

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

1570 SCOMM 59: JNT. COMMITTEE ON ECONOMIC RECOVERY, 1988

1367

Alaska State Legislature

Senate Advisory Council



PO Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Anchorage Delegation
Alaska State Senate

FROM: Sheila F. Helgath, PhD *SFH*
Senate Advisory Council

DATE: January 28, 1988

SUBJECT: Summary of the Role of Public Housing in Market Stabilization
Anchorage, Alaska, Solutions and Proposals by Alaska State Building
Authority

Senate President Faiks requested that the Senate Advisory Council summarize the Role of Public Housing in Market Stabilization Anchorage, Alaska, Solutions and Proposals which is the large red document you received recently from the Alaska State Building Authority. The attached memorandum is that summary. Please contact Senate Advisory Council if you have further questions regarding the summary.

JF:SFH:
Attachment

Alaska State Legislature

Senate Advisory Council



PO. Box V
State Capitol
Juneau, Alaska 99811
Phone: (907) 465-3114

MEMORANDUM

TO: Senator Jan Faiks

FROM: Sheila F. Helgath, PhD *LZH*
Alaska State Senate Advisory Council

DATE: January 27, 1988

SUBJECT: Summary of The Role of Public Housing in Market Stabilization
Anchorage Alaska, Solutions and Proposals IR# 88-003219

You have requested that the report The Role of Public Housing in Market Stabilization, Anchorage Alaska, Solutions and Proposals be summarized and the major points be highlighted. The following is a description of the proposal with pertinent information regarding the housing market in Anchorage. The proposal contains numerous articles which illustrate the condition of Anchorage's housing market and should be considered a good reference. Additional information is presented regarding housing conditions statewide to conclude this memorandum.

A) The Anchorage Housing Market

In October there were nearly 14,000 vacant housing units in Anchorage. Table 1. Vacancy Rates in the Anchorage Area July 1987 illustrates that the highest vacancies are in larger apartment units. Newspaper and magazine articles included in the appendix of the document indicate that older units and the lower cost units are a part of this phenomena. The vacancy rates are similar to vacancy rates in 1980 after the TransAlaska Pipeline construction boom. Because of the vacancies and subsequent rent values in the market place, low income housing that would normally be full is experiencing a decline in occupancy.

Table 1. Vacancy Rates in the Anchorage Area July 1987

	<u>Vacancy Rate</u>	<u># Units Vacant</u>	<u>Total # Units</u>
Single family residences	7.1%	2,806	39,520
2-4 units per building	16.5%	3,550	21,516
5 or more units	26.0%	3,707	22,464
Mobile homes	19.9%	1,552	7,798

Source: 1987 Housing and Population Surveys Municipality of Anchorage

The situation in Anchorage has resulted in declining housing values since housing prices respond to supply and demand. When prices fall below 20% of purchase prices the rate of defaults and foreclosures increase dramatically. In other areas affected by declining oil revenues and in a highly fragmented market, housing values have fallen as much as 50% and 60%. Several solutions have been presented which could help mitigate the situation. Because the State of Alaska, through the Alaska Housing Finance Corporation, is the major actor it may be possible to hold properties back while natural growth occurs. Holding properties is expensive, one estimate presented was between \$18 and \$30 per day. If a natural growth rate of 2 percent occurs the vacancies would be eliminated in 10 years. Another suggestion is the demolition of substandard housing to decrease the glut of housing (Green, 1988). The proposal below reflects the latter suggestion.

B) The ASBA Proposal

The proposal is to demolish Willow Park, a Federally funded 150 unit low income housing project, and to relocate 80 of the 135 families, who are currently occupants, in single family residences purchased from institutional holders backlog of foreclosed properties. The Alaska State Building Authority (ASBA) is the current manager of Willow Park. Willow Park is a 35 year old set of 20, two story apartment buildings and two administrative buildings located at 9th and Willow Street in Anchorage. At present 80 percent of the 135 families who live in the project are Native Alaskans. It is proposed that HUD provide the funding for the 80 homes and that either the State of Alaska or the Municipality of Anchorage provide the funding for demolition.

The project can not proceed until HUD's regional office in Seattle gives approval for demolition. Approval will be based upon criteria in HUD's Handbook on Public Housing Demolition and Resolatory Procedures. Questions such as the condition of the housing stock, alternative low income housing, location, and socio-economic impact needs to be addressed. With public hearing processes and legal requirements for moving tenants it could take as long as two years to complete the transition.

The decision to request demolition of the project was based upon several factors: building code violations, cost of renovation exceeding the value of the properties, outdated architectural design for occupant needs, and an adequate supply of low income housing in the private market. The project was cited on June 11, 1987 for building code violations by the Municipality of Anchorage. Electric services, fire safety, venting, and vapor barriers are the code violation problems. In addition the physical layout of the apartments, with bedrooms upstairs make the project unavailable for elderly and handicapped people who use wheelchairs. Finally asbestos has been found in the project and needs to be removed.

The maximum amount allowed by HUD for renovation of Willow Park would be \$7,683,700 while the estimate for renovation is \$12,769,041. ASBA applied for money to do the renovation last year and was denied by HUD. HUD regulations stipulate that renovations should not cost more than 75% of the value of the project. Demolition costs are \$4,829,592 of which \$2,624,904 are for asbestos abatement which will occur because of health liabilities

whether the building is renovated, demolished or left as is. Currently the value of the land is \$1.72 million and the insurance coverage is \$11.7 million although the Municipality of Anchorage assess the buildings at \$0.

C) Issues and Analysis

The project land status is an issue. Originally the land was transferred by the Federal government to the City of Anchorage. A 1918 Federal executive order authorized sale of a portion of the land and the City obtained patent #873718 on July 1922 for a low income housing project. The patent stipulated that if the land was not used for that purpose, it would revert to the United States. The Municipality of Anchorage has a similar agreement with the Alaska State Building Authority. The City would probably place the property in the Heritage Land Bank which has indicated that the highest use for the area may be as a park.

Socio-economic concerns were minimally addressed in the proposal. The proposed hearings and more specific planning should present details pertaining to these issues. At present they can be summarized as a negative impact on local business servicing the area and loss of school children in the Denali School. These impacts may be offset in other areas by the new residents. However, the proposal indicated that the neighborhood is in transition from residential to commercial and that many of the services provided the residents of Willow Park have recently moved.

The final issues are whether or not HUD will approve the 80 homes being requested, allow the demolition, and who will pay for the demolition. There is an implication that employees from the jobs bill might be used for the demolition. HUD officials in Alaska seem to be positive about the proposal (but are not the ones who will make the final decision) because the proposal reflects national trends to place low income housing throughout the community instead of in large blocks where ghetto and slum conditions are more likely to be created (Craig and Kulick, pers. com. 1988). Because of the homeless initiative in Congress, HUD expects to have a larger allotment of units than in the past. A misleading statement in the document gives the impression that ASBA has not received monies for the last 9 years. ASBA has received federal monies but much of that has been in specific programs for the elderly and is distributed on a competitive basis to the larger communities in the state.

The proposal does not layout how the 80 families will be selected or how the 80 individual units will be selected. It is likely that there are HUD procedures in place but those questions should be asked. Nor does the document present any information on how the current residents feel about the proposal. No analysis is made as to the possible effect on overall housing market conditions that this proposal will have. The effect while being positive will probably be small since it involves only 135 units of the approximately 14,000 vacancies. If one type of unit were selected for all of the 80 HUD homes it would probably influence that portion of the market segment, for example, the 2-4 unit segments.

This proposal points out the need for a comprehensive statewide housing strategy and policy. Throughout the state housing is an issue, whereas the urban areas at present tend to have too much housing and falling values; the

Senator Failor
January 27, 1988
Page 4

rural areas of Alaska have too little. An analysis of BIA data last year by Rural Research Agency showed that conditions in rural Alaska had only slightly improved from the 1980 census when 80% of the houses were considered substandard. The 1985 BIA information showed that 9,135 of the houses with at least one Native occupant were substandard (needed repairs) and 4,710 homes needed to be replaced or built. In addition rural regions which had the lowest participation in state housing loan programs had the greatest housing needs (particularly along the Yukon) (Helgath, 1987).

To summarize the proposal has merit and should be given further scrutiny, though it alone will not solve Anchorage housing market situation.

BIBLIOGRAPHY AND PERSONEL COMMUNICATIONS

Craig, Colleen, HUD Housing Specialist. Telephone Interview regarding HUD demolition requirements January 26, 1988.

Green, G. Hayden. Jan. 11, 1988. "Try this for Real Estate." in Alaska Journal of Commerce. Vol. 12 No. 2.

Helgath, Sheila Fay, Legislative Analyst. Memorandum to Senator W. Hensley on Rural Housing Need and Revenue Bond Financing on February 2, 1987.

Kulick, Michael, HUD Housing Director. Telephone Interview regarding HUD demolition requirements January 26, 1988.

DRAFT

1 IN THE SENATE

BY HALFORD

2 SENATE 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 establishing a moratorium on judicial and
7 nonjudicial foreclosures; and providing for an effective date."
8

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

10 * Section 1. LEGISLATIVE DETERMINATION AND FINDINGS. (a) The legisla-
11 ture determines the present emergency in the state requires that it enact
12 legislation granting the courts of the state emergency authorities to deal
13 with the economic emergency facing the state. The legislature further
14 determines that the following legislation does not impair the obligation of
15 contract guaranteed under the Constitution of the United States or of the
16 State of Alaska when it enacts legislation within its police power and
17 within its reserved power to protect its sovereignty, its government, its
18 people, and their welfare against exigencies that may arise in the present
19 great emergency.

20 (b) The legislature finds that the state is experiencing a great
21 economic crisis and that it is in the public interest to declare a mora-
22 torium on the foreclosure of certain liens on real property in the state.
23 The legislature finds that among the reasons for the declaration of the
24 moratorium as provided in this Act are the following purposes:

25 (1) to give the owner of mortgaged property protection during
26 the emergency;

27 (2) to afford relief to mortgagors finding themselves in oppres-
28 sed and straitened circumstances due to the economic conditions in the
29 state;

1 (3) to prevent valuable property from being sold at distressed
2 prices;

3 (4) to prevent a sale or foreclosure of real property at a time
4 when there is no market for the property and limited opportunities for
5 refinancing;

6 (5) to prevent double recoveries by mortgagees; and

7 (6) to prevent creditors, as well as debtors, from suffering
8 unnecessary losses resulting from the economic conditions in the state.

9 * Sec. 2. NONJUDICIAL FORECLOSURES. (a) In a nonjudicial foreclosure
10 of a mortgage or deed of trust where the period for the redemption by the
11 mortgagor or trustor has not expired, the owner of the property may apply
12 to the superior court for an order delaying the expiration of the period
13 for redemption or other proceedings related to the foreclosure until one
14 year after the effective date of this Act. Until one year after the effec-
15 tive date of this Act, the owner of the property has the exclusive right to
16 redeem the property and is entitled to possession of the property.

17 (b) The superior court, on an application for an extension of the
18 period of redemption or of other proceedings related to the foreclosure
19 under (a) of this section, shall issue an order delaying the expiration of
20 the period for redemption or its determination, after notice and an oppor-
21 tunity for a hearing, that the owner of the property has agreed to and has
22 made the payment of a reasonable rental for the premises for the period.
23 The reasonable rental shall be determined by the court based on the reason-
24 able economic value of the property on the date of the request, the past-
25 due or anticipated expenses of taxes, insurance, and other amounts required
26 to preserve the property, and the payment by the owner of the amounts due
27 as principal under the mortgage.

28 (c) If the owner of the property subject to an order issued under (b)
29 of this section fails to comply with the order, the order extending the

1 period of redemption may be set aside after notice and an opportunity for a
2 hearing.

3 (d) The provisions of (a) - (c) of this section supersede, for one
4 year after the effective date of this Act, the provisions of any other law
5 inconsistent with this section.

6 * Sec. 3. JUDICIAL FORECLOSURES. (a) In a judicial foreclosure of a
7 mortgage or deed of trust where the period for the redemption by the mort-
8 gator or trustor has not expired under AS 09.35.250, the owner of the
9 property may apply to the superior court for an order delaying the expira-
10 tion of the period for redemption or other proceedings related to the
11 foreclosure until two years after the effective date of this Act. Until
12 two years after the effective date of this Act, the owner of the property
13 has the exclusive right to redeem the property and is entitled to pos-
14 session of the property.

15 (b) The superior court, on an application for an extension of the
16 period of redemption under (a) of this section, shall issue an order delay-
17 ing the expiration of the period for redemption on its determination, after
18 notice and an opportunity for a hearing, that the owner of the property has
19 agreed to and has made the payment of a reasonable rental for the premises
20 for the period. The reasonable rental shall be determined by the court
21 based on the reasonable economic value of the property on the date of the
22 request, the past-due or anticipated expenses of taxes, insurance, and
23 other amounts required to preserve the property, and the payment by the
24 owner of the amounts due as principal under the mortgage.

25 (c) If the owner of the property subject to an order issued under (b)
26 of this section fails to comply with the order, the order extending the
27 period of redemption may be set aside after notice and an opportunity for a
28 hearing.

29 (d) The provisions of (a) - (c) of this section supersede, for two

1 years following the effective date of this Act, the provisions of any other
2 law inconsistent with this section.

3 * Sec. 4. If the period for the redemption by the mortgagor or trustor
4 expires within 30 days after the effective date of this Act, the period for
5 the redemption is extended to 30 days after the effective date of this Act.

6 * Sec. 5. This Act is repealed two years after the effective date of
7 this Act.

8 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).
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STATE OF ALASKA THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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

MEMORANDUM

January 20, 1988

SUBJECT: Sale of property in foreclosure
(Work Order No. 5-1624)

TO: Senator Rick Halford

FROM: Richard A. Bradley
Legislative Counsel

RECEIVED JAN 20 1988

Theresa Maser has requested that we prepare a bill that would contain a one year prohibition on the sale of property that has gone into a non-judicial foreclosure, and a two-year prohibition on the sale of property that has gone into a judicial foreclosure. I would like to offer you a progress report on the drafting of the measure.

While I was certain that legislatures had enacted mortgage moratoriums before, I was also aware that they seemed facially to violate the constitutional prohibition on the impairment of contracts. Mortgages are, of course, simply contracts that involve the title to land. Art. I, sec. 10, cl. 1 of the U.S. Constitution provides that "No state shall . . . pass any . . . law impairing the obligation of contracts" Art. I, sec. 15 of the Alaska Constitution is to the same effect.

The answer appears to be that the legislature may enact such laws provided that there is an actual economic emergency, and that the measures contained within the moratorium are limited to those affected by the emergency. Other provisions are suggested in the legal literature and I expect to have such a bill for your consideration in the near future.

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

RAB:bb
WKB1/079

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

RECEIVED FEB 1 1988

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

MEMORANDUM

January 30, 1988

SUBJECT: Moratorium on judicial and nonjudicial
foreclosures (Work Order No. 5-1624)

TO: Senator Rick Halford

FROM: Richard A. Bradley *RB*
Legislative Counsel

*Evan Rasmus
Poulet*

I have prepared a bill for you that I believe is responsive to your request.

In my view, a bill simply declaring the moratorium that you requested would not work. And while we seek to draft all bills to withstand close judicial scrutiny, there are some in which that kind of review is inevitable--and this seems to be one.

While the legislature may direct executive agencies to forbear in the collection of amounts due or to accept "production credits" as payment, it seems clear to me that forbearance is not the answer when the state intrudes itself between two private parties; each of whom may be short on funding.

Since the receipt of your request, I have read a number of cases involving moratory legislation. I have found no case where the constitutional challenge to the legislation was sustained if the debt was simply suspended.

