16 permit the beneficiary to bring suit to collect an amount owing on the
17 obligation without foreclosing the deed of trust, this intent must be
18 stated in writing in the note. A beneficiary may not use a remedy not
19 specifically and clearly stated on a note executed after the effective
20 date of this Act. If a note executed after the effective date of this
21 Act fails to contain the notice required by this section, the debt
22 secured by the deed of trust may be foreclosed only under AS 34.20.-
23 070 - 34.20.135, a deficiency judgment may not be entered, and no
24 other action may be taken nor judgment entered against the trustor,
25 surety, or guarantor on the obligation secured by the note.

26 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HB 549
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
Title: An Act relating to notice BRU: _____
requirements on use of a deed of trust
Sponsor: Rules Committee Components: Banking
Requester: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Lawrence P. Carroll, Acting Director
Division: Banking, Securities & Corporations
Approved by Commissioner: Anthony Smith
Agency: Department of Commerce & Economic Development

Phone: 465-2521
Date: 4/11/88
Date: 4/12/88

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

page ____ of ____

13860-1/041188a

WORK DRAFT

WORK DRAFT

WORK DRAFT



5-2066N ✓
Bradley
4/14/88

Original sponsor: Rules by Request/House Members
of the Joint Committee on
Economic Recovery

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 549 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to notice requirement on the use of
7 a deed of trust; and providing for an effective
8 date."

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

10 * Section 1. AS 34.20 is amended by adding a new section to read:

11 Sec. 34.20.132. NOTICE OF OTHER REMEDIES. (a) When a lender
12 uses a note as evidence of an obligation secured by a deed of trust,
13 the note must affirmatively advise the trustor and any other party
14 bound by the note if the beneficiary wants the option to bring suit
15 directly on the note to collect an amount owing under the note without
16 first foreclosing the deed of trust. This option must be stated in
17 writing within the note. If a note executed after the effective date
18 of this Act fails to contain a notice specified in this section, the
19 debt secured by the deed of trust may be foreclosed only under AS 34.-
20 20.070 - 34.20.135, a deficiency judgment may not be entered, and no
21 other action may be taken nor judgment entered against the trustor,
22 surety, or guarantor on the obligation secured by the note.

23 (b) If the beneficiary wishes to collect an amount owing on the
24 note without first foreclosing the deed of trust, the following lan-
25 guage is sufficient in the note:

26 The borrower
27 ~~shall be deemed to have agreed to the following language:~~

1 in the deed of trust and the lender has the right to
2 sue on the note and obtain a personal judgment
3 against the borrower for satisfaction of the amount due
4 under the note either before or after a judicial fore-
5 closure of the deed of trust under AS 09.45.170 - 09.45.220.

6 (c) In this section, "note" includes a rider to the note.

7 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).
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Work Draft #5-2038A dated 3/16/88

"Urging extension of the Federal Home Loan Bank Board's
"Southwest Plan" to Alaska."

By the Joint Committee on Economic Recovery (for the Subcommittee
on Small Business)

Page Two, Line 7 through 10:

WHEREAS one of the [a] principal purposes of the Southwest Plan
is to [realize economics of scale, reduce operating expenses, and
eliminate redundancies of thrift institutions] lower costs for
both the Federal Home Loan Bank Board and the lending
institutions through an infusion of capital, while preserving
adequate services, competition, and basic structure; and

5-2038A
Chenoweth
3/16/88

BY THE JOINT COMMITTEE ON ECONOMIC
RECOVERY (For the Subcommittee on
Small Business)

1 IN THE HOUSE

2 HOUSE JOINT RESOLUTION NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Urging extension of the Federal Home
6 Loan Bank Board's "Southwest Plan" to
7 Alaska.

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

9 WHEREAS the economy of the state is severely depressed, unemployment
10 is extraordinarily high, real estate values have fallen by as much as 50
11 percent in some metropolitan areas, thousands of families have lost their
12 jobs and homes, and hundreds of small businesses are close to failure; and

13 WHEREAS the state's financial system has been severely strained by the
14 extraordinary economic events precipitated by the collapse of world oil
15 prices; and

16 WHEREAS several banks have closed, to the disadvantage of the families
17 and businesses that banked and borrowed at those banks; and

18 WHEREAS further erosion of the state's banking system is not in the
19 best interests of the state's businesses, homeowners, and a competitive
20 banking system; and

21 WHEREAS the economic distress because of the unprecedented economic
22 contraction within the state is not unlike the economic distress that has
23 been experienced by other petroleum-producing states, notably those in the
24 South and Southwest; and

25 WHEREAS, among other responses to the economic downturn in the South
26 and Southwest, the Federal Home Loan Bank Board, the federal agency that
27 regulates and supervises the federal home loan banks that provide a flexi-
28 ble credit reserve for member savings institutions as a principal financing
29 source for lending institutions, has determined that the region, comprising

1 the states of Arkansas, Louisiana, Mississippi, New Mexico, and Texas,
2 warrants special assistance due to its economic difficulties; and

3 WHEREAS the board has fashioned and implemented a "Southwest Plan"
4 that has provided economic and noneconomic assistance to thrift insti-
5 tutions in that region, partially offsetting the effects of the economic
6 slump; and

7 WHEREAS a principal purpose of the "Southwest Plan" is to realize
8 economics of scale, reduce operating expenses, and eliminate redundancies
9 of thrift institutions while preserving adequate services, competition, and
10 basic structure; and

11 WHEREAS the reforms proposed within the "Southwest Plan" should assist
12 thrift institutions in that region to reduce operating costs while main-
13 taining a competitive environment, and improve public confidence in those
14 institutions during a period of economic difficulty;

15 BE IT RESOLVED that the Alaska State Legislature respectfully requests
16 the Alaska delegation in Congress to request the Federal Home Loan Bank
17 Board to extend the "Southwest Plan" to financial institutions in Alaska.

18 COPIES of this resolution shall be sent to the Honorable Ted Stevens
19 and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don
20 Young, U.S. Representative, members of the Alaska delegation in Congress.
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DRAFT
by Rieyer

BY THE JOINT COMMITTEE ON ECONOMIC
RECOVERY (For the Subcommittee on
Housing and Banking)

1 IN THE HOUSE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to notice requirements on the use of
7 a deed of trust; and providing for an effective
8 date."

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17 obligation without foreclosing the deed of trust, this intent must be
18 stated in writing in the note. A beneficiary may not use a remedy not
19 specifically and clearly stated on a note executed after the effective
20 date of this Act. If a note executed after the effective date of this
21 Act fails to contain the notice required by this section, the debt
22 secured by the deed of trust may be foreclosed only under AS 34.20.-
23 070 - 34.20.135, a deficiency judgment may not be entered, and no
24 other action may be taken nor judgment entered against the trustor,
25 surety, or guarantor on the obligation secured by the note.

26 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).
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JOINT LIABILITY IN PARTNERSHIPS.

March 4, 1988

No. 22



Official Business

Alaska State Legislature House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

BY THE JOINT COMMITTEE ON ECONOMIC RECOVERY

March 2, 1988

COMMITTEE RESOLUTION

Relating to the Residential Real Estate Market

WHEREAS the Alaska State Building Authority, (ASBA), has proposed a comprehensive plan to relocate the tenants, and then demolish Willow Park, a 150-unit, low-rent housing project; and

WHEREAS ASBA is seeking funding for this project from federal, state and local sources; and

WHEREAS the existing structures are 35 years old and in need of extensive renovation to remedy safety code violations, and renovation would cost more than the structures are worth; and

WHEREAS removing substandard units and replacing them with available public and privately owned housing units will help to stabilize the current housing market and help bring substantial new federal funds into a local Alaskan economy; and

March 4, 1988

WHEREAS relocation would provide an improved quality of life for the current residents of Willow Park; and

WHEREAS the complexes are functionally obsolete and a blight on the community; and

WHEREAS the Committee recognizes the value of the Willow Park demolition project and recognizes a responsibility for asbestos abatement of this state-owned facility; and

WHEREAS federal funding for relocation of the Willow Park tenants is directly related to garnering state or local funding of other costs, including asbestos abatement, demolition and site restoration

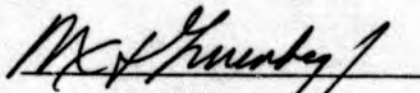
BE IT RESOLVED that the Committee supports all efforts to obtain state, federal and local funds to complete this relocation and demolition project.