The most direct and on point constitutional provision is the "impairment of contracts" problem that I addressed briefly in my earlier memorandum. The provisions are found at art. I, sec. 10, cl. 1 of the U.S. Constitution and art. I, sec. 15 of the Alaska Constitution.

The solution that the court employed during the Great Depression was to state that while the impairment of contracts provision had to be noted, the states nonetheless

retained "their police power and the power to sustain their sovereignty and government, and their existence as states." Des Moines Joint Stock Land Bank v. Nordholm, 253 N.W. 701, 705 (Iowa 1934). Unless the police power was made inferior to the impairment of contracts provision (a problem in some states but not, it seems, in Alaska), the police power was sufficient to uphold the moratory Acts.

The impairment of contracts provision is not the only problem. The cases usually contain allegations that these Acts also deprive the mortgagee-lenders of vested property rights without due process of law and other more generalized arguments. While the property rights argument is not without force, easily the most critical problem is the impairment problem.

The courts address that by concluding that the moratory Acts do not impair the contract; rather, they affect the remedies. The distinction between substantive and procedural effects is not uncommon in these analyses or in the law generally.

But for that argument to work, there needs to be some consideration continuing to flow from the owner-mortgagor to the mortgagee-lender. The usual answer is that the mortgagor-owner remains liable for the taxes that are due on the property as well as for the maintenance of the property. In the usual case not involving commercial or farm property with an income, this usually means that the insurance contract must be maintained in effect.

And the debt itself must be addressed.

Different Acts and the cases construing them employ different concepts, but the common thread is the concept of "economic rent" (not always in those words): the cases recognize that while the terms of an existing mortgage may have been premised on different economic conditions, nevertheless the property has a present economic value to the owner-mortgagor and it is unjust to exclude payments to the mortgagee-lender. Thus, in Home Building and Loan Ass'n v. Blaisdell, 290 U.S. 398, the U.S. Supreme Court approved a law that required the mortgagor-owner to pay "the rental value of the premises as ascertained in judicial proceedings, and this amount is applied to the carrying of the property and to indebtedness on the property." As the Court noted, "The extension (of the period of redemption) is

made upon application to the court, on notice, for an order determining the reasonable rental value of the income on the property involved in the sale, or, if it has no income, then the reasonable rental value of the property, and directing the mortgagor to pay all or a reasonable part of such income or rental value, in or toward the payment of taxes, insurance, interest, mortgage indebtedness at such times and in such manner as shall be determined by the court. Prior to the expiration of the extended period of redemption, the court may revise or alter the terms of the extension as changed circumstances may require."

An Iowa law from that period dealt ambiguously with the obligation of the mortgagor-owner to make payments on the principal or interest due to the mortgagee-lender. Over a strong dissent, the majority of the Iowa Supreme Court construed the law as requiring payments to the lender.

It is said, however, that the Iowa statute does not provide for reasonable compensation to the mortgagee. When the Iowa act is fairly read and due significance is given to all of its provisions, it appears beyond peradventure of doubt that the act contemplates and provides for at least a reasonable rental of the mortgaged premises during the year of redemption. Des Moines Joint Stock Land Bank v. Nordholm, 253 N.W. 710 at 707 (Iowa, 1934).

Other cases are consistent. In Southold Savings Bank v. Fisher, 52 NYS2d 162, (N.Y. Supr. Ct., App. Term 1945), the court was concerned with a similar situation and a similar law: The New York moratory law required the owner of the mortgaged premises to "pay the unpaid principal amount at the rate of one percent per annum" until a specified date and then two percent per annum. The owner was in default of several installments of principal and thus the lender was permitted to sue to recover the entire debt.

[Moratorium statutes] prevented the mortgagees from maintaining an action for the principal only; but a default in the payment of interest and taxes was beyond the protection afforded by such moratorium statutes. The statutes thus effected a legal severance to the extent that if interest and taxes were paid, the principal need not be paid. 52 NYS at 166, quoting from Union Trust Co. of Rochester v. Kaplan, 292 NYS 152, (App. Div.).

Senator Halford
Page 4
January 30, 1988

While the court suggests a generalized condition that I do not believe is accurate (except, perhaps, within New York; that it was uniformly true that principal need not be paid under moratoriums), it is true that the cases seem uniformly to require the payment of taxes and insurance and then some economic rent or other concept that results in the payment of amounts due the mortgagee on the debt.

The bill enclosed requires the payment of the principal due under the mortgage.

I note that some moratory bills authorize the governor, by proclamation, to establish or limit the period during which the moratorium is in effect. That was not part of your request and is not included.

Because this legislation should be viewed as questionable apart from the economic emergency that justifies it, I believe that the bill should address the economic emergency. If you have any specifics that might bolster my rhetoric, I would welcome it.

If I may be of further assistance, please advise.

Enclosure

RAB:bb
wkb2/015



Alaska State Legislature

SENATE

Office of the President

P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3755

February 8, 1988

MEMORANDUM

TO: All Committee Members
Senate Joint Committee on Economic Recovery

FROM: Senator Jan Faiks
President of the Senate

SUBJECT: Draft Banking Legislation

Enclosed are copies of several items of draft legislation which I had drafted following the January 29th meeting of the committee, as well as brief summaries of the bills and resolutions.

I would like for the committee to consider introducing this legislation this week. If you have any suggestions after reviewing these materials, please let me know.

SENATE CONCURRENT RESOLUTION

Urging state agencies that make loans to withhold approval of loans for new construction in areas in which availability of business and commercial facilities and residences substantially exceeds demand.

Requests the Governor to direct appropriate agencies not to make loans for construction of new commercial, industrial, and residential units in communities where there is an oversupply unless demand cannot be met from existing facilities, or unless the local governing body requests a waiver of the moratorium by resolution.

1 IN THE SENATE

2 SENATE CONCURRENT RESOLUTION NO.
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Urging state agencies that make loans to
6 withhold approval of loans for new
7 construction in areas in which availa-
8 bility of business and commercial facil-
9 ities and residences substantially
10 exceeds demand.

11 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

12 WHEREAS many state agencies have been authorized by law to make loans
13 to finance and provide the means to finance industrial, manufacturing, and
14 business enterprises, and to expand the supply of adequate residential
15 housing in the state; and

16 WHEREAS, in recent years, these loan programs have operated success-
17 fully and have been the state's chief catalysts in financing and developing
18 industrial, manufacturing, and business facilities, a significant source of
19 employment opportunity for many Alaskans, and in marketing of a wide range
20 of housing for state residents; and

21 WHEREAS plummeting oil prices and the erosion of business vitality
22 during the past two years have required the state to adjust to changing
23 times, to act to stabilize the state's economy, and to protect the sources
24 of property value that are the principal means by which municipalities
25 finance essential public services; and

26 WHEREAS there now exists in many Alaska communities an excess of
27 business and commercial facilities and residences; and

28 WHEREAS the excess capacity of these improvements in some communities
29 is so substantial as to warrant a moratorium on new construction in order

1 to sustain value in the existing supply of facilities and residences; and
2 WHEREAS state policy should preserve the value of the existing supply
3 of facilities and residences in order to stabilize real property assessed
4 valuations that support municipal ad valorem taxes; and

5 WHEREAS state loan programs that are the principal sources of finan-
6 cial assistance for new construction should be restrained in order to
7 stabilize the economy and protect the values of existing improvements;

8 BE IT RESOLVED that the Alaska State Legislature respectfully requests
9 the Governor to direct the appropriate commissioners and directors of
10 agencies and authorities that have authority to make loans to refrain from
11 financing construction of new commercial, industrial, and residential
12 facilities in communities having substantial excess capacity among these
13 improvements unless demand for a proposed commercial, industrial, or resi-
14 dential project cannot be satisfied from excess stock within the community
15 or until the governing body of the municipality requests, by resolution, a
16 waiver of the moratorium in order to expand the supply of these improve-
17 ments.
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SENATE CONCURRENT RESOLUTION

Relating to opportunities offered by the present crisis in residential housing.

This resolution requests that appropriate State agencies to; (1) remove substandard, low income housing from the market, and to convert other property to low income housing so there is no additional cost to the low income recipient, (2) ship vacant mobile homes out of Alaska, and (3) convert existing unrentable condominiums or similar units to University of Alaska student housing.

1 IN THE SENATE

2 SENATE CONCURRENT RESOLUTION NO.
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Relating to opportunities offered by the
6 present crisis in residential housing.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS the legislature finds that the state is undergoing a substan-
9 tial financial crisis in the residential housing market; and

10 WHEREAS the financial crisis has resulted in financial institutions in
11 the state becoming landlords of many residential housing units; and

12 WHEREAS it has been noted that to some extent the financial insti-
13 tutions in the state have not yet developed a coherent policy that ad-
14 dresses this crisis; and

15 WHEREAS it would exacerbate the crisis in the market for residential
16 housing if the financial institutions in the state were to place these
17 homes on the market; and

18 WHEREAS much of the vacant and unsalable housing on the market is
19 substandard and should, if possible, be removed from the market;

20 BE IT RESOLVED by the Alaska State Legislature that the Governor is
21 respectfully requested to direct the state agencies having responsibilities
22 for the solutions to the financial crisis in the residential housing market
23 to

24 (1) remove substandard low income housing from the market and,
25 where possible, convert other residential property to low income housing at
26 no additional cost to the residents of low income housing;

27 (2) ship vacant and unsalable mobile homes from the state; and

28 (3) convert vacant and unrentable condominiums or similar units
29 to housing for students at the University of Alaska.

SENATE CONCURRENT RESOLUTION

Relating to the Alaska Industrial Development and Export Authority.

This resolution requests that AIDEA develop a new program to assist commercial property owners in avoiding foreclosure. The key elements of this program would include selling the commercial properties to AIDEA, with the seller retaining an option to repurchase within 3 years, and allowing the seller to lease the property from AIDEA during this 3 year period.

1 IN THE SENATE

2 SENATE CONCURRENT RESOLUTION NO.
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Relating to the Alaska Industrial Devel-
6 opment and Export Authority.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS Alaska is currently experiencing a severe economic downturn;
9 and

10 WHEREAS some owners are experiencing difficulties in making loan
11 payments on commercial properties and are facing the possibility of losing
12 commercial properties through foreclosures; and

13 WHEREAS numerous foreclosures on commercial properties will adversely
14 affect other segments of the Alaska economy;

15 BE IT RESOLVED that the Alaska State Legislature respectfully requests
16 the Governor to request the Alaska Industrial Development and Export Au-
17 thority to develop a program to enable owners of commercial properties to
18 avoid foreclosure by

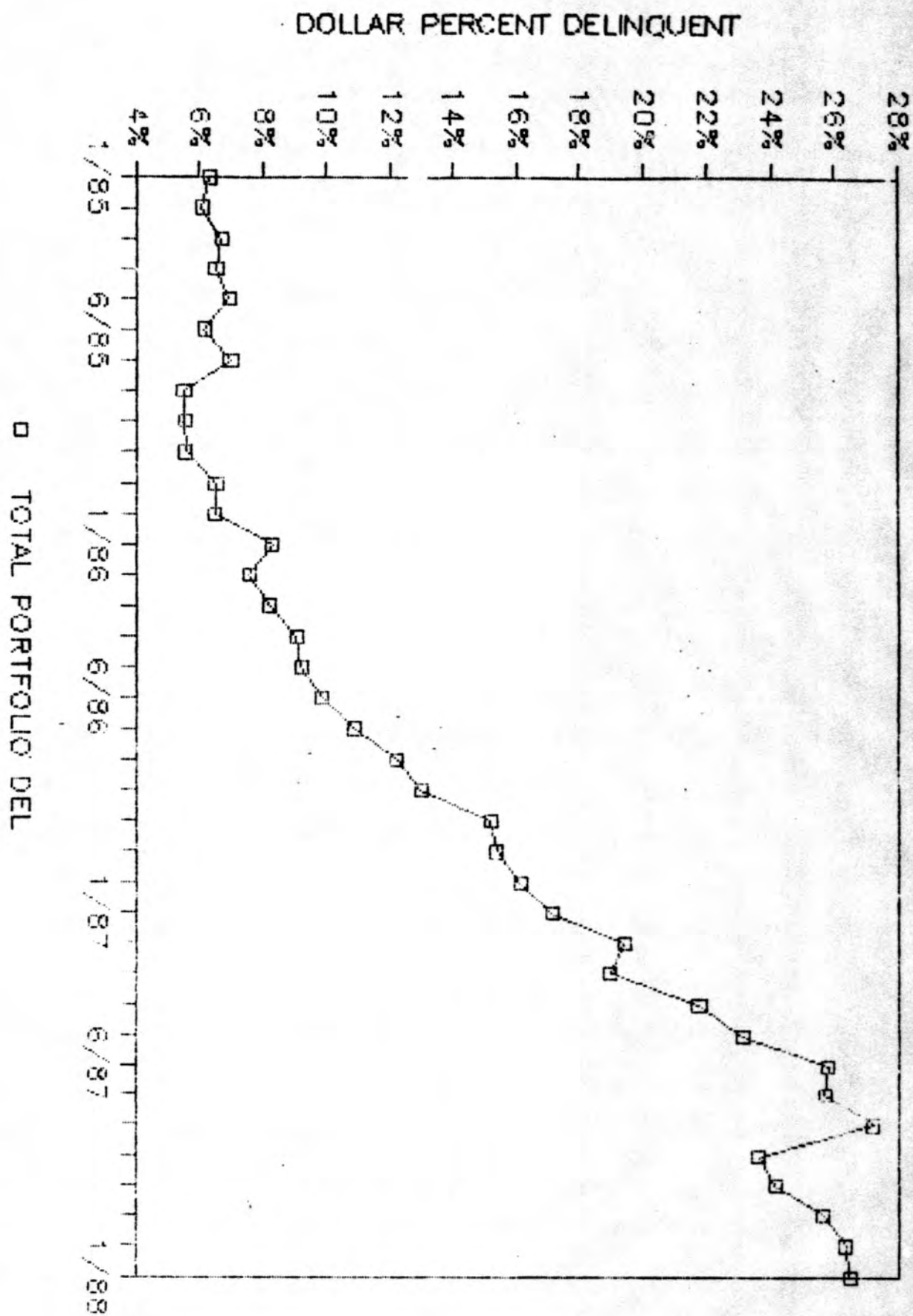
19 (1) selling the properties to the authority while retaining an
20 option to repurchase the properties within three years; and