BE IT FURTHER RESOLVED that the Committee recommends that finding appropriate and sufficient state and local funding sources remain both a state legislative and municipal government priority, and that further analysis for consideration by the Legislature in upcoming appropriation actions be completed as soon as possible. The Committee further recommends that final

March 4, 1988

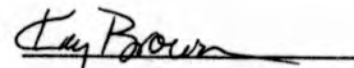
project costs exclusive of federal relocation assistance funds, once verified and funded, be spelled out in a memorandum of understanding between the state and local government by the Alaska State Building Authority subject to the conditions for appropriation the Legislature deems advisable.

Signed this 2nd day of March, 1988



Representative Max Gruenberg

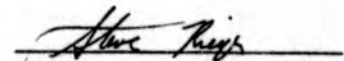
Chairman, House Joint Economic Recovery Committee



Representative Kay Brown

Co-Chairperson

Housing & Banking Subcommittee



Representative Steve Rieger

Co-Chairperson

Housing & Banking Subcommittee



Official Business

Alaska State Legislature

House

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nom. for
Alaska State
Bldg Auth
P.O. BOX V
State Capitol
Juneau, Alaska 99811

BY THE JOINT COMMITTEE ON ECONOMIC RECOVERY

March 2, 1988

COMMITTEE RESOLUTION

Relating to the Residential Real Estate Market

WHEREAS the Alaska State Building Authority, (ASBA), has proposed a comprehensive plan to relocate the tenants, and then demolish Willow Park, a 150-unit, low-rent housing project; and

WHEREAS ASBA is seeking funding for this project from federal, state and local sources; and

WHEREAS the existing structures are 35 years old and in need of extensive renovation to remedy safety code violations, and renovation would cost more than the structures are worth; and

WHEREAS removing substandard units and replacing them with available public and privately owned housing units will help to stabilize the current housing market and help bring substantial new federal funds into a local Alaskan economy; and

WHEREAS relocation would provide an improved quality of life for the current residents of Willow Park; and

WHEREAS the complexes are functionally obsolete and a blight on the community; and

WHEREAS the Committee recognizes the value of the Willow Park demolition project and recognizes a responsibility for asbestos abatement of this state-owned facility; and

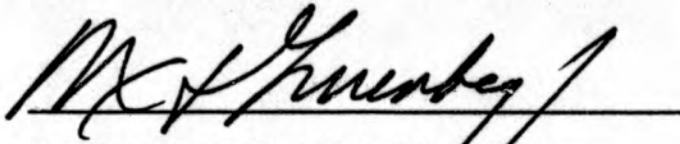
WHEREAS federal funding for relocation of the Willow Park tenants is directly related to garnering state or local funding of other costs, including asbestos abatement, demolition and site restoration.

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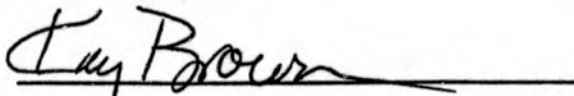
project costs exclusive of federal relocation assistance funds, once verified and funded, be spelled out in a memorandum of understanding between the state and local government by the Alaska State Building Authority subject to the conditions for appropriation the Legislature deems advisable.

Signed this 2nd day of March, 1988



Representative Max Gruenberg

Chairman, House Joint Economic Recovery Committee



Representative Kay Brown

Co-Chairperson

Housing & Banking Subcommittee



Representative Steve Rieger

Co-Chairperson

Housing & Banking Subcommittee



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

Report to the Joint Committee on Economic Recovery
by the
House Subcommittee on Housing and Banking
February 22, 1988

Introduction

The House Subcommittee on Housing and Banking has begun investigating these threshold issues and questions: Should state government act to prop up the real estate market (residential or commercial)? Would proposed actions be effective? Who benefits and who loses? How would the overall economy, and the recovery from recession, be affected? How will active commercial loans (performing, non-real estate) be treated under various alternatives?