21 (2) leasing the properties from the authority during the three-
22 year period.
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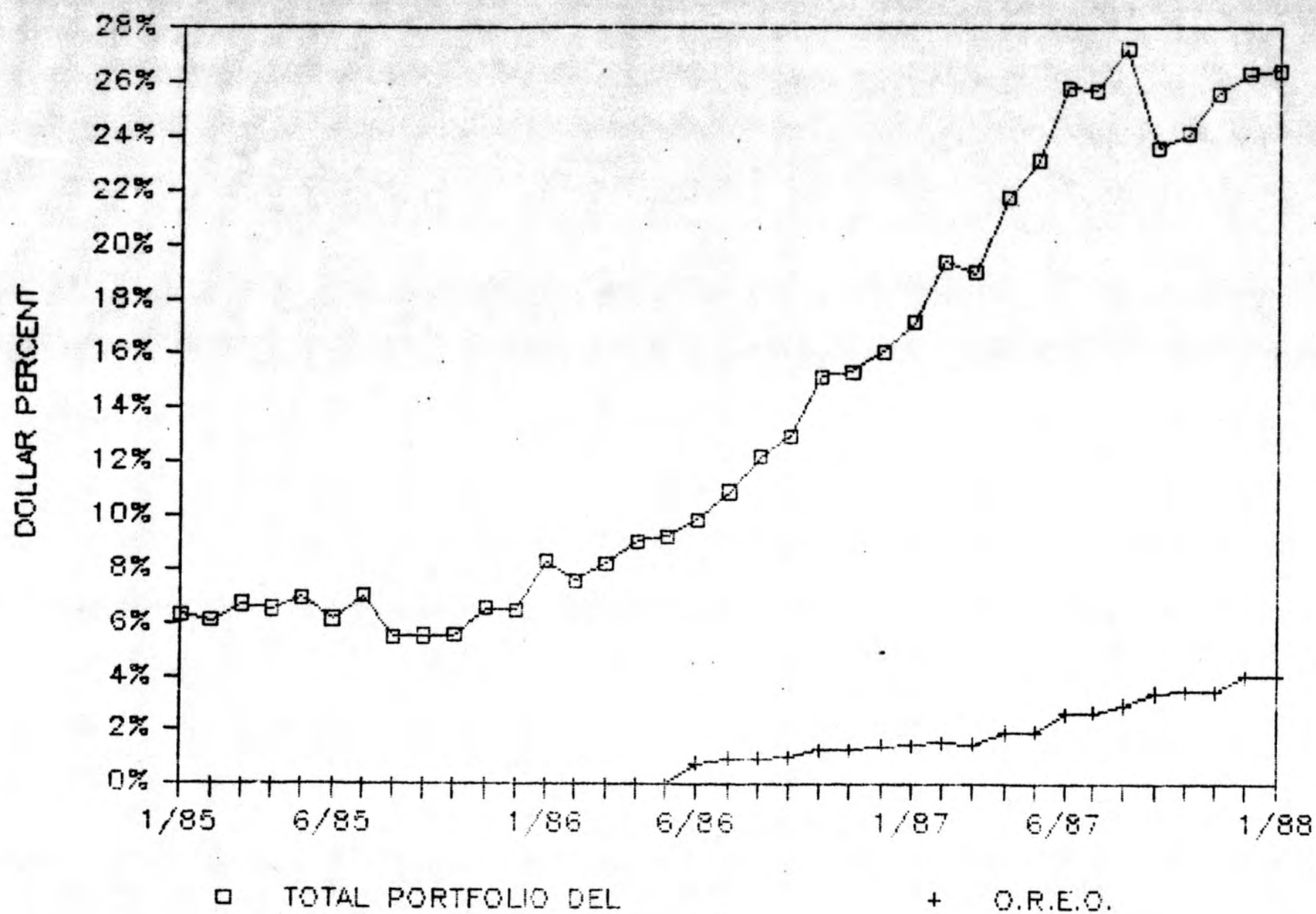
ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY**Income Statement Highlights**

	Six Months Ended December 31, 1987	Year Ended December 31,		
		1987	1986	1985
Total Revenues	24,472,880	48,359,225	54,959,810	51,812,352
Total Expenses	21,313,099	34,882,482	26,084,609	22,060,125
Net Earnings	3,159,781 ✓	13,476,743	28,875,201	29,752,227
Retained Earnings at End of Period	160,784,994	157,625,213	144,148,470	115,273,269

PORTFOLIO PERFORMANCE



PORTFOLIO PERFORMANCE



ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY
GEOGRAPHIC SUMMARY
FUNDED PARTICIPATIONS - THROUGH 12/31/87

<u>Location</u>	<u># Loans/Percent</u>		<u>\$(000's Omitted)/Percent</u>	
Anchorage	249	50	161,525	54
South West	33	7	17,685	6
South East	56	10	29,415	10
South Central	81	16	33,000	11
North West	4	1	3,020	1
North Slope	13	3	10,545	3
Interior	<u>63</u>	<u>13</u>	<u>43,830</u>	<u>15</u>
TOTALS	499		299,020	

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Delinquent Bond Sale Loans by ^{AREA}~~TYPE~~
 Distribution of Delinquency
 As of 12/31/87

Area	Number	%	Total Delinquent Dollars
North West	1	.26	\$ 134,151.96
North Slope	3	2.50	1,276,175.37
Interior	6	5.14	2,630,912.03
South West	1	.79	404,592.91
Anchorage	46	82.74	42,325,238.95 ✓
South Central	10	6.83	3,494,248.00
South East	<u>2</u>	<u>1.74</u>	<u>891,683.93</u>
	69	100%	\$51,157,003.15

Delinquent Bond Sale Loans by Type

As of 12/31/87

Loan Type	Number	%	Total Delinquent Dollars
Office	19	26.65	\$13,634,717.01
Warehouse	16	18.97	9,706,755.34
Retail/Shopping Center	14	26.90	13,762,340.78
Hotel/Motel	3	1.76	898,687.23
Restaurant	6	6.87	3,511,729.54
Multi-Family	7	16.78	8,585,445.39
Industrial/Manufacturing	1	1.09	556,210.81
Equipment	2	.55	282,006.38
Vessel	<u>1</u>	<u>.43</u>	<u>219,110.67</u>
TOTAL	69	100%	\$51,157,003.15

**WORK OUT REPORT 12/31/87
BOND SALE LOANS**

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
Shopping mall North Pole	\$5,943,671.93 80%	\$6,000,000 07/87	\$2,555,000	\$ 70,426	\$35,000	06/87 - 05/88	Current
Unit apt. complex near	\$ 386,755.75 90%	\$ 340,000 10/87	\$ 40,000	\$ 4,516	min \$ 3,000	10/87 - 03/89	Current
Warehouse near	\$ 81,184.43 90%	\$ 110,000 03/87	N/A	\$ 1,184	\$ 850 int. only	05/87 - 11/87	Paid to 12/01/87
Room motel near	\$ 610,151.00 90%	\$1,000,000 07/87	N/A	\$ 8,853	\$10,600 \$ 6,500 int. only \$ 7,000 add'l pymt	06/87 - 10/87 11/87 - 05/88 06/87 - 05/88	Paid to 11/01/87 Catch up
Shopping mall & Pizza Hut North Pole	\$1,336,509.91 80%	\$1,650,000 06/87	N/A	\$ 15,108	\$13,400 int. only	07/87 - 06/89	Paid to 10/01/87
Commercial mail condo's near banks	\$1,591,369.13 80%	\$1,200,000 06/87	\$ 160,000	\$ 20,345	\$13,000	07/87 - 06/89	Paid to 11/01/87
Ice/warehouse storage	\$ 726,561.12 90%	\$ 510,000 05/87	\$ 90,000	\$ 8,180	\$ 3,000	11/87 - 10/89	Modification not in place yet. Paid to 02/01/87
Ice/warehouse/ storage	\$1,048,534.48 90%	\$ 680,000 10/87	N/A	\$ 10,500	\$ 1,500	11/86 - 10/87	Paid to 09/01/87 Bank negotiating to protect 2nd D of T ownership
Unit apt. bldg. storage	\$1,608,157.24 90%	\$1,050,000 11/87	*\$ 938,000	\$ 15,387.77	\$ 6,000 \$ 9,000 \$17,000 \$22,000	09/86 - 12/87 01/88 - 12/88 01/89 - 12/89 01/90 - mat.	Paid to 03/01/87 Borrowers defaulted

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
72 unit apt. bldg. Anchorage	\$2,723,091.67 90%	\$1,800,000 11/87	* Shared	\$ 26,561	\$12,500 \$16,500 \$31,000 \$40,000	09/86 - 12/87 01/88 - 12/88 01/89 - 12/89 01/90 - mat.	Paid to 02/01/87 Borrowers defaulted
Office condo Juneau	\$ 71,749.00 90%	\$ 138,000 01/83	N/A	\$ 995	\$ 778 int. only	01/87 - 12/87	Paid to 12/01/87
Warehouse Wasilla	\$ 256,755.01 90%	\$ 170,000 07/87	N/A	\$ 3,857	\$ 2,495 int. only	04/87 - 03/88	Paid to 03/01/87 Borrowers defaulted
Wendys Eagle River	\$ 755,292.01 90%	\$1,180,000 09/84	N/A	\$ 10,202	\$ 7,271 int. only	04/87 - 03/88	Paid to 06/01/87 Borrowers defaulted
Wendys So. Anchorage	\$ 716,638.55 90%	\$1,220,000 10/84	N/A	\$ 9,393	\$ 6,871 int. only	04/87 - 03/88	Paid to 06/01/87 Borrowers defaulted
Wendys E. 5th Ave.	\$ 653,814.62 90%	\$1,300,000 05/82	N/A	\$ 7,788	\$ 6,970 int. only	04/87 - 03/88	Paid to 06/01/87 Borrowers defaulted
Wendys Jewell Lake	\$ 409,705.97 57%	\$1,160,000 05/82	N/A	\$ 8,222	\$ 7,742 int. only on AIDEA & FIAK portion	04/87 - 03/88	Paid to 06/01/87 Borrowers defaulted
Office/retail warehouse Eagle River	\$ 711,529.23 90%	\$ 707,800 03/87	\$ 310,000	\$ 9,386	\$ 5,000	10/86 - 03/88	Paid to 12/01/87
Office bldg Anchorage	\$ 588,763.16 90%	\$ 841,000 04/87	N/A	\$ 6,580	\$ 6,580	04/88 - 10/89 Repymnt of amt. capitalized	Paid to 10/01/87

Type of Property Location	AIDRA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
Furniture fixtures & equipment Anchorage	\$ 242,396.07 90%	\$ 25,000	N/A	\$ 6,621	\$ 2,000	12/87 - 02/88	Paid to 05/01/87 Business to close
Strip mall Anchorage	\$ 710,183.09 90%	\$ 415,000 10/87	N/A	\$ 9,340	100% NOI + \$2,000 min \$6,000	05/87 - 04/88	Paid to 08/01/87 Borrower defaulted Settlement being negotiated
Office/warehouse Anchorage	\$ 317,877.43 90%	\$ 400,000 03/87	N/A	\$ 3,700	\$ 3,268 int. only	08/87 - 07/88	Paid to 09/01/87 2nd lienholder considering deed-in-lieu
Office bldg. Anchorage	\$ 551,180.97 90%	\$1,150,000 06/81	N/A	\$ 7,342	\$ 6,680 int. only	02/87 - 08/88	Paid to 12/01/87
Wendy's Fairbanks	\$ 439,134.43 90%	\$ 368,640 07/87	N/A	\$ 6,074	\$ 4,689	07/87 - 11/88	Paid to 09/01/87 FDIC servicing
Office bldg. Anchorage	\$2,070,909.47 80%	\$1,800,000 02/87	\$ 421,521	\$ 24,957.96	\$10,000 min. pymt	11/86 - 12/88	Paid to 08/01/87 FDIC servicing
60 unit hotel Kenai	\$ 962,728.01 90%	\$1,200,000 07/87	\$ 396,700 \$ 59,960 D/S Reserve	\$ 11,180.91	\$ 6,000 \$ 3,500 \$ 6,000	06/87 - 10/87 11/87 - 05/88 06/88 - 10/89	Paid to 12/01/87
Mini storage warehouse Anchorage	\$2,442,194.69 80%	\$2,235,000 07/87	\$ 120,000 Cash Collateral	\$ 32,701.87	\$22,410 int. only	07/87 - 08/88	Paid to 12/01/87
Dental clinic office bldg. Bethel	\$ 303,374.27 90%	\$ 384,720 07/87	\$ 330,000	\$ 4,114.91	\$ 2,000	07/87 - 11/88	Paid to 12/01/87

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
8 unit hotel bldg. leasehold Chena Hot Springs	\$ 139,872.34 90%	\$ 242,000 07/81	N/A	\$ 1,762	\$ 881 1/2 pymnt	12/87 - 11/89	Waiting for documents from servicer
2-8 unit hotel bldgs. leasehold Chena Hot Springs	\$ 358,814.89 90%	\$ 590,000 01/83	N/A	\$ 4,226	\$ 2,113 1/2 pymnt	12/87 - 11/89	Waiting for documents from servicer
Tank manufacturing plant Fairbanks	\$1,095,171.06 81%	\$1,598,000 06/87	\$ 400,000	\$ 11,386	\$ 5,694	1 year	Waiting for documents from servicer
6 plex apt. bldg. Anchorage	\$ 223,022.28 89%	\$ 400,000 03/84	N/A	\$ 2,254	\$ 2,016 int only	10/87 - 9/88	Current
Office bldg. Anchorage	\$ 719,867.56 86%	\$1,180,000 02/82	N/A	\$ 9,165	\$ 8,086 int only reg. pymnt + \$1,000	01/87 - 12/88 01/89 - 12/91	Current
Total	#32						
Total	\$30,796,960.77						

**WORK OUT REPORT 12/31/87
APPROPRIATED & RED DOG LOANS**

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
A/R Inventory Rent A Wreck Anchorage	\$ 38,004.97	\$ 50,000 Personal guarantee	3rd D/T on Anch. residence	\$ 8,312	\$ 500	03/87 - 02/88	Current
Reed Bldg. Marx Bros. Bldg. Anchorage	\$ 341,935.94	\$ 680,000 1980	N/A	\$ 5,368	\$3,000 int. only	09/86 - 02/88	Work out broken Foreclosure pending
2 metal warehouses Bethel	\$ 152,651.47	\$ 475,000 1986	N/A	\$ 3,200	\$2,200	08/86 - 01/95	Work out broken Foreclosure pending
Fishing Vessel Cordova	\$ 39,176.92	\$ 125,000 1986	N/A	\$16,726 Annual	\$ 7,000 Annual	10/86 - 10/87	Completed as agreed
Retail/warehouse Wasilla	\$ 815,465.25	\$ 630,000 1987	N/A	\$ 6,728	\$ 1,000	06/87 - 10/87	Completed as agreed Deed-in-lieu accepted
Lumber yard Fairbanks	\$ 359,827.10	\$ 773,000 1987	N/A	\$ 5 981	\$ 3,468	07/87 - 06/88	Waiting for signatures on modification
2 vacant lots Anchorage	\$ 209,234.65	\$ 564,000 1986	N/A	\$ 6,310	\$ 3,000	03/87 - 02/89	Paid to 09/01/87. AIDEA has not received payments since closure of ANB by FDIC
Fishing vessel & tri-plex Ketchikan	\$ 31,424.27	\$ 154,000 1985	N/A	\$ 7,952 Annual	\$ 492 Month	12/86 - 05/87 Then back to annual payment	Pd '87 annual payment 09/29/87. Lacks 1 monthly payment of being current
Retail/warehouse Wasilla	\$ 153,541.33	\$ 141,380 1987	N/A	\$ 2,468	\$ 3,702 1 1/2 pymts	03/87 - 11/87	Work out broken Possible deed-in-lieu

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
Vacant lot Anchorage	\$ 42,150.55	\$ 500,000 1987	N/A	\$ 4,476	\$ 689 int. only	10/87 - 10/88	Paid to 12/01/87
Office/retail Homer	\$ 109,862.47	\$ 375,000 1984	N/A	\$ 1,721	\$ 1,000	03/87 - 03/88	Paid to 12/01/87
Hotel Anchorage	\$ 304,172.64	\$1,200,000 1987	N/A	\$ 6,368	\$ 2,622 int. only	01/87 - 07/88	Original work out broken & negotiated new plan.
Hotel Anchorage	\$ 758,953.64	\$1,950,000 1987	N/A	\$10,910	\$ 6,367 int. only	01/87 - 07/88	Original work out broken & negotiated new plan.
3 parcels including lodge, restaurant, laundry & store Glenallen	\$ 305,190.52	\$ 1,350,000 1980	N/A	\$ 4,530	\$ 2,755	10/86 - 05/88	Paid to 12/01/87
Shop/warehouse Anchorage	\$ 137,695.56	\$ 151,235 1987	N/A	\$ 2,201	\$ 1,349 int. only	02/87 - 06/88	Original work out broken. Borrower paid current on eve of foreclosure.
Office condo Anchorage	\$ 183,984.01	\$ 104,957 1987	N/A	\$ 2,121	\$ 1,626 int. only	07/87 - 06/88	Paid to 12/01/87
Shop Bldg. Wasilla	\$ 47,797.27	\$ 99,600 1987	N/A	\$ 2,154	\$ 500 int. only	05/87 - 09/88	Paid to 09/01/87. AIDEA has not received payments since closure of ANB by FDIC.
AK State Fair Grounds Palmer	\$ 310,223.63	\$ 1,163,000 1976	N/A	\$33,311	\$24,000 semi-annual	05/87 - 05/88	Current