The Subcommittee also has begun investigating specific legislation.

The Subcommittee will continue its review on these questions and proposals, and will bring recommendations to the full committee as rapidly as possible.

Recommendation on AEDC Proposal

The Subcommittee was asked by the House chairman of the Joint Economic Recovery Committee to review and recommend whether to appropriate \$250,000 to the Anchorage Economic Development Corporation (AEDC) for

assessment of the FDIC portfolio. The assessment would provide information needed to decide whether to purchase the portfolio with the proceeds of a bond issue, perhaps supported by the state's "moral obligation."

The Subcommittee conducted more than 12 hours of hearings on the AEDC proposal and other related issues during the past week.

The Subcommittee recommends against appropriation of \$250,000 to AEDC for FDIC portfolio assessment at this time.

However, the Subcommittee believes there is a need to acquire additional information about the FDIC portfolio, particularly about the so-called "orphaned" commercial loans -- performing, non-real estate loans which may need a continuing line of credit. Investigations into the extent of this problem may lead to recommendations regarding the FDIC portfolio or those specific loans.

The Subcommittee has not taken a position on other proposals or legislation which need further investigation, such as the "real estate stabilization trust" described in the Hallwood Group proposal of Feb. 18, and other bridge bank concepts.

Agenda for Week of Feb. 22-29

The Subcommittee hopes to bring forward by next week additional recommendations on items that could be immediately pursued or enacted by the Legislature, such as:

- Early funding of 10 additional positions for AHFC.
- Early funding for demolition of Willow Park and Hollywood Vista projects in Anchorage.
- Resolution requesting assistance from federal agencies.

The Subcommittee has scheduled the following meetings:

Thursday, Feb. 25, 8 a.m., House Finance Committee Room

Bert Wagnon, AIDEA

Barry Hulin, First Federal Bank

Thursday, Feb. 25, 5 p.m., Room to be announced

*Willis Kirkpatrick, Division of Banking, Securities and Corporations

Saturday, Feb. 27, noon, House Finance Committee Room

Work session on residential issues

Monday, Feb. 29, 8 a.m., Room to be announced

Report to full Committee on Subcommittee recommendations

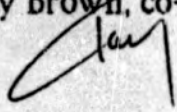
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House Subcommittee on Housing and Banking

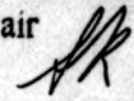
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Submitted by:

Rep. Kay Brown, co-chair



Rep. Steve Rieger, co-chair



cc: House Subcommittee on Housing and Banking

Rep. Mike Davis

Rep. Fran Ulmer

Rep. Mark Boyer

Rep. Pat Pourchot

Rep. Steve Frank

Rep. Henry Springer

Rep. Dave Donley

Rep. Virginia Collins

Rep. Randy Phillips

Rep. Mike Navarre



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

Report to the Joint Committee on Economic Recovery
by the
House Subcommittee on Housing and Banking
February 29, 1988

Re: Willow Park Housing Project
Statement of Subcommittee Intent

A total appropriation of up to \$2.6 million of state funds is sought for the purpose of asbestos removal for demolition of Willow Park Housing Complex.

The Alaska State Building Authority has proposed a comprehensive plan to remove Willow Park, a 150-unit, low-rent housing project, from the Anchorage rental inventory. ASBA is seeking funding for this project from the federal, state and municipal governments. The total project cost is \$13.8 million.

The \$9 million in federal funds for relocation of the Willow Park tenants is contingent upon state or local funding of \$4.8 million of other costs, including asbestos abatement, demolition and site restoration.

COMMITTEE RESOLUTION:

The Subcommittee recognizes the value of the Willow Park demolition project and recognizes a responsibility for asbestos abatement of this state-owned facility.