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
264 acres Wasilla	\$ 166,675.16	\$ 710,000 1980	N/A	\$32,163 semi-annual	\$ 7,917 int. only	06/87 - 12/88	Paid to 06/01/87
Roller Rink Anchorage	\$ 393,548.02 (RD) \$ 276,625.59 (BS)	\$ 764,000 1987	\$ 140,450	\$10,811	\$ 6,532 int. only	10/87 - 09/88	Paid to 12/01/87
residence and lot in Unalaska	\$ 218,700.00	\$ 130,415 10/87		\$113,620 Annual	\$1,955 Monthly	12/87-11/92	Paid to 12/01/87
47' vessel with refrigeration	\$ 48,845.43	\$ 160,000 1984		\$ 18,652 Annual	\$38,500 Annual	03/87 - 11/87	Workout broken.
10 lots in Fairbanks 2nd on above and 2nd on additional lot	\$ 245,247.58 \$ 177,531.10	\$ 500,000(10 lots) 1987 \$ 67,500 (add. lot)		\$ 5,580 \$ 9,782	int only int only	8/87 - 7/88 8/87 - 7/88	Waiting for documents from servicer
3 vacant lots in Wasilla	\$ 28,304.67	\$ 310,000 1986		\$ 1,768	\$ 1,200	1/88 - 4/95	Paid to 12/01/87
16-plex on leasehold Chena Hot Springs	\$ 229,141.87	\$ 576,783 1978		\$ 3,265	\$ 1,632	12/87 -11/89	Waiting for documents from servicer

Type of Property Location	AIDEA Balance	Estimated Value Date	Additional Collateral	Total Original Payment	Total Modified Payment	Term	Status 10/30
444 acres Chena Hot Springs Fairbanks	\$ 589,805.95 Appro RD	\$2,500,000 1979		\$ 9,387 \$ 6,593	\$ 4,693 \$ 3,296	12/87 - 11/89	Waiting for documents from servicer
steel shop on leasehold Fairbanks	\$ 162,387.91	\$ 590,000 1987		\$ 4,970	\$ 2,500	9/87 -8/88	Paid to 12/20/87
32' gillnetter	\$ 28,549.82	\$ 60,000 1987		\$ 6,875 Annual	\$ 3,438 semi-annl	11/87 -8/88	Waiting for signatures
Grocery store Homer	\$ 183,935.95	\$1,200,000 1978		\$ 5,116.50	int only	11/86 -5/88	Paid to 10/01/87
Heady Hotel Homer	\$ 411,897.14	\$ 566,800 1987		\$ 38,746.52 semi-annual	\$ 5,016 monthly	10/87 -2/95	Paid to 01/01/88
Total #32	Total R. D. & Appro. \$7,673,968.04						
Total #1	Total B. S. \$ 276,625.59						
Total #33	\$7,950,593.63						

OREO Foreclosed Property

Legal	Type of Property	Foreclosure Date	Appraised Value	Amt in OREO Account	Listing	Action
2 Parcels: J. McCall, Inc. Yard - Mile 7 Richardson Hwy. Lakloey Hill Residence	Largely vacant property in Fairbanks	7/30/85	JMI Yard \$585,000 7/85	\$338,166.64 (\$715,645.73 charged down in 1984)	NBA is managing - Lost Supreme Court hearing regarding drag net clause on additional collateral Lost LPCC yard as a result	Reside sold 10/06/ for \$10 total
Units 1-4, 7, 8A, 8B, 10, Building A of River Mall on L2, Alexander S/D - Fairbanks	Mall	5/27/86	\$1,976,400. 1984	\$897,742.61 (\$167,476.80) sale \$730,265.81	FNBF is marketing at \$160/s.f. thru Coldwell Bankers	3 unit sold 3,700 be lea to Fre Meyer
E 1/3 of S 1/2 of L1, B4, Mtn. View S/D - Anchorage 3243 Commercial Dr.	Retail Whse 4200 sq.ft.	6/26/86	\$275,500. 1986	\$165,743.08	Listed w/ Jack White for \$230,000 since 9/86. 6/1/87 lowered price to \$198,000.	1 offer 8/87. 1 wldn't counte
Tract A, Spruce Acres S/D + 300' x 300' in the SW 1/4 SE 1/4, S34, T45, R15W, SM, Homer Recording District aka Keystone Center at Anchor Point, AK	Mall	7/29/86	\$800,000 3/86	\$576,195.87	FSLIC deeded property 100% to AIDA. Karabelnikoff & Assoc. acting as prop. managers.	2 tena
Leasehold int. in L3 & 4, 3900, Deadhorse Airport	Hangar & Equipment	8/21/86 (Deed- in-lieu)	\$1.4M 1981 \$726,650 Est Value 1986	\$661,343.91	FNBA to take over marketing.	
Leasehold int. in L6, B200, Iliamna Airport, Iliamna	Hangar	10/9/86	\$450,000 1983	\$111,112.50 (\$185,110.73 written off 06/30/87)	5/87 - Listed w/ Remote & Recreational Prop. for \$150,000.	
LA, Forest Dr. S/D - Anchorage - 1,872 sft. 228 Laurel St.	SFR, zoned R-0	1/5/87	\$125,500 (Assessed Value)	\$117,329.02	ERA/Bates has listing listed for \$175,000 5/11/87 lowered price to \$149,500	

Legal	Type of Property	Foreclosure Date	Appraised Value	Amt in OREO Account	Listing	Activity
L9, B5, Dimond Ind. Center #1, Anchorage 7900 & 7910 King St.	Retail Warehouse 5,172 sf 2 bay	12/16/86	\$377,300 (Assessed 1986)	\$274,239.92	FNBA marketing for \$310,000 1/2 rented to Fireguard for \$1,000/month	Offer rumored at \$260,000 w. 20% down.
L2, B34, South Mineral Creek S/D & L3A, 4A & 6A, B34, Mineral Creek S/D - Valdez	Office/Retail	1/13/87	\$1,083,300 (1987 Est.)	\$967,411.20	AMB soliciting tenants	A number of units leased.
Tract 3A, Independence Park S/D, Anchorage 2121 Abbott Rd.	Office/Warehouse 12,000 sf NRA - 2 story	3/2/87 Deed-in-lieu	\$1,000,000 (1986 Est)	\$728,000.00 (\$325,150.39 written off 06/30/87)	Property managed by Equity Market Group	2 tenants & upstairs to be leased in 10/87.
L33, S20, T4N, R2W, Copper River Meridian, Chitna R. D. Glenallen	Garage	3/12/87 Deed-in-lieu	\$86,000 (1986 Est)	\$86,000		Offer received 12/3/87 for \$65,000
Leasehold int in L1, B41-B, East Add to Townsite of Anch. 1415 Spar	Warehouse/office	4/7/87	\$290,000 - \$300,000 (1987 Est.)	\$232,903.70	Listed w/ Jack White for \$350,000 nonexclusive	10% down
Unit A-2 of 101 9th Ave. Condo being L7A of B106, Anchorage Townsite	860 sf office/condo	4/30/87	\$117,500 (1981) \$55,000 (1987)	\$47,300.00 (\$19,837.69 written off 06/30/87)	ASB to market for 30 - 60 days. Listing Price \$65,000	Poss. 1 yr pur. optn wch would cvr costs.
L15A, & 17A, B6, City View S/D #3, Anchorage 2600 E. 16th Ave.	6,988 sf grocery store on E. 16th Ave.	6/3/87	\$250,000 (1987 est.)	\$220,000.00 (\$35,418.25 written off 06/30/87)	APB to market \$300,000 - \$325,000	
L1A, B1, Dimond D Devel. S/D, Anchorage R. D. 300 E. Dimond	27,620 sf shpg mall on Dimond		\$3,000,000	\$2,376,179 (\$393,758 charged to Loan Loss 6/30/87)	UBA/AIDEA are acquiring tenants	Rented space to Gary King
L34, B1, Shaw Tri-Lakes #2, Palmer R. D.	Vacant lot in Wasilla	5/31/87 Deed-in-lieu	\$35,000			
2/3 assignment of escrow			\$20,000			

Legal	Type of Property	Foreclosure Date	Appraised Value	Amt in OREO Account	Listing	Activity
L56, B2, Interair S/D Anchorage 5001 Eagle St.	10,550 sf office/shop	6/29/87	\$605,000	\$544,500 (\$40,353.94 charged to Loan Loss 6/30/87)		
Unit A-F, L9C, Interair S/D Anchorage 4841 Fairbanks St.	7,500 sf 6 bay warehouse/off. in So. Anchorage	6/30/87	\$319,800	\$207,795.01		
Unit 9, Jordan Creek Office Condo, Juneau	1,193 sf office/condo in Juneau	6/17/87 Deed-in-lieu	\$90,000	\$73,800 (\$10,963.42 charged to Loan Loss 6/30/87)		
L7, B3, Westgate Park S/D Anchorage 6235 Nielsen Way	1,225 sf off. & 12,169 sf. warehouse	7/23/87	\$469,000 (Assessed 1986)	\$236,217.94	Chris Anderson @ KBA handling	
L3E, B2, "C" St. Industrial S/D Anchorage 6151 "B" St.	880 sf off & 6,320 sf wrhse w/2,400 sf mezzanine stge.	8/21/87	\$375,000	\$317,456.37		
USS 2729 Sitka	16 unit, 20,000 sf business park	8/17/87	\$1,150,000 (1987 est.)	\$837,200.00 (\$159,817.51 charged to Loan Loss 9/30/87)		
L1 & 2, Irvin S/D Homer NHN Katchemak Dr.	11,792 sq.ft. office	9/14/87	\$227,000 (1987 est.)	\$202,030.00 (\$139,924.82 charged to Loan Loss 10/23/87)		
L4 USS 3637, Central, AK	4,400 log lodge on 3.8 acres	9/30/87	\$55,000 (1987 est)	\$55,000	Listed with Remote & Recreational Prpty	
L11A,B39,Orig Twnst of Anch. 444 H Street	2 story, 4856sf office building	11/17/87	\$530,000 (1987 est)	\$477,000 (\$196,791.90 charged to loan loss 12/30/87)		
L1&2,B"B", Shanley Homestead S/D, Fairbanks	2 story grocery store/apartment building	10/16/87	\$278,000 (1987 est)	\$250,200 (\$2,940.26 charged to loan loss reserve 12/8/87)		

Legal	Type of Property	Foreclosure Date	Appraised Value	Amt in OREO Account	Listing	Activity
L12A,B14A, East Add Anchorage Twnst	13,500 s.f. retail/wrhs at East 6th & Juneau	10/30/87	\$576,000 (1987 est)	\$432,000 (132,368.20 to loan loss reserve 12/08/87)		
Tract "B", Bowers S/D, Kachamak View Add. Homer	8686 s.f. shopping mall/office building in Homer	11/13/87	\$506,000 (1987 est)	\$455,400 (\$71,271.63 to loan loss reserve 12/09/87)		
Lot 49-A,B2,Wasilla Airport Heights S/D Wasilla	24,096 s.f. retail/wrhs bldg in Wasilla	12/24/87 (Deed-in-lieu)	\$630,000 (1987 est)	\$630,000 (\$145,465.25 to loan loss reserve 12/31/87)		

Total #28

Total in OREO
\$12,350,789.97Total to Loan Loss Reserve
\$ 2,574,817.72

FDIC

Federal Deposit Insurance Corporation

Memorandum to: Laurence D. Schannault
Deputy Regional Director (DOL)
San Francisco Regional Office

From: James K. Cook *James K. Cook*
Bank Liquidation Specialist

Date: March 4, 1988

Subject: 2766 - First Interstate Bank of Alaska (FIB)
Anchorage, AK - In Liquidation

5915 - Alaska National Bank of the North (ANBN)
Anchorage, AK - In Receivership
Types of Loans/Businesses and Numbers of Employees

As you requested, the following is a breakdown of the assets of First Interstate Bank of Alaska and Alaska National Bank of the North. The assets are categorized by type of loans, number of employees employed by those businesses that are obligated to the FDIC and the number of loans and book values by type of business. The source of this information is the call report data of each bank and the analysis of each portfolio by each Account Officer, as of March 1, 1988.

<u>Commercial Loans</u>		<u>ANBN</u>		<u>FIB</u>	
<u>Secured by:</u>	<u>#</u>	<u>BV</u>	<u>#</u>	<u>BV</u>	
Commercial RE	175	21.0mm	178	35.4mm	
A.R. & Contract Rights	97	10.5mm	38	8.3mm	
Inventory	45	2.0mm	26	6.9mm	
Equipment	184	13.0mm	176	17.0mm	
Stocks	4	3.0mm	0	.2mm	
Miscellaneous	3	1.2mm	65	4.3mm	
Unsecured	94	3.5mm	61	3.4mm	
Totals	602	74.2mm 59.2mm	549	76.3mm	

Laurence D. Schannault
 March 4, 1988
 Page 2

Real Estate Mortgage LoansANDNFIB

<u>A Real Estate Construction Type</u>	<u>#</u>	<u>BV</u>	<u>#</u>	<u>BV</u>
Land Acquisition (Comm)	3	2.7mm	4	838,257
Land Acquisition (Res.)	4	341,000	--	--
Land Development (Res.)	7	3.2mm	11	4.3mm
Commercial-Apartments	7	1.2mm	2	4.4mm
Commercial-Retail Offices	1	500,000	--	--
Commercial-Offices	1	2.0mm	1	3.7mm
Commercial-Warehouse	3	3.4mm	3	3.8mm
Single Family Residences	36	3.2mm	24	6.2mm
Other	2	1.2mm	0	5.1mm
Totals	64	18.4mm	54	28.3mm

B. Covered Transaction-Type

Candem	7	400m		N/A
Zero Lot Lines	7	600m		
SFR	7	700m		
Vacant	3	160m		
Commercial	1	375m		
Mobile Homes	1	68m		
Hotel/Motel	1	680m		
Other	1	210m		
Totals	28	3,193m	0	* 0

* FTR did not segregate covered transactions.

Lawrence D. Schannault
March 4, 1988
Page 3

	<u>ANBN</u>		<u>FIB</u>	
<u>C. Amortized/Term-Type</u>	<u>#</u>	<u>BV</u>	<u>#</u>	<u>BV</u>
SFR	60	5.0mm	167	13.3mm
Conventional 2-4 Units	10	1.2mm	30	5.1mm
FHA	3	100,000	--	
VA	2	160,000	--	--
Commercial	20	2.9mm	148	34.4mm
Vacant Lots	2	50,000	9	4.8mm
Other	13	500,000	12	5.6mm
Totals	<u>110</u>	<u>84.8mm</u>	<u>266</u>	<u>68.2mm</u>
GRAND TOTALS	<u>804</u>	<u>84.8mm</u>	<u>969</u>	<u>167.8mm</u>

The breakdown above includes the original inventory retained by the FIB and all putbacks in date, from both banks. It is probable that the National Bank of Alaska will put back approximately 40 more loans, with a BV of about \$5.0mm, under the 75% putback provision for FIB. The putback process for ANBN is complete.

There is a total of about 120 installment loans, with an accumulative BV of approximately \$200,000.00, from both banks. These were not included in the schedules above. The schedules above also include charged off loans, owned real estate, bank properties and other fixed assets.

Attached to this memorandum is a listing of one properties for Security National Bank as well as ANBN and FIB.

Should you have any questions, please call.

JC:cn

cc: Thomas S. Ruth, Jr.
Reid Judd
Mike MacDermott
Jack Smith
Section Chiefs
File

**REAL ESTATE PROPERTIES OWNED
AS OF: March 3, 1988**

<u>TYPE</u>	<u>BANK NO: 2608</u> <u>BANK: SNB</u>	<u>BANK NO: 5915</u> <u>BANK: ANBN</u>	<u>BANK NO: 2766</u> <u>BANK: FIAK</u>	<u>TOTAL</u>
<u>SFR</u> (B.V.)	10 (1,165,132.35)	18 (1,315,087.06)	24 (1,649,920.07)	52 (4,130,139.48)
<u>COMMERCIAL OFFICE</u> (B.V.)	2 (427,000.00)	8 (830,351.51)	13 (1,827,890.50)	23 (3,085,242.01)
<u>COMMERCIAL OTHER</u> (B.V.)	1 (63,636.14)	3 (291,508.41)	13 (4,064,632.95)	17 (4,419,777.50)
<u>DUPLEX</u> (B.V.)	-0- (0.00)	1 (64,800.00)	1 (704,444.06)	2 (769,244.06)
<u>4-PLEX</u> (B.V.)	1 (234,351.50)	6 (723,632.65)	10 (1,181,821.94)	17 (2,139,806.09)
<u>6-PLEX</u> (B.V.)	2 (493,969.22)	-0- (0.00)	2 (9,165.75)	4 (503,134.97)
<u>APTS MULTI-FAMILY</u> (B.V.)	-0- (0.00)	-0- (0.00)	4 (3,476,099.19)	4 (3,476,099.19)
<u>CONDOS</u> (B.V.)	2 (145,816.99)	20 (843,272.62)	120 (3,781,043.59)	142 (4,770,133.20)
<u>1-4 SFR LOTS</u> (B.V.)	33 (1,359,016.32)	61 (1,502,188.33)	247 (3,178,157.89)	341 (6,039,362.54)
<u>COMMERCIAL LOTS</u> (B.V.)	5 (455,344.00)	1 (103,153.57)	3 (2,300,881.65)	9 (2,859,379.22)
<u>TRAILORS MOBILE HOMES</u> (B.V.)	-0- (0.00)	1 (35,700.00)	1 (36,000.36)	2 (71,700.36)
<u>TOTAL:</u> (B.V.)	56 (4,344,266.52)	119 (5,709,694.15)	436 (22,210,057.95)	611 (32,264,018.62)

REAL ESTATE PROPERTIES OWNED
PAGE 2

SUBSIDIARY ACCOUNT

<u>BANK NUMBER: 5915</u>	<u>BANK NUMBER: 2766</u>	
<u>BANK: ALASKA NATIONAL BANK</u>	<u>BANK: FIRST INTERSTATE BANK</u>	<u>TOTAL</u>
<u>COMMERCIAL</u> 2	10	12
(B.V.) (400,000.00)	(22,099,494.62)	(22,499,494.62)

The Subsidiary accounts consist of owned bank buildings.

MORTGAGE LOANS

ANBN

FIB

<u>Types of Business</u>	<u># of Assets</u>	<u>Book Value</u>	<u>Employees (Estimated)*</u>			<u># of Assets</u>	<u>Book Value</u>	<u>Employees (Estimated)*</u>		
			<u>1-24</u>	<u>25-100</u>	<u>100+</u>			<u>1-24</u>	<u>25-100</u>	<u>100+</u>
Agriculture										
Real Estate Related	8	5,132M		48		76	18,903M			615
Tourism	2	829M	23			17	6,687M			462
Transportation						5	1,410M		41	120
Fishing	2	219M	8			3	2,723M			112
Mining										
Construction	7	1,298M	44			3	3,739M	7		
Timber										
Oil Related	1	1,299M	4			2	1,317M		35	
Communication										
Retail/Services										
Not Designated	182	21,673M	(Not Available)			260	16,037M	(Not Available)		
Totals	202	30,450M	79*	48*		366	50,816M	7*	76*	1309*

* Represents total number of employees for each type of business.

COMMERCIAL LOANS

AVEN

FIB

<u>Types of Business</u>	<u># of Assets</u>	<u>Book Value</u>	<u>Employees (Estimated)*</u>		
			<u>1-24</u>	<u>25-100</u>	<u>100+</u>
Agriculture	3	205M	15		
Real Estate Related	12	1,084M	21		
Tourism	9	185M	18		
Transportation	24	3,794M	205	242	
Fishing	—	—	—		
Mining	15	1,001M	18		
Construction	69	3,757M	282	90	
Timber	9	271M	60		
Oil Related	—	—	—		
Communication	—	—	—		
Retail/Services	144	17,886M	450	151	223
Not Designated	317	26,017M	(Not Available)		
Totals	602	54,200M	1,069*	483*	223*

<u># of Assets</u>	<u>Book Value</u>	<u>Employees (Estimated)*</u>		
		<u>1-24</u>	<u>25-100</u>	<u>100+</u>
—	—	—	—	—
59	7,672M	244		
16	8,869M	39	185	
26	1,508M	79		
14	1,060M	56		125
1	811M	8		
61	3,577M	241	151	
1	28M	5		
9	3,641M	18	39	219
4	639M	20	45	
179	30,020M	543	516	491
233	46,690M	(Not Available)		
603	104,515M	1,253*	936*	835*

* Represents total number of employees for each type of business.

MEMORANDUM

TO: Senate Joint Economic Recovery Committee members
FROM: Senator Jones
RE: FDIC liquidation policy proposal

Attached is AIDA's response to Mr. Lowe's proposal from our last meeting.

PROPOSAL TO ECONOMIC RECOVERY COMMITTEE

MARCH 3, 1988

FDIC sells troubled loans to AIDA for 25¢ on the dollar - no recourse to FDIC. Fund assets until resold up to maximum of 12 months.

AIDA to sell to banks at 30¢ on dollar. AIDA to pay carrying costs, taxes repairs etc but not collection costs.

AIDA to buy back uncollectable loans up to 5 years. Could resell them at any price to anyone - no recourse.

Banks be allowed to buy loans up to a given per cent of capital if a branch in area of loan - on first go around. After that any bank could purchase.

If bank repackages and sells a loan that was purchased from AIDA, AIDA would receive a percentage of any profit generated from the sale.

AIDA or Teachers Retirement could keep or sell as they wished on any terms loans in which they had participated.

AIDA could pool consumer loans under \$25,000 & sell them in packages or could issue bonds that would be retired as loans pay off.

Banks could carry loans off balance sheet. They would not be subject to criticism from regulatory authorities.

This plan could be implemented using a TASK FORCE of bank representatives, FIDC and AIDA officials. The services of a consulting firm and legal counsel (such as SEAFIRST can provide) could bring the program into existence.



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

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

March 7, 1988

Mr. Jim Lottsfeldt
Office of Senator Lloyd Jones
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

SUBJECT: Proposed Liquidation of FDIC Assets

Dear Mr. Lottsfeldt:

Thank you for forwarding the outline of the FDIC liquidation plan to me. My understanding is that you would like the Authority's comments on such a proposal before the scheduled 5:00 pm meeting on Monday, March 7, 1988.

My understanding of the proposal would have the Authority purchase the assets currently held by the FDIC in the amount of approximately \$200.0 million for .25¢ on the dollar or for about \$50.0 million. The Authority would then sell to Alaskan banks these same assets for .30¢ on the dollar or about \$60.0 million. It also appears the banks will have recourse to the Authority to put any loan back to the Authority and be paid for it for a period of five years. It also appears the Authority will pay the carrying costs, i.e. taxes, insurance, repairs, etc. even while the banks "own" the loan.

I am unsure what such a program would accomplish. The banks should endorse such a program in that it appears they receive a five year risk free option to sell the property for greater than .30¢ on the dollar and if it does not work out, the Authority will repurchase the loan from them.

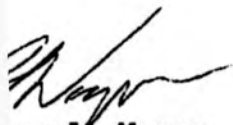
r. Jim Lottsfeldt
arch 7, 1988
ge Two

e proposal seems a trifle bizarre in that there has been much
scussion on "FDIC Dumping" yet here we are dumping first to the
thority for .25¢ on the dollar, then the banks have the option of
mping to someone else. While hopefully not sounding to negative, this
pears to be an exercise in activity that most likely accomplishes
thing. The end result is the banks would sell the property most likely
the same people, firms and groups, etc. that the FDIC will.

: "carrot", I guess, for having the Authority assume the risk on the
ns (the banks have recourse to put them back to the Authority) is the
ferential between what they are purchased for, (\$50.0 million) and
d to the banks for, (\$60.0 million).

t is overlooked is that this portfolio has already been picked over
e by National Bank of Alaska and some of these loans may be worth 80%
90% of their par amount while I am sure many are worthless. I
ition how the sale of such marginal properties will be the negative
e discussed when much of the testimony has illustrated the flight to
ity in commercial space.

ectfully,



ram L. Wagnon
itive Director



Official Business

Alaska State Legislature

House

Pouch V
State Capitol
Juneau, Alaska 99811

February 5, 1988

Mr. Lamar Kelly
FDIC
25 Ecker Street, Suite 1900
San Francisco, CA 94105

Dear Mr. Kelly:

This letter confirms our conversation of Thursday, February 3, 1988. We recognize the FDIC's desire to avoid the possible adverse effects of a sale of FDIC-owned property, and we share your concern. Actions by the FDIC and its successors in interest, if not carefully planned and monitored, may have profoundly adverse effects on other banks, on the Anchorage economy and, as a result, on the Alaskan economy statewide.

We look forward to meeting with Messrs. Chenault and Hone next Monday and Tuesday, when the Joint Committee on Economic Recovery has scheduled a hearing at which they will testify.

During our preparatory discussions and that hearing we expect to learn the details of the problem and explore all possible solutions. We would like the legislature and the FDIC to work together and find an equitable solution as speedily as possible. Given the time needed to develop, draft and pass the necessary legislation, we believe this process can, if begun next week, if necessary be completed by no later than the date the legislature adjourns, May 9, 1988.

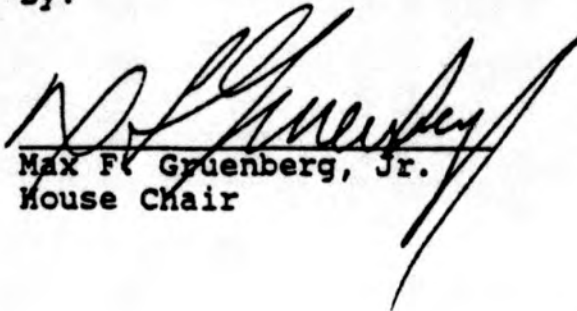
As we explained in the telephone conference yesterday, the Alaska State Legislature, like all other state legislatures, operates under constitutional, statutory, and procedural rules and requirements. Thus, any solutions that contemplate a statutory enactment will require the approval of a majority of the members of each house. Accordingly, no committee or group of legislators can purport to commit those majorities in advance of the event. At the same time, we can represent

that members of both houses, of both parties, including those of us who have been designated to consider and develop possible solutions, are personally committed to working with you and your representatives diligently, and in good faith. We look forward to starting this process on Monday.

Cordially,

The Joint Committee on Economic Recovery

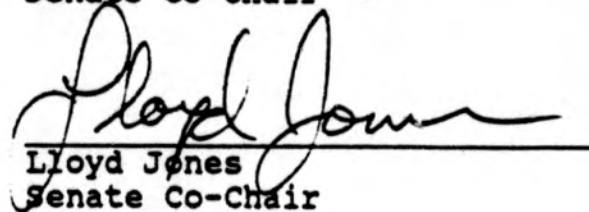
By:



Max F. Gruenberg, Jr.
House Chair



Arliss Sturzelewski
Senate Co-Chair



Lloyd Jones
Senate Co-Chair

FDIC LIQUIDATION PROCEDURES

- Establish a permanent FDIC office in Anchorage to liquidate assets
- Evaluate assets based on financial statements and collateral
- List and sell real estate for independent appraised value
- Bulk sale performing loans to highest bidder
- On non-performing loans, attempt workout with debtors/guarantors (this includes compromises, refinance, extension or modifications of terms, interest moratorium, substitution of collateral). Bulk sale to highest bidder
- Refer assets for litigation (including foreclosure) when workout efforts fail
- Repossess collateral when workout efforts fail

*Q Receivership may requirement to go to
appropriate ct Natl or State Bank.
(may have to go to receivership ct.)*

FDIC PLAN IF ASSETS ARE SOLD

- Temporary FDIC office in Anchorage would be closed

Uniform Appraisal Instructions To Appraisers For FDIC Real Estate Properties

(Not Required for Residential Single Family Properties)

1. Appraisals are to be made assuming a sale on a cash basis; however, if the appraiser is uncomfortable with supplying a valuation on a cash basis because of lack of comparable sales on a cash basis, a valuation based on typical terms, as provided for in item 2 below, may be used instead. If the appraiser prefers, he/she may also value the property on both a cash basis and on a typical terms basis. FDIC does not want fire sale or liquidation value appraisals.
2. Appraisals are expected to reflect values based on sales prospects considering existing economic conditions.
3. When an appraiser supplies a valuation based on typical terms, FDIC needs specifics as to what the appraiser feels are typical terms for the subject property. For example, x percent (%) down payment, x-year mortgage, with or without a balloon payment in x years and x percent (%) interest rate.
4. All appraisals are to be on an "as is" basis.
5. Estimates to complete essential repairs and to cure violations should be provided, and the appraiser should specify whether those expenses (with a breakdown) have already been considered in estimating the property's appraised value.
6. The FDIC believes in an intensive marketing program and normally expects to sell a property within 6 - 12 months of acquisition.
7. All appraisals, including updated appraisals, must be in writing.
8. Generally, appraisals should be based on existing zoning; however, the appraiser may value the property based on both current zoning and any other zoning the appraiser feels is likely obtainable within a short period. The likelihood of the alternative zoning should be explained in the report for all cases in which the appraiser feels it is appropriate to supply both valuations.
9. When an appraiser is valuing distressed property solely on a land value basis that implies demolition or removal of improvements, the cost of demolition and/or removal should be netted against the land value with the estimated costs of removal so reflected.
10. The account officer is requested to supply the appraiser with a copy of the property's legal description, the survey, leases for income producing properties, etc.

11. The appraiser should provide the amount of annual property taxes and any past due taxes in the appraisal report.
12. The appraisal may be used for multiple purposes, such as bids at foreclosure sales, large protective advances, operating budgets, and sale of the property.
13. A copy of these instructions should be made a part of the appraisal report.

Bank of the North/
First Interstate Bank
Geographic Distribution of Loans
Summary

06-Feb-88
File Name: 015Geogstrat.xls

Summary	Anchorage		Nome		Chugiak		Fairbanks		Homer		Kenai		Juneau		Palmer		Valdez		Other		Outside		TOTAL	
	Birdwood		Kotzebue		Peters Creek		Delta Jct/Tok		Seward		Soldotna		Douglas		Wasilla		Glennallen		Alaska/		Alaska			
			Bethel		Eagle River		North Pole								Big Lake		Copper Center		Unknown **					
			Prudhoe Bay				Eielson AFB								Talkeetna									

Bank of the North																								
Real Estate/Const	15,758,131	85	1,132,290	8	284,832	5	2,536,787	28			367,492	2	2,523,366	16	3,617,356	9			1,632,293	9	2,052,075	10	29,904,622	172
Other Real Estate	2,249,168	12	0	0	158,913	3	1,444,578	18			128,160	1	1,577,924	7	287,608	5			21,184	1			5,867,535	47
Commercial	17,616,406	83	1,450,707	14	96,041	3	10,489,694	149			56,917	2	1,705,584	25	706,862	11			2,091,524	18	2,357,472	21	36,571,206	326
Installments	193,188	27	33,128	11	18,518	2	256,889	45	740	1			64,052	8	2,401	1	2,059	1	16,884	4	56,899	15	644,758	115
Subtotal	35,816,892	207	2,616,125	33	558,303	13	14,727,948	240	740	1	552,569	5	5,870,926	56	4,614,227	26	2,059	1	3,761,885	32	4,466,447	46	72,388,121	660
	49.07%		3.58%		0.76%		20.18%		0.00%		0.76%		8.04%		6.32%		0.00%		5.15%		6.12%			

Judgements																								
Charge-Offs **	6,432,197	552	479,955	72	481,242	37	4,333,409	398	12,095	5	10,892	11	1,529,237	106	382,629	31	73,976	15	2,516,280	179	964,279	421	17,216,191	1,627
Subtotal	6,432,197	552	479,955	72	481,242	37	4,333,409	398	12,095	5	10,892	11	1,529,237	106	382,629	31	73,976	15	2,516,280	179	964,279	421	17,216,191	1,627
	37.36%		2.79%		2.80%		25.17%		0.07%		0.06%		8.88%		2.22%		0.43%		14.62%		5.60%			

ANB Total	42,249,090	759	3,096,080	105	1,039,545	50	19,061,357	638	12,835	6	563,461	16	7,400,163	162	4,996,856	57	76,035	16	6,278,165	211	5,430,725	467	90,204,312	2,487
	46.84%		3.43%		1.15%		21.13%		0.01%		0.62%		8.20%		5.54%		0.08%		6.96%		6.02%			

TOTAL (CHG-OFFS & JUDGMENTS EXCLUDED)	144,537,681	504	2,970,207	35	5,754,000	33	14,992,530	243	2,673,824	25	3,718,040	27	6,762,407	60	16,776,233	95	68,921	4	4,498,220	37	10,022,290	78	212,774,354	1,143
	67.93%		1.40%		2.70%		7.05%		1.26%		1.75%		3.18%		7.88%		0.03%		2.11%		4.71%			

TOTAL INCLUDING CHG-OFFS & JUDGMENTS	159,290,301	1,170	3,450,162	107	6,326,888	77	19,325,937	641	2,830,761	36	4,218,067	49	8,291,646	166	17,850,582	151	205,070	20	11,032,371	257	11,470,623	516	244,292,410	3,190
	65.20%		1.41%		2.59%		7.91%		1.16%		1.73%		3.39%		7.31%		0.08%		4.52%		4.70%			

** Unknown locations were found only for Bank of the North Chargeoffs
All others in this category are located within Alaska.

** Figures on Bank of the North Chargeoffs for "Other Alaska"
and "Outside Alaska" are approximate.

** Totals reflect gross loan balances; i.e.,
"Participations Sold" balances plus FDIC back value.

Bank of the North/
First Interstate Bank
Geographic Distribution of Loans
Summary

06-Feb-88
File Name: 015Geogstrat.tbl

Summary	Anchorage Girdwood		Nome Kotzebue Bethel Barrow Prudhoe Bay		Chugiak Peters Creek Eagle River		Fairbanks Delta Jct/Ick North Pole Eielson AFB		Homer Seward		Kenai Soldotna		Juneau Douglas		Palmer Wasilla Big Lake Willow Talkeetna		Valdez Glennallen Copper Center		Other Alaska/ Unknown **		Outside Alaska		TOTAL #		
First Interstate																									
Real Estate/Const	57,411,882	94	337,388	1	715,128	2			1,290,472	4	861,983	5			8,085,047	18			549,118	1	3,975,404	14	73,226,422	137	
Other Real Estate	17,921,277	60			142,050	4			632,335	7	802,394	4	671,356	1	1,940,908	27		1	1	98,900	1			22,203,221	105
Commercial	33,041,204	131	16,694	1	4,338,519	14	243,871	2	748,671	11	1,452,239	7	220,127	3	2,109,437	21	66,861	2	60,286	2	1,552,932	14	43,850,841	208	
Installments	346,426	12					20,711	1	1,696	2	48,855	6			26,613	3			28,031	3	27,508	4	497,743	31	
Subtotal	108,720,789	297	354,082	2	5,195,697	20	264,581	3	2,673,084	24	3,165,471	22	891,483	4	12,162,006	69	66,862	3	736,335	7	5,555,843	32	139,786,233	483	
	77.78%		0.25%		3.72%		0.19%		1.91%		2.26%		0.64%		8.70%		0.05%		0.53%		3.57%				
Judgments	457,732	18			26,060	2			23,734	2	38,827	3			53,729	4	62,174	1			60,038	5	722,254	35	
Charge-Offs	7,862,691	96			65,586	5			121,108	4	450,308	8			637,991	21			4,017,872	39	424,015	12	13,579,571	185	
Subtotal	8,320,423	114			91,646	7			144,842	6	489,135	11			691,720	25	62,174	1	4,017,872	39	484,053	17	14,301,865	220	
	58.18%				0.64%				1.01%		3.42%				4.84%		0.43%		28.09%		3.38%				
FIB Total	117,041,212	411	354,082	2	5,287,343	27	264,581	3	2,817,925	30	3,654,606	33	891,483	4	12,853,726	94	129,036	4	4,754,207	46	6,039,897	49	154,088,098	703	
	75.96%		0.23%		3.43%		0.17%		1.83%		2.37%		0.58%		8.34%		0.08%		3.09%		3.95%				

Anchorage Daily News

VOL. XLIII, NO. 51 60 PAGES

ANCHORAGE, ALASKA, SATURDAY, FEBRUARY 20, 1986

PRICE 25 CENTS

Real estate bailout? No way, witnesses say

By JOHN LINDBACK
Daily News reporter

JUNEAU — Prospects for a big state bailout of Alaska's depressed real estate market looked dim this week as legislators heard strong criticism of the idea from a trio of state officials and a major real estate broker.

State government created the oversupply of housing and commercial space with subsidized loans, according to state economist Gregg Erickson, Alaska Permanent Fund Director

Dave Rose, Commissioner of Revenue Hugh Malone and Connie Yoshimura of Fortune Properties in Anchorage. Government should avoid more tinkering with supply and demand, the witnesses said.

Legislators especially should resist grand proposals to buy foreclosed property and keep it off the market, they said. Such schemes would be too risky and too expensive, costing hundreds of millions of dollars. They could backfire, just like state loan subsidies backfired. Or they might give some

property owners an unfair advantage over others, the witnesses said.

"We spent ourselves into this problem. Now the situation seems to be: Can we spend ourselves out of it?" Malone said. In theory it would be best, he said, to let natural market forces take over.

"Proposals to assist only a segment of the market, say the

See Back Page, REAL ESTATE

REAL ESTATE BAILOUT: Witnesses tell legislative panel that it is a bad idea

Continued from Page A-1

commercial real estate market, are hard to take seriously when so many others also have been hurt. Indemnifying all Alaskans hurt by the real estate collapse would simply cost more than the state could afford," said Erickson, senior economist for the governor's Office of Management and Budget.

He reminded legislators that some Alaskans are winning because of the current economic slump. The legislature, in a good-hearted attempt to help property owners, could hurt renters who have benefitted from the real estate collapse.

About 31,000 Anchorage households pay rent, he said.

"Assuming 2.4 persons per household, and if the average rental cost two years was \$200

per month per person, the roughly 40 percent drop in rents has added an average \$960 to the annual spendable incomes of these 75,000 people," Erickson said. "This 'renter's dividend' has thus increased Anchorage's spendable income by about \$72 million, and it has had about the same economic impact as would result from hiring 1,400 new state employees in Anchorage."

Malone, Erickson and the others testified before a House subcommittee examining Alaska's sick real estate market and ailing banks.

Some Alaskans, including Anchorage Mayor Tom Fink, want legislators to use state money to reverse the estimated \$8 billion drop in real estate values during the past two years. Fink suggested that the Alaska Permanent Fund buy foreclosed property

and keep it off the market until conditions improve. Others want more small-scale help. Some witnesses suggested that legislators in some way help the little guy, particularly condominium owners, cope with declining property value.

But the big bailouts drew the strongest criticism from the witnesses. Rose, the permanent fund's executive director, suggested instead that the banks and the Federal Deposit Insurance Corporation form their own corporation to manage foreclosed property and schedule it for sale. That way the private sector, not the state, would be attempting to influence real estate values by regulating supply.

The state, at the most, should help the banks form their own corporation by giv-

ing it some operating funds, Rose said.

Yoshimura, a commercial real estate investor, showed little sympathy for Alaskans who lose in the commercial real estate game. People who invest in commercial property gamble with market conditions, she said. They knew the risks when they bought the property, she said. Many bought commercial property to get a tax write-off.

"I don't think the state has a social or political obligation to help someone who lost on a roll of the dice," she said.

She warned legislators to avoid state purchase of \$330 million in loans held by the Federal Deposit Insurance Corporation. The FDIC acquired the loans when First Interstate Bank and Alaska Bank of the North both failed.

Other banks in Alaska

were given the opportunity to acquire the loans and they rejected them, she said. They are, indeed, the "dogs of the market" and may not be saleable, she said.

House members seemed receptive to the critics.

"There is an expectation on the part of the public at large that the legislature do something," said Rep. Pat Pourchot, D-Anchorage and vice-chairman of the House Finance Committee. The legislature ought to concentrate more on small-scale ideas, such as demolition of more than 100 units of substandard housing at Anchorage's Willow Park, he said.

Some legislators even seemed concerned about small-scale state participation. They grilled representatives of the Anchorage Economic Development Corporation, which wants

state help to purchase the \$330 million in loans now held by the FDIC. The group wants the legislature to give it \$250,000 to evaluate the FDIC portfolio. Then, if it purchases the portfolio, it wants the state to back its financing with a guarantee.

H.A. "Red" Boucher, D-Anchorage, asked Dave Cuddy, a former legislator who is now a banker, if the legislature ought to buy into the Anchorage Economic Development Corporation plan. His answers didn't produce much confidence.

"You were a legislator. Would you vote to do this?" Boucher asked.

"I won't answer. I really won't answer," Cuddy said.

"Do you think it's good bank business to do that?" Boucher asked.

"I really prefer not to answer," Cuddy said.

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WOHLFORTH, FLINT & GRUENING

TO: Subcommittee on Banking and Housing
Joint Committee on Economic Recovery

FROM: Robert B. Flint

RE: Summary of Anchorage Economic Development Corporation
proposal for purchase and management of FDIC assets.

The Anchorage Economic Development Corporation or its nonprofit subsidiary proposes to purchase at a discount assets owned by the FDIC acquired from Alaska Bank of the North and First Interstate Bank. Book value of the portfolio is approximately \$330 million.

CONTENTS OF PORTFOLIO

The assets consist largely of loans in the amount of approximately \$245 million that have not been foreclosed which include \$103 million in loans presented to NBA and returned and \$142 million in classified and delinquent loans. \$37 million in addition loans have been charged off. \$28 million is foreclosed real estate and \$20 million are bank premises.

PURPOSE OF TRANSACTION

The AEDC would manage the portfolio with the following goals:

1. Reduce or prevent future foreclosures in order to keep Alaskans in their business and homes.
2. Manage owned real estate without a negative impact on real estate market. Warehouse property as necessary.
3. Produce cash flow needed to operate program and repay financing.
4. Distribute profits, if any, to public and nonprofit economic development organizations statewide.

Economic stabilization rather than ^{near} ~~new~~ term profit is the overall goal.

PURCHASE OF ASSETS

1. The assets will be purchased from the proceeds of a bond issue. Cash flow must be sufficient to service debt and operating expenses. Negotiated price must not require subsidy.

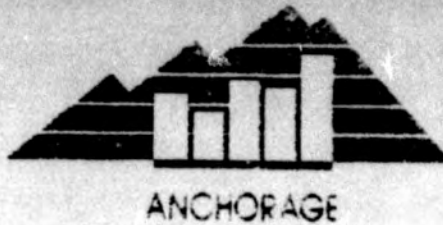
2. Terms of sale will depend on appraisal of portfolio.

3. Financing will require a) credit enhancement, or b) FDIC to take part cash, part subordinated debt or c) both.

4. Credit enhancement can take the form of a State "moral obligation".

\$250,000 REQUEST

The purchase cannot proceed without a thorough assessment of the FDIC portfolio with banking, real estate and financial experts. The \$250,000 will fund such an assessment. If the sale take place the \$250,000 will be repaid from bond proceeds. If it does not it becomes a grant.



**ANCHORAGE ECONOMIC
DEVELOPMENT CORPORATION**

\$250,000

Appropriation to Review FDIC Properties

- BUDGET -

\$ 150,000	Accountants
65,000	Banking Consultants
25,000	Legal Fees
<u>10,000</u>	Administrative Expenses
\$ 250,000	TOTAL

Time to complete study after award - 30 days.



**ANCHORAGE
ECONOMIC
DEVELOPMENT
CORPORATION**

February 9, 1988

Honorable Kay Brown
Joint Committee on Economic Recovery
Alaska State House
P.O. Box V
Juneau, Alaska 99811

Re: FDIC Asset Purchase

Dear Representative Brown:

All of the proposals dealing with the acquisition of the \$300 million Alaska FDIC portfolio require a prospective purchaser to conduct a thorough analysis of the assets. At a potential price range of \$75 to \$125 million no purchaser can simply take the FDIC's price since, as receiver, the FDIC is required to maximize its own return for the benefit of bank creditors, stockholders and itself. The proposed \$250,000 appropriation in the Jobs bill for this analysis is thus an essential step no matter what solution is eventually found to this problem.

The Development Corporation has accepted the FDIC's offer to review 20 sample files from the portfolio to establish the basic assumptions under which we would conduct a full review. We have assembled a three-person team of Alaska banking experts with loan, real estate and finance expertise who will begin work on these files this week. We will be happy to share their conclusions with the Legislature. A full review would require a much larger team working over a period of several weeks. In the meantime, we urge the passage of the \$250,000 appropriation in order that the Development Corporation can facilitate the total review when and if necessary.

Very truly yours,

Scott Hawkins
President

550 West 7th Avenue
Suite 850
Anchorage, AK 99501
Telephone (907) 258-3700

FORTUNE PROPERTIES MARKET NEWS

Volume 4, Issue 1, 1988

1988 Is The Year For a Turnaround in Residential Real Estate and Here Are The Reasons Why...

By Connie Yoshimura

The 1988 real estate market is going to be a buyer's market. Although the fear still exists amongst buyers that a home purchase today will be worth less in a few months, that fear will abate in the second quarter of 1988.

At that time, it will be apparent that there is a tremendous lack of quality inventory. Already in 1988, many foreclosed HUD properties which are sold by the bid process are receiving multiple offers at the first offering and, in some cases, are selling for more than the asking price by HUD.

The year end MLS statistics also substantiate that inventory is sinking. MLS reports that residential inventory was down by over 38% on the basis of number of properties listed for sale. At the same time inventory went down, the number of unit sales reported declined by only 13%. These two figures, measured by number of listings and reported sales, as opposed to dollar volume, indicate that there is a healthy absorption of residential inventory going on in the Anchorage marketplace. It's true that this absorption

has not yet helped prices but it will before the end of 1988. One of the reasons that prices will stabilize in 1988 is the fact that there will be very little new construction.

New building permits for houses didn't even reach the 200 mark for 1987 and, although it is anticipated that there will be between 200-225 building permits issued in 1988, most of that won't come until the third quarter. That's because banks aren't interested in lending for more house building when they are straddled with innumerable repossessed properties.

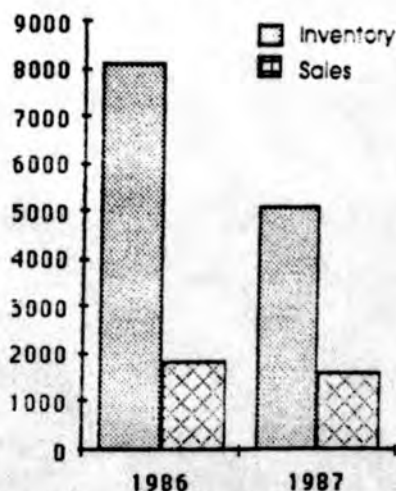
The repossessed inventory owned by institutional sellers such as Fannie Mae, AHFC, MGIC, FHA, and VA are mostly in the lower price ranges under \$100,000. The majority of it is in condos which will take many years to sell. However, the average priced single family home as reported sold by MLS is \$127,000.

The foreclosed inventory held by institutional sellers is therefore not going to fulfill the buying needs of the public. This will

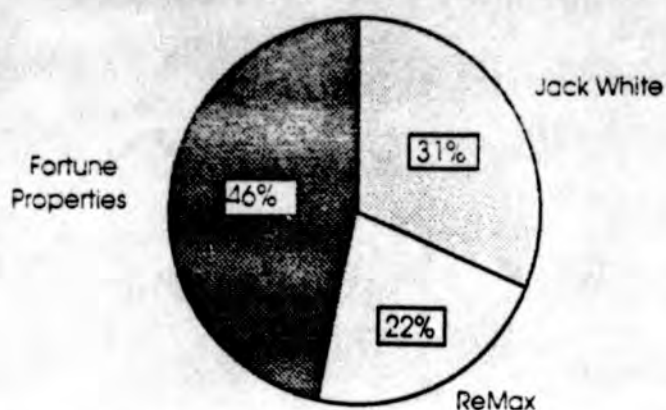
become apparent as buyers in the spring try to find quality housing to purchase.

For buyers, 1988 may be the last year that they are going to be able to purchase at non-escalating prices. All residential real estate statistics, as well as state economic projections, indicate that we are going to hit the bottom of the recession in 1988 and that things will begin to turn around in the third quarter. For residential real estate, it will happen a few months sooner.

Residential Inventory
vs. Sales Activity--
January - November



**QUARTERLY ADVERTISING SUMMARY
OCTOBER - DECEMBER, 1987**



Combined Anchorage Daily News and Anchorage Times
Classified Advertising for the Anchorage Bowl Only

Fortune Out-Advertises All Other Brokerages

It's tradition in many cities across the country that residential real estate is advertised in the local newspapers. Pick up any paper from San Francisco to Boston and you can get a pretty good feel for what's going on in the residential real estate market by reading the classified advertising section of the paper. Anchorage is no different.

During the last quarter of 1987 FORTUNE PROPERTIES out-advertised its major competitors by 3 to 2, as indicated by the chart above. The chart was compiled by counting the number of classified ads which appeared in both the Anchorage Daily News and the Anchorage Times for residential real estate in Anchorage, Alaska. It did not include Alyeska or the Valley. Of the big three, only FORTUNE PROPERTIES consistently placed more advertising for the fourth quarter. The

figures do not include display advertising such as Fortune's weekly open house display, builder and institutional accounts.

In tough economic times, FORTUNE PROPERTIES is committed to meeting the advertising needs of its sellers. Institutions such as Fannie Mae, MGIC, and HUD pay for and promote their own properties. It is difficult for an individual seller to compete in the marketplace for buyers' attention. That's why FORTUNE PROPERTIES, a locally owned and operated brokerage, is committed to advertising the properties of individual sellers in the marketplace. While other companies have cut back on their advertising budgets, FORTUNE PROPERTIES believes that you can't sell a home without advertising it.

Fortune's Agent Directory

Carolyn Abney	345-5824
Bob Allen	274-8081
Nelda Anderson	563-7132
Dave Aquino	337-2264
Chip Baye	272-0500
Carole Bennett	278-9682
Jack Blair	345-1828
Dolores Bowman	345-3832
Dave Brock	694-6090
Sara Cheatham	345-5782
Bill Davis	338-2526
Dick Decker	562-5765
Sue Dvorak	243-0153
Darlene Eliason	346-2835
Barbara Garrouette	344-2272
Margaret Goche	276-0885
Barbara Granger	345-6462
Karen Griffin	248-9134
Katherine Herfindahl	243-4210
Barbara Huffsmith	562-6400
Virginia Johnson	272-6704
Ken Kaneshiro	694-8038
Sylvia Kobayashi	272-4718
April Lee	345-5055
Marty Margeson	278-9275
Johnie O'Nan	346-2390
Leon Reed	337-7967
Al Rowand	272-4176
Kathleen Rowand	272-4176
Ida Solomon	344-3282
Elouise Schmidt	562-7275
Suzanne Taplin	278-2358
Niel Thomas	345-1552
Dennis Tweeten	333-0379
Vivian Werth	345-2645
Connie Yoshimura	562-7653



FORTUNE PROPERTIES

Is an Authorized
AHFC Broker
MGIC Broker
Fannie Mae Broker
FHA and VA Broker

For more information on these
properties, please call

562-7653



\$110,000
Woodside East

Reduced \$25,000. The best buy in Woodside East located on Sorbus Way. This home has a special entry which sets it apart from the rest. Two bedrooms, two baths, double car garage. GAS HEAT.

\$114,500
Five Bedrooms

2,274 square foot East side home with great potential. Big lot with city and mountain views. Five bedrooms, three full baths, family room, deck, and BIG DOUBLE GARAGE.

\$183,000
Two-Story on Hillside

This 2,700 square foot two-story home is easily accessible just off Muldoon Drive. Natural cedar siding exterior, loads of built-ins, kitchen island, sunken family room, GIANT HOT TUB plus balcony sitting area upstairs and four large bedrooms. Master bedroom has its own private bath. Double car garage and gas heat.



\$115,000
Wrangler's Way

Lower Hillside home off Birch Road on quiet dead-end street with city, mountain, and inlet views. Circular driveway, gigantic storage shed, and WELL LANDSCAPED YARD. Oversized double garage with workshop, 220 power, and sink. New carpet and large kitchen with extra cabinets.

\$225,000
Bring Offer
Four Bedrooms

Four bedroom home with family room, fireplace, vaulted ceilings, formal living room, and BEAUTIFUL HARDWOOD FLOORS. Private and spacious with a large formal dining room and a kitchen complete to the last gourmet detail. DOUBLE CAR GARAGE. Situated on a lovely wooded view lot.

Fannie Mae
Lease Purchase

This zero-lot line home is available for lease purchase. Get up to six months of rent credited towards your down payment. Located near Lake Otis with an asking price of just \$59,900.



\$229,000
Kempton Hills

Beautiful home located in south Anchorage's best selling subdivision. This natural cedar sided home has a formal dining room and living room plus an exciting loft-study area and a family room. Don't miss this opportunity to live in Anchorage's finest southside subdivision.

\$169,500
John Hagmeier Company
Homes
in BROOKWOOD HILLS



Wide covered entries lead to wood and ceramic tile foyers, vaulted ceilings, and custom wallpaper accents. Homes now available from three to five bedrooms, 2 1/2 baths, JACUZZI TUBS, and family rooms off the kitchen.



\$109,500
Oceanview North

Immaculate three bedroom, two bath home with its own private bath off the master. Located on a large treed lot in south Anchorage. CATHEDRAL CEILINGS, fireplace, and well designed kitchen. Double car garage. Located not far from excellent elementary school. Surrounded by much more exclusive and expensive homes.

\$107,000
Double Garage
Rock Fireplace

Lovely family home with view of the mountains. Family room and sliding glass door off the dining area. Two car garage, fenced yard. Seller will consider carrying paper.

\$135,000
Assumable
East Side Location

Immaculate home convenient to buses, college, and hospitals. Quarry tile in entry, kitchen, and dining room. Rock fireplace in living room PLUS WOODSTOVE IN THE REC ROOM. Four bedrooms, two baths. Kitchen complete with Jenn Air and refrigerator...DOUBLE HEATED GARAGE...and a beautiful treed lot.

\$324,500
Retreat
Southpark

Private family living above Potters Marsh. 3,887 square foot home. FOUR BEDROOMS AND FOUR BATHROOMS. Two fireplaces, one in den and one in living room, complete kitchen with breakfast nook. Private guest area with full kitchen plus family room, six person jacuzzi. All this and more located on a quiet cul de sac in south Anchorage.

FORTUNE MANAGEMENT Created To Handle Residential Property Management

In the fourth quarter of 1988, **FORTUNE PROPERTIES** created a new corporation called **FORTUNE MANAGEMENT** to handle the residential property management needs of its clients, including major institutional sellers. The Municipality's Housing and Population study, which was released in September 1987, confirmed a need which Fortune had felt all during 1987. With over 14,000 vacant residential properties in An-

chorage, it was obvious there was a need for a new property management company.

FORTUNE MANAGEMENT already has accumulated an inventory of several hundred properties which it manages and makes available for lease. The new company's services include residential leasing, property management and computerized income and expense statements and rent reports for property owners. The corporation was

funded by **HOME SAVINGS BANK**. It is headquartered in the second floor of the **CHUGACH ALASKA NATIVE BUILDING**, 3000 A Street, Anchorage, Alaska and is open seven days a week. For competitive leasing and property management rates, call 562-5868.

- Residential Leasing
- Property Management
- Computerized Accounting and Rent Reports
- Open 7 days

562-5868

**FORTUNE
MANAGEMENT**

From: *Connie Yoshimura*

FORTUNE PROPERTIES
3000 'A' Street, Suite 101
Anchorage, AK 99502

22 USA

Senator Artiss Sturgulewski
P.O. Box V
Juneau, AK 99811

Peter McDowell

STRATEGIC DEVELOPMENT SERVICES

A DEVELOPMENT VENTURE COMPANY
AN APPROPRIATE FINANCIAL INSTITUTION FOR ALASKA

Background

Rural Alaska (Alaska excluding the boroughs of Anchorage, Fairbanks, Juneau, the Kenai Peninsula, Ketchikan, and Mat-Su) is the source of much of Alaska's economic wealth (60-80 percent depending on the export value of crude oil). It only contains about 10-15 percent of Alaska's population and about 12-15 percent of the nonseasonal jobs. Those people and jobs, however, produce most of the wealth enjoyed by the other 85-90 percent who live and work in urban Alaska. With the exception of Kenai and Ketchikan, most urban Alaskans do not live near any basic economic activity other than tourism and national defense installations at Anchorage and Fairbanks. Future expansion and diversification of the Alaskan economy's basic sectors will also take place in rural areas, because much of it will depend on the locational, fish, timber, subsurface and scenic and recreational resource values which are concentrated there.

Moreover, any vision of the future of Alaska's economic growth should be solidly grounded in "fundamental economics", i.e., that economic activity in a specific geographic place will be limited to subsistence unless exports to nations, regions, and states outside its boundaries are produced. This also means that a secondary (service) economy cannot exist in the absence of a primary (export) economy. Since contact with the Russians, Alaska has always been an exporter - furs, whalebone, whale oil, gold, salmon, walrus ivory, other minerals, oil and gas, other fish, crab and forest products. Alaska also exports geopolitical location (to the U.S. military), public domain (to federal civilian agencies) and scenic and recreational resource values (to tourists). Alaskan exports of manufactured goods are principally LNG and urea from the Kenai, and pulp, cants, and heavy timbers from Southeast. The fundamental insight is no basic, no secondary.

The concentration of basic economic activity does not appear to have led to any concentration of financial assets or services in rural Alaska. In fact, the opposite seems to be true. Most financial assets and services are in urban areas, particularly Anchorage. Rural financial services appear to consist mainly of gathering deposits, some of which are in turn used to create financial assets (loans, leases and securities) in urban places.

Most Alaskan economic activity controlled by residents is secondary (service) by nature. That is also the principal kind of economic activity financed by Alaskan financial institutions, particularly those which have failed, or are in danger of failing in 1987. It is likely that the successful Alaskan financial institutions of the future will not specialize in the financing of speculative secondary (service) businesses. They will probably specialize in either:

- investing deposits gathered from Alaska in a blend of Federal government and other investment-grade securities, and loans to conservatively-managed Alaskan businesses in urban places, or
- facilitating the development and/or expansion of export-based economic development projects in rural Alaskan places that involve the export of one or more of Alaska's natural resource values:
 - fish products
 - timber products
 - hard rock minerals
 - coal
 - geopolitical location
 - public domain
 - oil and gas
 - scenic tourism
 - recreational tourism

This function is currently carried out principally by investment groups and private corporations from Canada, Japan, and the United States and some ANCSA corporations, for both resident and nonresident businesses engaged in basic (export) sector activities. There is also some involvement of Canadian, Japanese, and U.S. banks and investment banks.

An Appropriate Financial Institution

Central to any "Alaskan economic strategy" is a vision of Alaska's economic future where a vital, market-driven basic export sector provides opportunity for individuals and businesses to take risks and to use their imagination, knowledge, skills, energy, capital and technology - the basic stocks of wealth-creating capability - to create new products or services that markets want, or improve on those already being provided. In other words, to compete. One potential State economic strategy might be to: Go forth and do the right thing - create jobs by building private businesses.

There is an investment opportunity to seize the lead role in development of the kind of private financial institution appropriate to the strategies inherent in this vision. The development of an appropriate financial institution to help enhance the wealth-creating capability of Alaskan businesses is a compelling necessity, not a redundant luxury.

Such an institution would need to be substantially different from all existing Alaskan financial services agencies, if it were to concentrate its efforts on expansion of basic export sector economic activities. It could be structured as a blend of the venture capital fund model successfully operating elsewhere in North America, and the "development finance company" model successfully implemented in other countries by the International Finance Corporation, the private sector affiliate of the World Bank. This blend could be called a "development venture company" (DVC). The key factors for success of a DVC include, in priority order:

1. A viable expanding market for its services, consisting of individuals and entities with entrepreneurial will, financial capital, and export resources.

2. Personnel with the training and temperament to add value by nurturing and counseling those persons who are willing to engage in rural, export sector entrepreneurship, including the ability to:
 - identify business opportunities,
 - assess entrepreneurial skills and commitment,
 - develop pragmatic business plans with adequate data about critical success factors including skills, markets, equity, and other financing,
 - evaluate economic development project viability, and
 - restructure or reject nonviable proposals early.
3. A financial capital structure based on a high proportion of equity and stable, low-cost, long-term debt.

This model includes several features which are distinctly unlike any existing Alaskan financial institutions, including:

- Close linkage with State government agencies and programs that have a mandate to help promote and develop export base industries - e.g., the Alaska Industrial Development and Export Authority (AIDEA), as recently strengthened, Trade Alaska, and the Departments of Commerce and Economic Development and Community and Regional Affairs.
- Predominant emphasis on active lending and investment in development projects, i.e., asset management, rather than the current liability management (deposit-gathering) emphasis of most Alaskan financial institutions.
- Provision of regular and substantial management assistance to borrowers/investees, much like the nurturing activities of venture capitalists and investment bankers.
- Unprecedented use of technology in computing and communications. All day-to-day communications between project locations and the financial institution must be conducted with maximum facility and power. This is only obtainable through leveraging human resources with communication and information technology.
- Strategic alliances with customers, federal, State and local governments and other leading economic institutions involved with export base industries.
- Strategic alliances with Japanese and other foreign private financial institutions with the wherewithal to participate in the financing of, and technical assistance to, basic export sector economic development projects.

- Recruitment, and investment, of a pool of financial capital from a variety of sources depending on the organizational form selected.
- Profits from fees for services and risk-sharing, dividends, interest, and capital gains.
- Employment of personnel distinctly different from the typical Alaskan bank management staff of the 1980s. The new personnel need to be recruited and trained to emphasize:
 - ° Advocacy for the ideas and business plans of their customers,
 - ° Export base development project design and technical assistance skills,
 - ° Shared Alaskan values - the "corporate culture" of our state,
 - ° Rural Alaskan factors for success, and
 - ° Alaska Native background, with special emphasis on ANCSA corporations.
 - ° Service and management assistance skills in:
 - Application of technology
 - Export financing
 - Foreign financial markets and institutions
 - Acquisitions, mergers, and divestitures
 - Seafood harvesting and processing
 - Timber harvesting and processing
 - Mineral exploration, extraction, and processing
 - Tourism attractions, accommodations and access
 - Rural construction
 - Rural real estate development
 - Rural governance
 - Energy
 - Transportation
 - Other infrastructure

This people component represents a commitment to strive for modernization and would open a clear opportunity for Alaskans to grow into the present and future business world of knowledge-based employment and technology-driven services that are already reshaping Alaska's economic opportunities.

Financial Structure

The contemplated institution must have extreme stability of equity and debt capital. It should rely on:

- Equity capital from investors.

- Long-term bond debt - perhaps issued by AIDEA - to help capitalize the institution in as stable a fashion as possible.
- Core deposits from rural areas (at present only six or seven percent of total Alaskan bank deposits), depending on the entity selected.
- Core deposits from urban places, to the extent available (likely to be limited to public funds), depending on the entity selected.

The Market for Regional Services

A principal mission of such a financial institution would be regional services - development project services including financing and management assistance which add value - to regional and village ANCSA corporations and other entrepreneurs who are actively developing resource export projects in rural places. The institution could, for example, specialize in regional services for companies that do business in rural Alaska - whether the Interior, North Slope, Northwest Arctic, Bering Sea, Southwest, Gulf Coast, or Southeast regions. Regional service functions would consist primarily of:

- Information and education about rural, state, and worldwide economics, markets and technology.
- Management assistance for designing the financial infrastructure of development projects.
- Recruitment of equity and long-term debt capital sources.
- Provision of debt for exploration, development, working capital for operations, and other shorter-term purposes.

These services can, and must, be rendered with quality and excellence as the foremost values of the institution and its people.

Leveraging Existing Financial Institutions

As stated, there are no private Alaskan financial institutions currently operating on the development venture company model. In the public sector, AIDEA now has statutory authority to assist in this field, but limited prior experience.

Certain banks do operate (principally as deposit-gatherers) in rural Alaskan places. These include UBA, UBASE, NBA, FNBA, First Bank and B.M. Behrends. It is possible to conceive that an existing bank could form the core of an export-oriented rural Alaskan DVC. They would, however, require major management, skill, and technology transfusions to become successful in development project finance activities.

Beyond these, there do not appear to be any existing domestic financial institutions designed for, or in pursuit of, Alaskan development project finance activities. There do, however, appear to be numerous offshore institutions that are so engaged.

These offshore institutions may represent an opportunity for reverse leverage, by capitalizing on their interest in expansion of their DVC activities in association with Alaskan partners. Such partnerships could represent significant access to the human, financial, and technological resources necessary to this proposed expansion of the domestic Alaskan financial infrastructure.

Alternative Entity Forms

An Alaskan "development venture company" could be structured in several ways - from a unit within an existing company, a subsidiary thereof, a joint venture corporation, an investment bank, to a State-chartered commercial bank. Each organizational form has advantages and disadvantages. These include control, economies of scale, financial risk, capital requirements, complexity, and government regulation as shown below:

<u>Entity</u>	<u>Corporation Unit</u>	<u>Corporation Subsidiary</u>	<u>Joint Venture</u>	<u>Investment Bank</u>	<u>Commercial Bank</u>
Control	Most			Least	
Economies of Scale	Least			Greatest	
Financial Risk - Spreading	Least			Greatest	
Capital Requirements	Low			High	
Complexity and Cost of Implementation	Least			Most	
Degree of Government Regulation	Least			Greatest	

Peter McDowell
June 1987

Sealaska eyes FDIC properties

By Robert Laurie

JUNEAU — The Sealaska native corporation has taken the lead in forming an investor group to buy real estate taken over by the Federal Deposit Insurance Corporation in the failure of two Alaska banks.

Sealaska president and chief operating officer Bill Howe confirmed Monday the corporation has hired Juneau consultant Peter McDowell to research whether a private group could profitably buy and hold the properties until the market improves.

The FDIC holds more than 600 properties worth an estimated \$28 million from the failures of the Alaska National Bank of the North and First Interstate Bank.

It also owns another 3,000 troubled

commercial and consumer loans valued at about \$320 million.

Commerce and Economic Development Commissioner Tony Smith began the process several weeks ago by talking with several native corporations and "major investors."

Smith said he is seeking to prevent an outside investor from picking up the properties from the FDIC for a fraction of their value, then dumping them on the market, forcing other property values down.

Smith said he could "facilitate" the formation of a Real Estate Investment Trust by making the initial contacts, but said a private entity would have to lead the group.

"It's time for someone to get this thing focussed," said Sealaska's Howe, "so we're picking up the ball."

Howe said the corporation is putting up about \$30,000 to explore the idea.

McDowell is meeting with other potential investors to measure interest in the concept.

"It's bigger than Sealaska, there has to be a lot of other players, too," Howe said.

McDowell also touched base with the FDIC to get an accurate accounting of the properties in its hands.

FDIC official Herbert Chin said it will take the agency another couple of weeks to inventory and value the property it holds.

Chin said the FDIC is interested in selling the assets and would "look at any offer that comes in to us."

Howe said McDowell will add experienced real estate professionals,

including an appraiser to his study team.

Howe said he expects the results of McDowell's study in about six weeks. "If it's possible to structure a REIT on an economically sound basis, we would have some fairly significant dollars to invest," said Howe.

But Howe said the native corporation doesn't plan to lead the group once it's formed.

"We aspire to be an investor, not necessarily the manager," said Howe.

Sealaska is familiar with the state's real estate and banking industries. It was a major owner of United Bank Alaska before its consolidation with Alaska Mutual Bank into to form Alliance Bank.

See Properties, page D-6

Properties: 'We're picking up the ball'

Continued from page D-6

"If Sealaska is successful in its efforts, it could pre-empt a Senate proposal to form a 'bridge bank.'"

Sen. Tim Kelly, R-Anchorage, is drafting a measure that would set up a corporation to buy and hold commercial real estate until the market improves.

As initially proposed by permanent fund Corporation Execu-

tive Director Dave Rose, the state would put up about \$15 million dollars from the state's general fund as seed money.

Testifying before the Joint Economic Recovery Committee Monday afternoon, commissioner Smith questioned the state's role in such a plan.

"How does a public official determine who are the winners and losers?" he asked.

Smith said it was better left to the private sector.

Smith said there are no plans for the state to invest in the Sea-

laska venture, but "I suspect it will be put on our platter."

He cautioned it was a very high-risk venture.

"Every single one of these assets is something someone looked at and determined was substandard (a poor risk)," Smith said.

Nevertheless, Smith told the committee the Sealaska effort could work out.

"If the people doing it are successful, I assure you we'll be accused of giving away the store," said Smith.

Anchorage Times
c. 1/28/85

D

ALASKA INVESTMENT BANK & TRUST

A Real Estate Holding Company
for the people of Alaska

Proposal by:

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CORRECTED COPY FEBRUARY 15, 1988

OVERVIEW

We have, at this moment in time, one of the greatest opportunities for all citizens of the State of Alaska to participate in an investment that should help to provide stability in our economy and, in turn, a profit to themselves.

Most people realize we have an increasing loss of demand and an escalating overabundance of supply of real estate. There is not much that can be done in the near future to move the demand curve to a more favorable position. One that will have a dynamic impact on our economy (\$40/barrel oil excepted). This is not true; however, of the supply side.

Simply put - we now have the opportunity to buy low, deposit in savings, and (hopefully) sell at a profit in the near future - as with any investor. Also, I might add, I think we can safely say that we may never see this opportunity again.

Essentially, I see the current situation in three distinct categories.

1. The individual investor who is now buying properties and loans on the open market and from institutional owners such as FDIC. This is ideally where the market should remain, however, it does have enough positive impact on the current economy.
2. Institutional and strong individual investors who have been, and are continuing, to look for bulk purchases at large discounts. These buyers speculate (for cash) that these properties and loans can be "worked" until the economy improves and the assets sold at a profit. Simply said - high risk, cash intensive, with potentially large losses or gains. Please note, when we speak of assets we are talking about

two separate types. One is the buying of the actual real estate and the other is the purchase of loans and mortgages. The latter generates fair interest from potential buyers, however, I am not aware of any investors who are seriously interested in buying Alaska real estate in bulk.

3. The third approach, which seems to be the most touted and certainly the one getting the most attention, is the exclusive use of public funds or public debt to purchase speculative and selective real estate. We should strongly oppose any such plan!

JURY APPROACH

This plan of attack is simple, easy, and just takes one key participant or agency to coordinate the initial effort.

Lets get any and all ideas out on the table and come up with one recommended course of action that has a reasonable probability of being acceptable to the people first, and in turn public representatives and private industry. At the present time we have a number of proposed solutions and recommendations in various degrees of quality and territorial imperatives. Now is the time to draw all these efforts into one cohesive plan.

JURY SELECTION...The Department of Commerce recommends, and the Governor invites key participants to a conference to develop a workable economic plan. The jury will consist of one representative from the following areas and agencies with consideration to be on a statewide basis.*

- Native Corporations
- Private Industry
- Legal Profession
- Corporation Taxation
- University of Alaska
- Banking Industry
- Legislature
- Department of Commerce
- Permanent Fund
- AIDA
- AHFC
- Real Estate Industry
- Local Government

*Names available upon request.

These representatives are to be invited with only a few rules to the game.

1. Only the final plan will be made public. Any ideas expressed or explored during the conference are to be totally confidential and will not be discussed outside of the "jury" room.
2. Nothing is sacred. Any and all sources of funding, participation, and structure will be looked at and there will be no dumb ideas. Of course, some ideas may be rejected sooner than others.

3. There is no designed final plan, up to and possibly a final recommendation to do nothing.
4. All attendees must be willing to participate full time and continue until a majority agrees on a published plan or disband as a "hung jury".
5. All attendees must be willing to accept input from the public. This includes related professionals, as the "jury" has been limited to insure a workable number of participants.

EVERYONE CAN PARTICIPATE

As Dr. Hayden Green pointed out the other day - "Everyone wants to go down in history as the slayer of the economic dragon."

Question? Is there a way we can turn our current economic situation into an investment opportunity that will:

1. Not increase public debt.
2. Minimize the use of public funds.
3. Spread any use of public funds over a number of sources (risk management).
4. Cultivate and attract private capital to the maximum extent possible.
5. Establish a profit motivated entity that will benefit all participants and investors.
6. Assist in stabilizing our economy and stop or slow the erosion of property values.
7. Cease operation when no longer required.

YES!

Before I continue, I'd like to give credit to some of the clear thinkers on this issue. Thank you for your thoughts and ideas.

Dave Rose

Buz Hoffman

Hayden Green

Ken Gain

Establish a holding bank with the clear purpose of buying foreclosed real estate at discount prices, moth balling the real estate, and liquidating these assets, at a profit, in the near future.

Seed money for development to be obtained by grants from

1. Municipality of Anchorage
2. State of Alaska
3. Federal funds (grant application)
4. Railbelt Energy Fund

The holding bank is to be profit motivated and structured.

The institution is to be chartered for no more than a 10 year life.

The Bank & Trust is to be (initially) equity financed with three basic stock issues.

1. Preferred stock (cumulative, first out, non voting) to be made available to any and all private investors, large or small, institutional* or individual. Issue to be at a \$1 par and, (as an additional incentive to attract private capital) for each share of preferred the stock holder automatically receives one share of Class A common stock.
2. Class A common stock (second out, voting) to be issued at a \$10 par and to be purchased with public funds from all of the following (spread the risk):

AHFC

AIDA

Permanent Fund earnings

Railbelt Energy Fund

Legislative appropriation from:

operating budget

capital budget

ASBA

3. Class B common stock, (last out, non voting) at a \$100 par to be purchased through an exchange of real estate at discounted values. These purchases (exchange of real estate for stock) are to be limited to real estate owned by institutional investors (lenders or mortgage insurance agencies) such as:

Banks

FNMA

HUD

AIDA

AHFC

MGIC

FDIC (may require cash only)

* examples: Native Corporations, Alaska Railroad, Banks, Alascom, ARCO, North Slope Borough, Municipality of Anchorage, Alaska Airlines.

It is important to stop and point out that these proposed numbers have not been fine tuned to computer accuracy and are only conceptual in nature. For example: if the holding company purchases a piece of real estate currently appraised for \$100,000 and expects to hold that property for ten years and sell it for \$100,000, then, at a 7% desired annual return on invested dollars the holding company should pay \$50,000 (actual \$49,759.63) less anticipated holding costs. Of course, if the property can be sold earlier at the same price, then the yield to the investors increases accordingly. Also, before I receive a rash of "boy is that a good deal for someone" then let me also point out that "someone" is anyone who is willing to put their dollars down and take the corresponding risk for a possible profit - someday. Also, this concept addresses the supply side only and I leave the demand side solutions to other experts.

All plans must have some game rules, so let me throw some of these on the consideration table.

1. The Commission of Banking and Securities contract an external consulting firm to create the financing and accounting functions.
2. The Commission of Banking and Securities contract an external annual audit (published).
3. Purchases to be negotiated at a best buy price with significant discounts for bulk buys. No seller would be forced to sell and may certainly elect to keep their inventory (FDIC included).
4. Establish a moratorium on issue of Class B stock (real estate exchange) - say three years.
5. Establish guidelines (not limitations) on liquidation of assets, at less than face or appraised values, - example:

year 1	0%
2	5%
3	10%
4	15%
5	20%
6 - 10	as market dictates
6. Do not purchase loans or mortgages. These investments should be owned and operated from the private sector only.
7. Defer profits until liquidation.

8. The Governor appoints the chairman of the board and the legislature confirms the board members who will come from the following investment areas:
- | | |
|--------------------|------------------------|
| AHFC | Department of Commerce |
| AIDA | Appraiser |
| Real Estate Broker | Banker |
| Public at large | |
9. The president and CEO plus all other employees to be private sector type hires with salary commensurate with the limited employment period, complexity, trust responsibilities and lack of retirement opportunities.
10. Earnings are not to be reinvested in anything other than a sinking trust fund and liquidation of equity position.
11. Asset liquidation to be accomplished through the real estate industry on a open listing type basis similar to HUD's current operation - selling commission only.
12. Place all acquired assets on the market at face or appraised value to allow the market to catch up with the price.
13. Establish a watch dog procedure to monitor appraisals, building permits, foreclosures, bankruptcies, etc. so that assets can be sold in the most favorable market conditions and at the earliest opportunity.
14. Do not close on property that is occupied. The selling agency must relocate all tenants, hopefully to other properties they own, prior to closing. The Bank and Trust should function as a holding company, not a competitor for property management.
15. Pursue unique markets such as sale of condos to the University of Alaska for use as dorms and the bulk sale of condos to Pacific Rim countries (at discount prices) for use as cultural exchange homes.
16. Yes, it might be necessary to obtain additional funds through debt financing. If so, then consideration should be given to bonds (not convertible) that could be raised on the strengths of the corporation alone. If that is not possible, then consider loans from either the public and/or private sectors. However, lest we forget, the creditor is now the first out and the equity owners take second position in case of forced liquidation.