The Subcommittee supports efforts to obtain state, federal and local funds to complete this relocation and demolition project.

The Subcommittee recognizes that the specific dollar amounts for demolition and asbestos abatement are still being refined.

The Subcommittee recommends that additional analysis be done to find appropriate sources of funding. The Subcommittee further recommends that project costs be spelled out in a project agreement between the state, federal and local governments.

JOINT COMMITTEE ON ECONOMIC RECOVERY
LEGISLATION UNDER CONSIDERATION BY THE HOUSE

The following bills and resolutions are presented under various "packages" determined by subject area. This is a preliminary review list from which a final list of bills would be drawn. There is some overlap between subject areas as some bills were considered by a number of subcommittees.

HOUSING AND BANKING

- HB 402 - Relating to Alaska Industrial Development and Export Authority.
BY: Rules Committee by request of Governor
STATUS:
- HE 429 - Optional exemptions from municipal property tax.
BY: Labor & Commerce Committee
STATUS:
- HB 436 - Neighborhood Business Development Fund.
BY: Labor & Commerce Committee
STATUS:
- HB 431 - Appropriation: Neighborhood Business Development Fund.
BY: Labor & Commerce Committee
STATUS:
- HB 432 - Authorizing AHFC to accept trades.
BY: Donley
STATUS:
- HB 433 - Lien foreclosure moratorium.
BY: Labor & Commerce
STATUS:
- HB 434 - Relating to municipal development and redevelopment.
BY: Menard
STATUS:

HB 457 - Relating to the Alaska stabilization assistance program.
BY: Pettyjohn
STATUS:

HB 458 - Appropriation: Alaska stabilization assistance program.
BY: Pettyjohn
STATUS:

SB 338 - Relating to Uniform Common Interest Ownership Act.
BY: Faiks
STATUS:

Other legislation is under consideration for introduction.

BUSINESS PACKAGE

HB 219 - Appropriation: Alaska Center for International Business.
BY: Rules Committee by Request of Governor
STATUS:
(SB 220 Rules by request, Status:)

HB 402 - (see above under Housing and Banking)

HB 419 - Community economic disaster revolving loan fund.
BY: Rules Committee by Request of Governor
STATUS:

HB 430 - (see above under Housing and Banking)

HB 431 - (see above under Housing and Banking)

HB 432 - (see above under Housing and Banking)

EMPLOYMENT AND INDUSTRY PACKAGE

HB 15 - Enterprise zones; tax credits.
BY: Martin
STATUS:

HB 26 - Date-Labeling of milk products.
BY: Martin
STATUS:
(SB 105 by Kerttula, status:)

HB 43 - Return transportation for certain workers.
BY: Donley
STATUS:

HB 45 - Alaska bidder preference.
BY: Donley

STATUS:

- HB 60 - Export enterprises.
BY: Martin
STATUS:
- HB 145 - Resident hire; projects on state land.
BY: Donley
STATUS:
- HB 162 - Work in underground mines.
BY: Ulmer
STATUS:
- HB 185 - State loan programs; changes/elimination.
BY: Rules Committee by Request of Governor
STATUS:
- HB 209 - Port authority for municipalities.
BY: Larson
STATUS:
- HB 227 - Joint insurance arrangements.
BY: Taylor
STATUS:
- HB 326 - Hiring local state employees.
BY: Herrmann
STATUS:
- HB 353 - Revision of Workers' Compensation laws.
BY: Labor & Commerce Committee
STATUS:
(SB 322 by Labor & Commerce, status:)
- HB 421 - Pipeline property tax exemption.
BY: Donley
STATUS:
- HB 430 - (see above under Housing and Banking)
- HB 431 - (see above under Housing and Banking)
- HCR 39 - Restrict foreign workers on OCS rigs.
BY: Donley
STATUS:
- HCR 45 - Encouraging local hire.
BY: Pearce
STATUS:
- HJR 20 - Urging Alaska hire by federal government.
BY: Shultz
STATUS:

HJR 22 - Resident hire on defense projects.
BY: Boyer
STATUS:

HJR 24 - Federal funds for job training, voc/ed.
BY: Boyer
STATUS:
(SJR 31 by Duncan, status:)

HJR 57 - Over-the-horizon backscatter radar.
BY: Shultz
STATUS:
(SJR 65 by Coghill, status:)

SB 64 - Export enterprises under A.I.D.A.
BY: Kelly
STATUS:

SB 135 - Limiting hire of nonresident teachers
BY: Josephson
STATUS:

SB 166 - Regulations affecting small entities.
BY: Fahrenkamp
STATUS:

SB 261 - Unemployment Insurance Trust Fund.
BY: Rules Committee by Request of Governor
STATUS:

SB 345 - Resource development dispute task force.
BY: Szymanski
STATUS:

SB 414 - Foreign Trade Zones.
BY: Rules Committee by Request of Governor
STATUS:

SB 433 - Fisheries Business Tax Credits
BY: Zharoff
STATUS:

SB 471 - Business loan guarantee/refinance program.
BY: Halford
STATUS:

SCR 30 - Encouraging resident hire by the state.
BY: Coghill
STATUS:

SCR 42 - Supporting mini-module production.
BY: Faiks
STATUS:

SJR 35 - Timber industry in Southeast Alaska.
BY: Jones
STATUS:

SJR 64 - Resident hire: Amchitka, Shemya, Adak.
BY: Zharoff
STATUS:

FISHERIES PACKAGE

HB 108 - Aquatic Farming.
BY: Ellis
STATUS:

HB 492 - Appropriation: Alaska Bottomfish Development Plan.
BY: Herrmann
STATUS:

HB 509 - Commercial Fisheries Loans.
BY: Herrmann
STATUS:

HB 518 - Aquatic Farming.
BY: Hudson
STATUS:

HJR 64 - Alaska fishing in Exclusive Economic Zone.
BY: Herrmann
STATUS:

SB 410 - Operation of state hatcheries by contract.
BY: Eliason
STATUS:

SB 433 - (see above under employment and industry)

RESOURCE DEVELOPMENT PACKAGE

HB 423 - Appropriation: Tourism and recreation projects.
BY: Brown
STATUS:

HB 471 - Temporary oil and gas royalty waivers.
BY: Gruenberg
STATUS:

HJR 13 - Foreign Export of Alaska Crude Oil.
BY: Davis
STATUS:

HJR 49 - Visitor's facility, South side of Denali.
BY: Pearce
STATUS:

(SJR 49 by Sturgulewski, status:)

SB 112 - Forest management agreements.

BY: Jones

STATUS:

(HB 141 by Taylor, status:)

SB 367 - Municipal tax exemption; state resources.

BY: Duncan

STATUS:

SB 443 - Game bird farming.

BY: Coghill

STATUS:

TRANSPORTATION PACKAGE

HB 62 - Creating Alaska Marine Highway Authority.

BY: Cato

STATUS:

HB 479 - Appropriation: Marine Highway System.

BY: Goll

STATUS:

HCR 34 - Tourist oriented directional signs.

BY: Larson

STATUS:

SCR 9 - Winter service Alaska Marine Highway.

BY: Jones

STATUS:

SJR 11 - Repeal Jones Act.

BY: Coghill

STATUS:

INTERIOR REGION

HB 202 - A revision of the Cooperative Codes Revision Act.

BY: Labor & Commerce Committee

STATUS:

HB 253 - Relating to the Alaska Research Policy Act and the science and engineering advisory commission.

BY: Rules Committee by Request of Governor

STATUS:

HB 318 - Establishing the Alaska energy efficient home equity fund.

BY: Ellis

STATUS:

(SB 308 by Fahrenkamp, Status:)

HB 394 - Relating to electric and telephone cooperatives.
BY: Labor & Commerce Committee
STATUS:

HB 430 - (see above under Housing and Banking)

HB 431 - (see above under Housing and Banking)

SB 166 - (see above under Employment and Industry)

HR 5 - Local effects of state budget cuts.
BY: Community & Regional Affairs Committee
STATUS: