

ALABAMA HISTORICAL COMMISSION

1982 HRLS SB 666 (HOUSING FILE)

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(HOUSING
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EXHIBIT I

SENATE CS FOR CS FOR HOUSE BILL NO. 502 & CS HOUSE BILL 503
IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

CS FOR CS FOR HOUSE BILL NO. 502
IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to housing authorities and to supplemental housing development grants; and providing for an effective date."

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

* Section 1. AS 18.55.020 is amended to read:

Sec. 18.55.020. ALASKA STATE HOUSING AUTHORITY. (a) There is created in [WITHIN] the Department of Commerce and Economic Development the Alaska State Housing Authority consisting of the commissioner of commerce and economic development or his designee and four residents of the state.

(b) The term of office of a board member, other than the commissioner of commerce and economic development or his designee, is three years. The terms of office are staggered, with two terms expiring every third year beginning with 1968, and one term expiring each remaining year.

* Sec. 2. AS 18.55.140 is amended to read:

Sec. 18.55.140. ISSUANCE OF BONDS, NOTES, AND REFUNDING BONDS

The authority may issue bonds and notes from time to time in its discretion for any of its corporate purposes and may issue refunding bonds for the purpose of paying or retiring bonds previously issued by it.

* Sec. 3. AS 18.55.180 is amended to read:

Sec. 18.55.180. ISSUANCE AND SALE OF BONDS AND NOTES. Bonds and notes of the authority are authorized by adoption of a resolution prescribing the date of issuance and maturity, interest rate, denomination, form, conversion privilege, rank or priority, execution, terms of redemption, medium and place of payment. Bonds and notes may be

sold in the manner, on the terms, and at the price the authority determines. [BONDS MAY BE SOLD AT PUBLIC OR PRIVATE SALE AT NOT LESS THAN PAR.]

Each bond and note is negotiable. The signature of a member or an officer upon a bond or note or coupon is not invalidated by his ceasing to hold office before the delivery of the bond or note. The recitation of a bond or note that it has been issued in the financing of a housing or public building project under AS 18.55.010 - 18.55.290 is conclusive as to the issuance of the bond or note and the character of the project in a challenge of the validity of the bond or note or the security for it.

* Sec. 4. AS 18.55.185 is repealed and reenacted to read:

Sec. 18.55.185. INDEPENDENT FINANCIAL ADVISOR. In negotiating the private sale of bonds or bond anticipation notes to an underwriter, the corporation shall retain a financial advisor who is independent from the underwriter. The financial advisor may not bid on the bonds or notes if offered at public sale or negotiate for their purchase if sold at private sale.

* Sec. 5 AS 18.55.570 is amended to read:

Sec. 18.55.570 ISSUANCE OF BONDS AND NOTES. (a) The authority may issue bonds and notes from time to time for any of its corporate purposes including the payment of principal and interest upon advances for surveys and plans for redevelopment projects. The authority may issue refunding bonds for the purpose of the payment or retirement or in exchange for bonds previously issued by it. The authority may issue the types of bonds and notes it determines, including bonds and notes on which the principal and interest are payable (1) exclusively from the income, proceeds, and revenues of the redevelopment project financed with the proceeds of the bonds or notes, or (2) exclusively from the income, proceeds, and revenues of any of its redevelopment projects whether or not they are financed in whole or in part with the proceeds of the bonds or notes, or (3) in whole or in part from taxes allocated to, and paid into a special fund by a city, borough, or other taxing agency under the provisions of AS 18.55.695 - 18.55.700. The bonds or notes may be further secured by a pledge of all or any part of a loan, grant or contribution from the federal government or from another source, or by a mortgage of a redevelopment project of the authority.

(b) The members of the authority or a person executing the bonds or notes shall not be liable personally on the bonds or notes by reason of

the issuance of them. The bonds, notes, and other obligations of the authority are not a debt of the municipality, the state nor the United States, and neither the municipality, the state nor the United States is liable on them, nor are the bonds, notes or obligations payable out of funds or properties other than those of the authority acquired for the purposes of AS 18.55.480 - 18.55.960 and each bond and note shall state this on its face. A bond or note does not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. Bonds and notes of the authority issued under AS 18.55.480 - 18.55.960 are declared to be issued for an essential public and governmental purpose and, together with interest on them and income from them shall be exempt from all taxes.

(c) Bonds and notes of the authority issued under AS 18.55.480 - 18.55.960 shall be authorized by its resolution and may be issued in one or more series and shall bear the date or dates, be payable upon demand or mature at the time or times, bear interest at the rate or rates provided for bonds and notes of the authority under AS 18.55.190, be in the denomination or denominations, be in the form either coupon or registered, carry the conversion or registration privileges, have the rank or priority, be executed in the manner, be payable in the medium of payment, at the place or places, and be subject to the terms of redemption, with or without premium, which the resolution, its trust indenture or mortgage provides.

(d) Bonds and notes may be sold in the manner, on the terms, and at the price the authority determines [THE BONDS MAY BE SOLD AT PUBLIC OR PRIVATE SALE AT NOT LESS THAN PAR].

(e) If a member or officer of the authority whose signature appears on the bond, note, or coupon ceases to be a member or officer before the delivery of the bonds or notes, the signature is nevertheless valid and sufficient for all purposes [THE SAME] as if he had remained in office until delivery. Any provision of [ANY] law to the contrary notwithstanding, bonds and notes issued under [PURSUANT TO] AS 18.55.480 - 18.55.960 are negotiable.

(f) In an action or proceeding involving the validity or enforceability of a bond or note or security for a bond or note issued under AS 18.55.480 - 18.55.960, where the bond or note recites in substance that it has been issued by the authority to aid in financing a redevelopment project, the bond or note is conclusive proof that it has been issued for that purpose and the project is conclusively considered to have been planned, located

and carried out in accordance with the purposes and provisions of AS 18.55.480 - 18.55.960.

Sec. 6. AS 18.55.996 is amended by adding new subsections to read:

(h) Before a contract for the construction, alteration, or repair of a housing unit constructed under a federal or state funded housing program is awarded, the regional housing authority shall require the contractors to comply with the bond provisions specified in AS 36.25 - 010(a) and (b).

(i) A housing authority created under this section shall have its financial records audited annually by an independent certified public accountant. The legislative auditor may prescribe the form and content of the financial records of the housing authority and shall have access to these records at any time.

Sec. 7. AS 18.55 is amended by adding a new section to read:

Sec. 18.55.998. SUPPLEMENTAL HOUSING DEVELOPMENT GRANTS. (a) There is created in the Department of Community and Regional Affairs a supplemental housing development grant fund. Subject to the availability of appropriations for the purpose, the department shall make grants to regional housing authorities established under AS 18.55.996 for the cost of on-site sewer and water facilities, road construction to project sites, and extension of electrical distribution facilities to individual residences.

(b) A grant may be made only for residential housing for which federal loan or grant approval has been obtained from the United States Department of Housing and Urban Development and which will be made available to the public on a nondiscriminatory basis. A grant may not be used to retire repay obligations or debts of the grant recipient. A grant may only be for the difference between the maximum amount available under federal law or regulation for construction of the residential housing for which the grant is made and the actual costs of the construction. A grant may not exceed 20 percent of the United States Department of Housing and Urban Development total development cost per unit in effect at the time the grant is made.

(c) Grant money may be used only for purposes specified in (a) of this section. No part of the grant money may be used for administrative or other costs of a regional housing authority whether the costs are directly associated with the construction or are general costs of the authority.

(d) The department shall adopt regulations to carry out the purposes of this section. The provisions of the Administrative Procedure Act (AS 44.-62) apply to regulations adopted under this section.

Sec. 8. This Act takes effect immediately in accordance with AS 01.10.-070(c).

CS FOR CS FOR HOUSE BILL NO. 503
IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act making a special appropriation to the Department of Community and Regional Affairs for the supplemental housing development grant fund; and providing for an effective date."

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

* Section 1. The sum of \$12,351,400 is appropriated from the general fund to the Department of Community and Regional Affairs for the supplemental housing development grant fund created in AS 18.55.998.

* Section 2. This Act takes effect on the effective date of an Act creating a supplemental housing development grant fund.

MEMORANDUM OF UNDERSTANDING

This memorandum of understanding is executed between and among the Department of Community and Regional Affairs, State of Alaska (hereinafter "DCRA"); the Department of Housing and Urban Development of the United States (hereinafter "HUD"); the Indian Health Service of the Public Health Service of the United States (hereinafter "IHS"); and the Bureau of Indian Affairs, Interior Department, of the United States (hereinafter "BIA").

The purpose of the Memorandum is to establish mutually acceptable guidelines among the affected parties for the rapid implementation of the supplemental housing development grants authorized by the 1981 Alaska Legislature in House Bills 502 and 503, and codified in Alaska Statutes 18.55.995 through .998. The legislation is attached hereto as Exhibit I.

This Memorandum applies to the housing development activities of the Regional Housing Authorities (hereinafter "RHA's") established by the Alaska Statutes 18.55.995 through .998. It applies only to those RHA projects developed with HUD assistance for which the RHA seeks grant assistance from DCRA for the costs of on-site sewer and water facilities, project road construction, or electrical distribution facilities. The parties recognize that DCRA grants are available to RHA's and not to HUD; and that for each assisted project, the RHA must make satisfactory assurances and demonstrations of its compliance with the program requirements.

Independently of any state grants, the parties note that House Bill No. 502, codified as A.S. 18.55.996(h) and (i), requires the RHA's to meet the following standards:

1. Contractors awarded contract for state or federally assisted housing construction, alteration or repair must comply with the bonding requirements contained in A.S. 36.25.010(a) and (b).
2. Each RHA must have its records audited annually by an independent certified public accountant. The legislative auditor may prescribe the form and content of RHA financial records, and shall have access to these records.

The functions of the parties are summarized as follows:

RHA's receive loans from HUD with which to develop and manage low income housing for qualified tenants or homebuyers.

HUD - under the U.S. Housing Act and accompanying regulations, assists RHA's with loans and technical advice in the development and management of low income housing.

PHS - through the Indian Health Service and subject to funding availability, is responsible for the design and construction of off-site sewer and water facilities, which are tied to RHA projects; and for the approval, and in certain cases for construction of, on-site facilities.

BIA - is responsible for arranging RHA site control on restricted land; and is authorized, within available funds, to construct village roads.

In this Memorandum, the parties will first set forth the normal process by which assisted housing is developed by the RHA's. Secondly, the parties will indicate the steps and conditions by which the DCRA grants will be made available.

The principle reference for explaining and interpreting HUD assisted housing in Alaska is HUD Handbook 7440.1, Interim Indian Housing Handbook. This Handbook is not followed inflexibly, but is departed from where experience justifies departure.

1. HUD endeavors to estimate approximately how much funding will be allocated for use by the RHA's as far in advance of construction as possible, so as to permit the RHA's to determine the appropriateness of submitting an application.

2. The RHA submits a housing application to the Anchorage Area Office (AAO) of HUD. The application identifies the village, number of units by need and the type of construction proposed. Preliminary loans of up to 3% of the Estimated Total Development Cost may be requested at this point. The application identifies the site, insofar as it is known. HUD reviews the application for funding availability, need, feasibility, RHA capability, and local comments.

3. If the AAO approves the application, a Program Reservation is issued, committing HUD morally but not legally to fund a specified number of units, by bedroom size, in the village. The Program also specifies an outside date, usually 12 months, by which the RHA is to submit to the AAO a Development Program.

4. Upon issuance of the Program Reservation, a Preliminary Loan may follow, to defray the costs of preliminary surveys and planning, and other approved expenses. The RHA is obligated to repay loan funds as one of the costs reflected in the Development Program.

5. The Development Program, which usually takes several months to prepare, is a detailed submission by the RHA to the AAO, identifying total

estimated development costs, project sites, project design, financial feasibility, and, for Mutual-Help Projects, certain other details. Responsibility for submission lies with the RHA, with HUD guidance. For professional services (architectural and engineering), the RHA hires consultants. The purpose of submitting an approved Development Program is to enable HUD and the RHA to execute an Annual Contributions Contract (ACC), under which HUD funds will flow to the RHA on a loan basis for construction.

6. For the purposes of this Memorandum, the most important aspect of the Development Program is the RHA's identification of project sites with the approval of HUD, PHS and, with trust or restricted land, BIA. It is on the basis of the project site that a number of critical factors depend, including extension of roads, water and sewer, access roads, and electrification needs.

a. An RHA requests tentative HUD approval of a site by submitting a Preliminary Site Report (PSR). In its review process, HUD submits the PSR to IHS, PHS, the State A-95 Clearinghouse, and Alaska Village Electric Cooperative or, where applicable, a local power company.

b. If the site is acceptable, HUD issues a Tentative Site Approval, with or without conditions, to the RHA. As part of the process, PHS estimates the cost of providing on-site water and sewer facilities if it is responsible for the installation. If construction of the on-site water and sewer is performed by a private contractor PHS reviews the cost estimate and or bid for reasonableness, and BIA indicates the extent to which it can provide access roads.

c. When conditions are satisfied and the A-95 process is complete, HUD gives Final Site Approval to the RHA, which enables the RHA to proceed with site acquisition.

7. Under conventionally-built projects, the RHA completes its Development Program, including cost budget, schematic designs, and with HUD Approval, the project is placed under an ACC. Funding is made available and following competitive bidding, a construction contract may be signed within approximately 45 days of the ACC. The contractor, among other things, submits to the RHA a construction progress schedule. Depending on progress, the RHA pays the contractor in monthly progress payments.

8. The procedure described above is used for modified turnkey projects, with the exceptions that the RHA does not develop its own designs, the ACC may or may not be signed until a developer has been selected, and the developer is not entitled to receive progress payments. Conventional turnkey projects, under which the developer is responsible for site selection, have not been used in Alaska.

9. The basic agreement between PHS and RHA is a Memorandum of Agreement. There may be other parties to a PHS Memorandum, including local governments or school districts. In so far as the RHA is concerned, the Memorandum establishes the RHA obligation to contribute a fixed amount as its share of the cost of sanitation costs for project units. The RHA also provides technical liaison with PHS, and agrees to grant whatever access, rights-of-way, or easements necessary for the PHS facilities. On those projects for which PHS is not undertaking sanitation facilities, the RHA must secure PHS approval of sanitation plans and the construction is subject to PHS inspection and approval.

10. The total funds available for development are established in the ACC, and the RHA submits to HUD a Development Cost Budget, detailing by line item the anticipated costs for administration expenses, interest, homebuyer counselling planning, site acquisition, site improvements (including the cost of on-site work, if any performed by PHS), dwelling construction, dwelling equipment, non-dwelling construction and equipment, and contingency amounts. Generally, development ongoing in more than one village is considered a separate project.

11. Relationships between HUD and an RHA are set forth primarily in the ACC. While HUD is not a party to construction contracts, HUD is responsible for monitoring the overall progress of construction to insure that the RHA is in compliance with the ACC. However, in doing so, HUD confines itself to dealing with RHA, which is primarily responsible for contract administration.

12. Normally, when a project nears completion, the contractor certifies to the RHA that the housing units are substantially complete. This term means that units may be safely occupied pending completion of punch-list items. At that point, an inspection is conducted in the presence of the contractor, the RHA architect, the RHA contracting officer, and HUD representatives. If substantial completion is established, the units are accepted for occupancy, and the contractor's warranty is set at one year from this date. The release of all retainages and final acceptance follows the completion of punch-list items, as well as the contractor's certification, and RHA agreement with HUD concurrence, that all work has been completed. On projects with commercial sureties, there will ordinarily be no retainage of funds during the warranty period. On projects in which cash or letters of credit are used, a certain amount of funds, in the range of 10-25% of the contract price, must be unconditionally available to the RHA during the warranty period. The RHA must inspect the units at least quarterly during the warranty period.

13. The point of substantial completion also leads to the establishment by the RHA of the Date of Full Availability (DOFA). This is a certification of minimum development cost. DOFA establishes the cut-off date for interest

due HUD and triggers the payment of annual contributions. Within three years of DOFA, the RHA must certify to HUD the actual development cost of the project. Any excess funds are payable to HUD to reduce the development cost of the project. If development costs exceed approved budgeting, the RHA must request additional funds from HUD.

14. If PHS is installing the on-site facilities, the RHA pays for the work as part of the development cost of a project on the basis of a guaranteed price from PHS unless the scope of work is changed. If the RHA assumes responsibility for water and sewer work, this work is contracted on the basis of competitive bids, based on specifications acceptable to PHS. In this latter case, the RHA must certify, subject to PHS inspection, that the work has been performed in accordance with PHS requirements. Because of the various options that are possible, involving PHS, and RHA, a municipality, on-site work, off-site and PHS or RHA construction responsibility, it is not possible to set forth a statement of typical PHS involvement. It may be stated generally, however, that all water and sewer work on a HUD-assisted RHA project must be done in accordance with PHS requirements and approvals. In addition, in those instances in which PHS has on-site responsibility, the cost to the RHA will not exceed the estimate made by PHS unless the scope of work is changed, and PHS will further refund to the RHA amounts by which actual cost is below this estimate. The RHA's development cost does not extend to any PHS off-site work for an RHA project, and no state grants can be sought for such work, under HB 502 and 503.

15. Because of funding limitations and the general absence of reservations in Alaska, BIA participation is generally limited to the approval authority for projects with sites on restricted or trust land. BIA is authorized to build village roads, but the level of activity is small. Because of the lengthy funding cycle, an RHA and HUD generally know well in advance of a housing project the extent of BIA road construction.

With the foregoing principles in mind, and as to their particular areas of responsibility, the parties reach the following understanding of procedures and principles to be utilized under 45.55.998:

1. HUD will continue to keep PHS and BIA fully advised of the status of upcoming development and progress toward development by the various RHA's. DCRA will be included by HUD as a recipient of this information. In the event that BIA has sufficient funding to construct roads for a particular project, funds for roads will not be sought from DCRA.

2. HUD will provide copies of Program Reservations to PHS and DCRA. DCRA will advise HUD of its current funding levels. The RHA application will indicate the estimated need for state funds, so far as is known at that time.

3. At the Preliminary Site Report stage, HUD will advise DCRA of the results, including cost estimates for on-site water and sewer facilities, roads, and electrical distribution, as well as the current maximum funding which HUD can provide to the project in question. DCRA will advise HUD of the funds tentatively available.

4. It is anticipated that, unless there is good reason to the contrary, state funds will be made available on a first-come, first serve basis, according to the readiness of particular projects to be placed under ACC. It is also understood that state funds need not be divided among roads, sanitation, and electrical facilities, but may be applied to one or two of the eligible categories, according to project needs. A grant may not exceed 20% of HUD's determination of development cost for the project.

5. The PHA's and HUD will continue to assemble project Development Programs, with continued input from PHS, BIA, and A-95 Clearinghouse sources. Development Programs will be sufficiently modified, satisfactorily to DCRA, to reflect reasonable cost estimates of facilities eligible for DCRA funding. As accepted by HUD, a completed Development Program will indicate whether or not PHA seeks state funds. If the PHA seeks a DCRA grant, the Development Program will reflect the amount by category and estimated cost, and the reasonableness of the cost. A PHS cost estimate will be considered reasonable. In the categories of roads and electrification, cost estimate will require evidence of reasonableness and compliance with applicable state and local laws, regulations and codes, such as plans containing required approvals from localities, utility companies or the Department of Housing and Urban Development.

6. The PHA will prepare a Request for Grant to DCRA, in which HUD shall concur, containing sufficient information or assurances to satisfy DCRA of eligibility, need, and compliance. The request shall be figured according to the HUD total development cost which is or will be used at the time of execution of the ACC. Under A.S. 18.55.998, DCRA is directed to apply the HUD total development cost in effect at the actual time of the grant. It is anticipated that grants will be keyed to the PHA funding request, reduced if the aforesaid HUD development cost has been lowered at the time of the grant, but not necessarily raised if the HUD development cost increases at the time of the grant, unless the funding request justifies such an increase. Further, the request will include a proposed timetable for the use of DCRA funds.

7. A grant request approved by DCRA, will be evidenced by a Grant Agreement between DCRA and PHA, concurred in by HUD. DCRA will endeavor to act expeditiously on funding requests, according to the timetable supplied by the

RHA. Funds will be obligated on the basis of the Grant Agreement, even though the RHA timetable indicates that particular categories of work will not be contracted or performed immediately, the parties recognizing that the RHA needs to know the extent of DCRA funding.

8. The Request for Grant will propose, and the Grant Agreement will determine, the basis and conditions in which the RHA shall draw funds. The parties recognize that identical Grant Agreements may not be used in every instance because of differing needs and conditions. As the need arises, is justified by the RHA and concurred in by HUD, grant funds may be reprogrammed among eligible categories.

9. Contracts involving the use of DCRA funds may include an RHA main construction contract, a PHS Memorandum, or separate contracts, according to decisions reflected in the Request for Grant. Whatever the case, such contracts shall be concurred in by HUD and DCRA. HUD requirements shall be followed with respect to matters of contract administration, architectural and engineering services, inspections, changes, and final acceptance. All interim and final certifications, including those related to pay requests, currently required by HUD shall continue in use, and shall be forwarded through HUD to DCRA as to work covered by state funds. DCRA shall not assume the responsibilities of HUD, and HUD shall apply the same level of fiscal monitoring responsibility toward DCRA funds as it does toward its own funds.

10. The RHA's shall be responsible for performing cost certification, through an independent certified public accountant, on the total project costs including contractors certification if issued without competitive bid. Cost certification shall be due within 90 days of the final acceptance by the RHA, concurred in by HUD, of the work.

11. The RHA's reasonable expense in preparing the aforesaid cost certification shall be an eligible expense for DCRA funding. DCRA may reserve the right to select the accounting firm to perform the certification, or may withhold funds to provide for this expense.

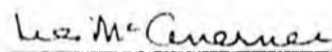
12. Grant Agreements shall provide that grant funds may not be used for expenses which are not eligible or not cost-certifiable. Refunds shall be due from an RHA to DCRA for such expenses. To this end DCRA shall have the right of offset or sanctions as to future grants to that RHA. Such expenses will not be reimbursable by HUD or from HUD funds, directly or indirectly, even in the event of a judgement against an RHA, because HUD is unable to fund ineligible project expenses.

13. In the event that the Actual Development Cost of a project exceeds the estimated cost, so that the RHA is required to seek HUD approval to reopen the development budget, DCRA agrees that this event may permit an RHA to submit an amended Request for Grant. If otherwise warranted by the circumstances, and concurred in by HUD, grants may be increased, subject to the availability of funds.

The parties may agree to alter the Memorandum of Understanding from time to time, as actual experience indicates the need for changes or clarifications.

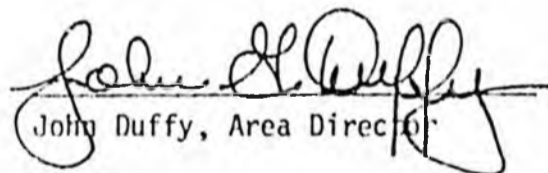
IN WITNESS WHEREOF, the parties hereto have executed this contract on the date first hereinabove written.

STATE OF ALASKA, DEPARTMENT OF
COMMUNITY AND REGIONAL AFFAIRS



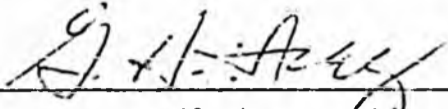
Lee Mc Anerney, Commissioner

US DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT



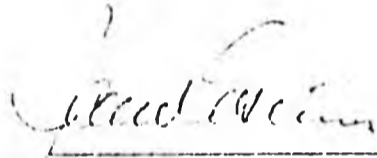
John Duffy, Area Director

U.S. PUBLIC HEALTH SERVICE, INDIAN
HEALTH SERVICE



G. H. Ivey, Alaska Area Director

U.S. DEPARTMENT OF INTERIOR, BUREAU OF
INDIAN AFFAIRS



Jake Lestenkof, Area Director

GRANT AGREEMENT

This Agreement is made between the Department of Community and Regional Affairs of the State of Alaska (hereinafter called "DCRA") and the _____
 _____ Regional Housing Authority (hereinafter "RHA"),
 pursuant to the authority granted in Alaska Statutes 18.55.998.

Under the provisions of the United States Housing Act of 1937, as amended, and regulations and policies issued thereunder by the Department of Housing and Urban Development (hereinafter "HUD"), the RHA is undertaking the development of the following housing project(s):

<u>PROJECT NO.</u>	<u>LOCATION</u>	<u>NO. OF UNITS AND TYPE</u>	<u>HUD TOTAL DEVELOP- MENT COST PER UNIT</u>
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With respect to the foregoing project(s), the RHA represents as follows:

1. It has prepared a Development Program approved by HUD, for each project, a copy of which is attached hereto.
2. It has obtained Final Site Approval from HUD and, if applicable, the Bureau of Indian Affairs.
3. It has obtained all other approvals, concurrences or permissions preparatory to construction, and the project or projects are ready to be placed on an Annual Contributions Contract (ACC) with HUD.
4. Available HUD funds are not sufficient to meet the costs of project improvements eligible for grants under A.S. 18.55.998. The RHA estimates the reasonable cost of these improvements to be as follows:

<u>PROJECT NO.</u>	<u>ON SITE SEWER & WATER</u>	<u>ACCESS ROADS TO SITES</u>	<u>ELECTRICAL DISTRIBUTION</u>
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5. The foregoing estimated costs constitute ___ % of the HUD approved development cost for the project(s).

6. The RHA proposes that the housing will be built according to the following method and timetables:

<u>PROJECT NO.</u>	<u>PRODUCTION METHOD</u>	<u>COMMENCEMENT OF CONSTRUCTION</u>	<u>COMPLETION OF CONSTRUCTION</u>
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7. With respect to the improvements eligible for DCRA grants, the RHA proposes the following timetables:

ROADS:

<u>PROJECT NO.</u>	<u>PRODUCTION METHOD</u>	<u>COMMENCEMENT OF CONSTRUCTION</u>	<u>COMPLETION OF CONSTRUCTION</u>
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WATER & SEWER:

<u>PROJECT NO.</u>	<u>PRODUCTION METHOD</u>	<u>COMMENCEMENT OF CONSTRUCTION</u>	<u>COMPLETION OF CONSTRUCTION</u>
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ELECTRICAL:

<u>PROJECT NO.</u>	<u>PRODUCTION METHOD</u>	<u>COMMENCEMENT OF CONSTRUCTION</u>	<u>COMPLETION OF CONSTRUCTION</u>
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8. The RHA will include those improvements eligible for DCRA grants as part of any main construction contract, except as follows (explain):

On the basis of the foregoing representations, DCRA and the RHA mutually agree to the following terms and conditions:

1. DCRA hereby commits the sum of \$ _____ for use by the RHA on the aforementioned Projects for the categories of work identified by the RHA in this Agreement as being eligible for grant assistance under A.S. 18.55.998.
2. Grant funds are committed by program category. The RHA will not reprogram funds among eligible categories without the written authorization of DCRA.
3. The RHA will use grant funds only for eligible expenses directly related to the categories eligible for assistance, as identified on the HUD approved Development Budget. The requirements for bonding and cost certification, mentioned hereinafter, are considered an eligible expense item.

4. If it has not already done so, the RHA will establish a separate bank account with a depository satisfactory to DCRA. The depository will be subject to those requirements for the collateralization of uninsured deposits as are imposed by the Department of Revenue for the safeguarding of public funds. The RHA shall not commingle funds in this account with any other funds in its possession. The RHA shall continuously account for grant funds on a project-by-project basis and will not allocate funds between projects. RHA financial records shall be available for review by DCRA at any time.

5. RHA personnel who are authorized to make financial transactions involving grant funds shall obtain, fidelity bonding and present evidence thereof to DCRA.

6. The RHA, through its designated Contracting Officer, will be responsible for the observance and performance of its rights and obligations under any PHA contract for work involving the use of grant funds. Any such contract, including those under which third parties, such as the Indian Health Service, may be primarily responsible for inspection and acceptance, shall be in a format satisfactory to HUD. The RHA shall observe the bonding requirements set forth in A.S. 18.55.996(h), except in those instances in which the prime contractor is a governmental agency. DCRA funded contracts shall be let after competitive bids or requests for proposal, except in cases of public emergency or other exigent circumstances, a single source contractor, work performed by governmental agencies.

7. The method by which the RHA requisitions funds from DCRA will depend on whether DCRA funded improvements are part of the main construction contract or a separate contract.

A. Where DCRA funded improvements are built under a main construction contract, DCRA funding will coincide as closely as possible with HUD funding of the RHA. DCRA concurrence shall be based on what amount HUD would normally approve.

B. Where DCRA funded improvements are built under a separate contract or contracts, the RHA shall submit to DCRA, through HUD, a progress schedule. Funding requisitions shall be based on the HUD approved progress schedule, except that in the case of a contract with a term of 90 days or less, the RHA may requisition the full amount of funds.

C. The PHA shall make progress payments only for work done acceptably or for materials properly stored. No program payments shall be made under turnkey contracts, except for work acceptably performed in designated stages.

D. Matters of contract settlement, change orders, final acceptance and payment, and mid-term release of retainage will require the consent of DCRA, when DCRA funded improvements are involved, and will be made in accordance with the procedures normally required by HUD for contract completion.

E. The PHA will make DCRA the recipient of all reports, inspections and related documents concerning the progress of work.

F. The PHA will be responsible for the prudent investment of DCRA funds excess to immediate needs. Investment policy will follow that required by HUD for the investment of HUD funds. At the option of DCRA, earnings on invested funds shall either be reimbursed to DCRA or shall be credited as a portion of the DCRA grant.

G. The PHA shall be responsible for cost certification of all work performed with the use of DCRA grants, including main construction contracts funded by DCRA only in part. Cost certification shall be performed by an independent certified public accountant, and shall be provided to DCRA and HUD within 90 days of final acceptance of the work. The PHA shall let contracts for cost certification on a competitive proposal basis, shall give notice to DCRA that the PHA is ready to solicit proposals in three (3) weeks and shall use a form contract satisfactory to DCRA and HUD. At its option, DCRA may select an accounting firm to perform the cost certification. This option shall be exercised, if at all, within 10 days of PHA notice to DCRA that the PHA is ready to solicit proposals.

H. The PHA shall be responsible for cost certification within 90 days from contractors in those instances where grant funds are used in contracts which are not awarded competitively.

I. At the completion of cost certification, excess grant funds shall be remitted to DCRA. Those costs which, as determined by HUD or DCRA are disallowed, shall be payable from PHA to DCRA, to this end, DCRA shall have the right of offset or sanctions as to future grants.

11. The RHA shall have its financial records audited annually by an independent certified public accountant as required under AS 18.55.-996(i). The legislative auditor may prescribe the form and content of the financial records of the RHA and shall have access to these records at any time. This general audit is not eligible as an accounting expense to be funded by grant funds.

12. After the date of this Agreement, changes in the HUD approved development budget shall be treated as follows:

A. Revisions downward shall affect a corresponding adjustment of the DCRA grant.

B. Revisions upward shall permit the RHA to request a corresponding increase in the grant, provided that the RHA determines that a grant increase is justified and HUD concurs in this request. DCRA makes no commitment as to favorable action in the event of a revision upward and a request from the RHA for corresponding increase in the grant.

13. In executing the agreement, the RHA acknowledges that no commissioner, officer or employee of the RHA has or will have any personal interest, direct or indirect, in the grant or in grant funds. Upon full disclosure of such interest to DCRA and to HUD, the existence of such an interest may be permitted so long as DCRA and HUD are satisfied that the commissioner, officer or employee in question has not participated and will not participate in any action relating to the use of grant funds.

14. In the event that DCRA in its judgement determines that grant funds are being used improperly, or that the RHA is not performing its duties prudently with respect to the grant or any contract funded solely by the grant, then DCRA may invoke any remedy available at law or in equity. Remedies available to DCRA shall be considered cumulative and not mutually exclusive, and the failure of DCRA to employ any remedy at any given time shall not be deemed a waiver. Among the remedies available to DCRA shall be the right to:

A. Immediately prohibit further disbursement of DCRA funds except with specific concurrence of DCRA on each disbursement. This right of prohibition shall be specifically acknowledged in writing by the depository selected by the RHA.

B. Terminate further obligations of DCPA grant funds until the PHA makes corrections or assurances of corrections to DCRA.

In witness whereof, the parties have executed this Agreement, effective as of the date of execution by DCPA.

HOUSING AUTHORITY

ATTEST:

BY: _____
CHAIRPERSON

SECRETARY

COMMUNITY & REGIONAL AFFAIRS

BY: _____
TITLE

CONCURRENCE:

DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

BY: _____
TITLE

HCUSINC PROVISION

IN

REMOTE ALASKA

Prepared for the
Legislative Budget and Audit Committee

by

Perseverance Research

January 30, 1981

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SUMMARY

Housing production in bush or remote Alaska is beset by difficulties including seasonal and low incomes, vast land areas without overland access, stringent environmental conditions and inadequate amounts of subsidy money to name just a few. Many of the difficulties can be addressed by planning and program action; however, the extent and complexity of the problem requires that a solution be comprehensive, ongoing and long term.

The federal government historically has been the major source of funds for new house construction in rural and remote Alaska. The Department of Housing and Urban Development builds 400-500 housing units annually under the program known as the Native Mutual Help Housing program. The Bureau of Indian Affairs administers the Housing Improvement Program on a modest (\$800,000 - \$900,000 annual budget) scale with an emphasis on rehabilitation rather than construction. The Farmers Home Administration is seldom involved in housing efforts in small, remote communities. The State has provided both revenue and bond money to finance programs. There is no single program which addresses the complex issues of producing housing in the bush; nor is there a policy which coordinates existing programs. The recently created Rural Development Council could conceivably assume an overseer role as it gains a sense of mission; however, it is difficult to assess the Council's program direction at this early date.

The State has programs in place in the Alaska Housing Finance Corporation and the Department of Community and Regional Affairs addressing the housing needs of bush Alaskans, while the Regional Housing Authorities act as local resource agencies and housing deliverers. The AHFC programs have recently begun to enfranchise qualifying bush residents while the Non-Conforming

Loan program in the Department of Community and Regional Affairs's recently created Division of Housing Assistance has not been implemented and is subject to impending revision. In many cases, Housing Authorities have neither the funds nor the personnel to undertake a scope of work equal to the tasks facing them. ASHA has been primarily involved in urban areas since the organization of the Regional Housing Authorities in 1972.

The provision of housing is a complex activity and is but one element in the larger scheme of community and regional economic development. Careful planning, program coordination, predictable long-term funding and local involvement in all phases of housing development are crucial to the success of housing provision in Alaska's rural and remote areas.

INTRODUCTION

The formation of government policy for housing has been dormant since the mid 1970's, when the Division of Policy Development and Planning (DPDP) prepared a housing element for the state's Comprehensive Plan and a proposal for the creation of a state Department of Housing. Since that time, the attention of decision-makers has been drawn to other areas of concern; and while housing subsidy programs have been expanded, a definition of the state's commitment to housing its remote dwelling citizens has not been forthcoming. Further, the role of housing production in rural economic development and the relationship of housing production to other public goals has not been set forth.

An important, if not essential first step, is a decision concerning the form a state housing assistance program for remote and rural area citizens should take. Should the state make direct cash grants to Regional Housing Authorities to finance construction programs? Should the state rely on rural economic growth through the private sector to "trickle down" housing purchase capital to families and individuals? Should the state simply make direct grants to families and individuals? Should the provision of bush housing even be a priority concern of government?

These are the kinds of questions that must be addressed if decision-makers are to be in a position to formulate a coherent strategy for building houses in rural and remote Alaska.

Sets of relationships occur at three different levels to characterize the provision of housing. First, the product (housing) is the result of many distinct, interacting factors. Financing, transportation, construction, siting and design requirements and cultural and social needs are important elements in implementing

a housing program in any area. In rural Alaska, lifestyle, environment and remoteness make these factors essential elements in a response to rural and bush housing needs. On a second, larger scale, housing construction is but one of many economic activities that occur in the bush; one component in a larger scheme of capital improvement and economic development tied to public and private expenditures. A third set of relationships is that between housing provision for a specific segment of the population (village and rural residents) and the maintenance and enhancement of the more general public welfare. These three sets of relationships -- factors related to housing provision; housing provision as a single element of rural economic development; and the relationship between housing provision and the greater public welfare -- can be viewed separately for purposes of clarification, but are closely interwoven when comprehensive solutions to the bush housing problem are being considered.

Programs which are designed to address the housing needs of bush and rural dwelling Alaskans must serve two purposes. These are: to achieve the "bottom-line" requirement of increasing and upgrading the housing stock; and to do so in a manner consistent with the achievement of other identified objectives such as the development and use of local, renewable resources, thermal efficiency in new construction, economies of scale in the shipment of building supplies, and land-use and economic development planning for villages, communities and regions, to name but four. Essentially, this is a recognition that programs must substantively address the concerns listed in Section III of this report, if a workable, long-term solution is to be gained.

The relationship between the provision of subsidized housing for a specific segment of the population and maintenance of the more general public welfare is in the durability and long-term operating efficiency of that housing. A point which is

stressed repeatedly in this report is the need for constructing arctic-quality, thermally-efficient dwellings with usable lifetimes exceeding, at a minimum, a 30-year mortgage period. Ideally, the expenditure of public funds is done in such a manner that the welfare of society at large is enhanced; this is how economic efficiency is achieved in the public sector. Housing which need not be replaced, rehabilitated or extensively weatherized at public expense over a 30-year or longer period achieves these kinds of efficiencies. The same public purpose is attained when housing conserves fossil fuels through the use of renewable resources and energy-efficient design standards.

The publication in 1967 of Charles Abram's work, Housing the Alaska Native, marks the beginning of serious efforts by state and federal housing agencies to upgrade and replace substandard housing and construct new housing in bush Alaska.

From that time until the present, a variety of programs and funding sources have been used with varying degrees of success. Programs which involve the housing "consumer" in the construction of a new home (HUD's Native Mutual Help Housing Program) or which offer new construction and rehabilitation money on a "no strings attached" basis (BIA's Housing Improvement Program) have been favored over other programs, although there are exceptions. The Tlingit-Haida Housing Authority, for example, has successfully built 360 housing units using the Turnkey III program, in which the contractor bears full responsibility for all facets of housing delivery, then turns over the finished product to the new owner. The use of this program in the late 1960's in Bethel, however, has been judged a failure because of the absence of consumer involvement in the design or construction of the houses and because the houses were not well-suited to a subarctic climate.

The majority of funding for subsidized housing has originated in the federal government, through the Department of Housing

and Urban Development, and to a lesser extent, the Bureau of Indian Affairs. State bond issues and budget appropriations specifically intended for new housing construction in the Bush have also been used, but less consistently and in smaller amounts than from HUD. The state has also, through the Department of Revenue, purchased notes of the Alaska Housing Finance Corporation and transferred money to the Corporation in amounts totalling several hundred million dollars. No single program has been designed, however, to meet the requirements of remote area housing in Alaska in a manner consistent with the extent and complexity of the problem.

HUD remains the primary source of subsidy money for bush housing; however, budget constraints allow the construction of only 400-500 units annually statewide. It is unknown what effect the change in federal administration will have on HUD activity in the State, although on-going subsidy programs such as Section 8 are expected to survive largely or wholly intact.

A full-scale commitment to build durable and appropriate housing in the bush is needed if the situation is to be addressed adequately. The state must play a leading role in both financial and program matters if the provision of housing in the bush is to be successful.

The following section details difficulties which are encountered in the provision of housing in the bush.

DIFFICULTIES IN HOUSING DELIVERY

The following list of difficulties which beset the provision of housing in rural and remote Alaska does not apply uniformly statewide. Communities in some areas such as the Ahtna, Cook Inlet and Doyon regions have overland access to major supply centers; the North Slope Borough is undertaking an ambitious program of capital improvements and is financing new housing through municipally backed bond issues; and the towns and villages of the Sealaska region are accessible to bulk freight delivery and have benefited from the aggressive administrations of the Tlinget-Haida Housing Authority. The items which follow apply most closely to west and northwest Alaska, though these areas were not singled out for study. Some combination of the items below applies to virtually all areas of the state outside the major urban centers.

Absence of a Cash Economy-

The economy of remote Alaska -- the bush -- can be compared with those of underdeveloped countries in the world. There is little cash in circulation, few jobs, substandard housing, a virtual absence of community facilities and no road or rail transport. This is a condition that cannot be changed without a massive commitment of time and resources and a collectively agreed upon economic development program.

There are, and will continue to be, local exceptions created by capital improvement projects, mining and other extractive activities, regional and village corporation projects, expansion of government services, and other activities that create jobs and stimulate the provision of services. However, it is difficult to conceive of an economic base that would confer a cash subsistence over such a vast and undeveloped area. The cultural implications of a full transition from a subsistence

to a cash economy are so profound that Native Alaskans must be assured the freedom to pursue the lifestyle of their choice.

Absence of Financing

In financial markets, money seeks strength; that is, it goes where it can find other money. For this reason, commercial lenders do not want to become involved in cash poor areas, and subsidy and guaranteed loan programs are by and large more useful in urban or built-up areas where there is an intact and working cash economy. Bond portfolios which are based on remote area mortgages are not competitive. The second mortgage markets offered by the Alaska Housing Finance Corporation do not reach all those in the rural and remote areas of the state who need new and rehabilitated housing. The federal government also provides a second mortgage market through the Federal National Mortgage Association (Fannie Mae). Like the state's second mortgage markets, Fannie Mae's purpose is to promote the flow of capital into the housing market by purchasing mortgages from commercial lenders. However, Fannie Mae purchases only conventional mortgages, where the property in question has a clear title, fire insurance, road access, meets applicable building codes (the Uniform Building Code and/or HUD Minimum Property Standards) and is served by approved utilities. As might be expected, Fannie Mae is less capable of serving bush Alaska than the more specifically designed state programs.

It is because the above conditions are largely unmet in the bush, in addition to a shortage of cash in circulation, that private financing is largely unavailable.

High Construction Costs

The distance from supply centers, the absence of an overland transportation system, the high cost of air freight, prevail-

ing wage legislation and the occasional necessity to import labor all conspire to raise costs in remote Alaska to levels 100% higher than in Seattle. This is as true for consumer goods as it is for capital improvements. The role of planning in reducing housing costs is discussed in the paragraph High Cost of Transportation.

Insufficient Remote Area Housing Subsidies

Over the years, a number of programs have been used to provide remote area housing. The Alaska State Housing Authority operated the remote area housing program in the 1950's as well as administering the Bartlett Act in the mid-1960's and other federal and state funded programs in the early 1970's. ASHA acted as the Public Housing Authority for the entire state until the formation of the Regional Housing Authorities in 1972. The Department of Housing and Urban Development has used the Turnkey, Mutual Self-Help and Indian Setaside programs. These have funded the construction of 4,600 housing units between 1970 and 1980 (including some BIA housing), excluding Anchorage, Fairbanks, Juneau, Ketchikan and Sitka. Three thousand eight hundred of these units are located in 112 towns having populations under 1,000; an accurate estimate of the percentage of these units needing replacement or repair has not been made. There is no current, accurate data on the physical condition of rural and remote houses, nor of the number which must be replaced or repaired, though the latter figure is probably a significant portion (50%) of the housing stock. The Bureau of Indian Affairs Housing Improvement Program provides cash grants for rehabilitation and construction, but on a very modest scale. In 1979, for example, the program constructed 51 houses and rehabilitated 293, of which only 118 were brought up to standard. The remaining 175 received only essential repairs. No state program currently exists that is both designed and adequately funded to address remote area housing needs

at the level of magnitude of those needs.

Unique Design Characteristics of Remote Area Housing

Essentially, this involves the recognition that remote area housing is for members of indigenous cultures, whose lifestyles are substantially different from urban dwellers. A house must be equal to its daily use and reflect the needs of the people for whom it is intended. For example, there should be interior space for storage (snow machines, harnesses, motors, fishing equipment, etc.); storm porch entries; functional, durable utilities; outdoor sheds, etc. HUD architects, as well as those employed by the Regional Housing Authorities, have developed expertise in arctic design standards through "hands-on" experience that is passed on to builders in all HUD programs. However, what appears to be needed is a concerted effort to develop an appropriate housing technology for regional arctic and subarctic environments. The practical experience gained by Alaska architects should be represented in a set of arctic-quality building standards. A thorough check has not been made of construction companies which provide residential housing Alaska, to learn of their designs for northern climates.

Severe Climatic Requirements

Conventional "stick-frame" housing designed for a moderate climate is not sufficient to withstand the rigors of arctic and subarctic environments. Houses should heat efficiently at very low temperatures; they should withstand high winds and heavy snow loads; above all, they should be designed and built to provide reliable service for the life of a mortgage (30 years) at a minimum. Kuskokwim Community College has a program, "A House for Bethel", in which students designed and built an

energy-efficient home for use in northern climates. Similar programs could be offered throughout the community college system, and the University of Alaska at Fairbanks, Anchorage and Juneau could offer technical and program support.

Community Size and Structure

Generally speaking, small, remote communities have fewer of the kinds of support services necessary to provide and maintain satisfactory housing (carpenters, electricians, retailers, banking services, jobs) than any of the state's communities. This condition cannot be wholly mitigated; however, some residents from each village or association of villages could learn house construction and maintenance techniques at a community college, the University of Alaska, or a Regional Housing Authority. Houses should in all cases be designed and constructed to minimize lifetime maintenance needs.

Absence of Community Facilities

Many of the towns and villages in the state in most need of new housing are also without public sewer and water facilities and in some cases, electricity. Well-planned community development typically has the installation of utilities precede the construction of houses. However, the cost, logistics, timing and degree of interagency cooperation involved makes such scheduling difficult and requires that funds be committed in advance to allow for two, three or four years lead time between initiating village improvements and constructing new housing. It will require virtually a village by village assessment to establish regional and village construction and improvement schedules. The Indian Health Service has completed rough assessments of sewer and water needs for all villages in the state; however, detailed feasibility studies have been done for only those villages receiving some form of utility service. See Section V.

Absence of Local Construction Capabilities

Many villages in the state do not have a work force available during the construction season, nor are residents skilled in construction techniques and other activities related to house-building. As a result, labor must be imported or locals must be trained. In 1972, for example, the cost of imported labor for Turnkey III contractor-built housing in Gambell, an island community of 370, 3,000 miles from the nearest source of supplies, resulted in a per-unit housing construction bid of \$80,900. The bid was rejected. On the other hand, the HUD Mutual-Help Program has involved village residents directly in the construction of their own homes, thus lowering the per unit cost, while educating residents in construction and maintenance skills. Training local residents in the construction, care and upkeep of new homes is a key to the success of any remote area housing program. A lasting benefit will be gained by a program or programs which help develop the basic mechanisms of housing supply in rural and remote Alaska.

Lack of Title and Fire Insurance

The lack of title and fire insurance for the property and homes of village residents is a major deterrent in the flow of mortgage capital into the bush. In bond markets, bonds are often raised on the mortgage paper held by an institution or corporation. These bonds will sell or be competitive only if certain mortgage conditions can be met, which routinely include the presence of public utilities, road access to homes, building code enforcement as well as a clear title to the property, and fire insurance. As mentioned, it is the widespread absence of these conditions in the bush, in addition to a chronic cash shortage, that makes private money largely unavailable.

The state has recently established a Rural Housing Mortgage Insurance program, a Rural Housing Hazard Insurance Fund, and a Rural Housing Title Insurance Fund to help address this problem. These programs are to be funded by the Department of Revenue when insurance from other sources satisfactory to private mortgage lenders is not available on reasonable terms. The use of these funds is intended specifically for housing located in "remote, blighted or underdeveloped areas of the state. The settlement of Native land claims, particularly land grants made by village corporations to local governments, will assist in establishing clear title to land for families and individuals.

High Cost of Transportation

Shipping and freighting services to remote Alaska are seasonal, expensive and occasionally undependable. Barge and airplane service take the place of road and rail networks, making airfields and navigable waterways essential to the provision of supplies. In addition, many villages are located a thousand or more miles from the central supply areas of Anchorage and Fairbanks. It is this combination of distance and shipping methods that maintains high transportation costs. These costs are increasing annually, primarily as a result of increasing fuel costs. No single figure is given in this report for the annual amount of rate hikes, although it is figured to be as high as 35% for some locations. A report prepared for the House Finance Committee by Parker Associates, released in June, 1980, estimates that at the present rate of increase, fare and freight rates will double every two or three years on bush and rural air carriers.

An effective method of mitigating transportation costs is through careful planning. Logistically, this would entail the shipment

of sufficient construction materials to undertake all construction projects scheduled in contiguous or approximate villages during the same construction season. Doing so would result in economies of scale in shipping, thereby reducing per unit transportation costs over what those costs would be if a series of smaller, single shipments were made at different times to individual villages in the same region. The bulk provision of materials assumes the existence of a comprehensive housing plan, or some kind of overall policy structure within which needs can be identified, priorities established and resources allocated on a regional basis.

Lack of Housing Data

There is no central source for statewide housing data. Such a data source would have information on housing starts and their location, type and cost; whether they have been publicly or privately financed; the funding source, if publicly financed; square footage and number of rooms; lot size; and other information as thought necessary. Assessment of both the existing housing stock and the demand for new housing is essential if the Regional Housing Authorities are to prepare accurate programs for housing improvement.

Housing information is currently spread among a number of agencies including the State Housing Authority, the Regional Housing Authorities, the Department of Community and Regional Affairs, the Department of Housing and Urban Development and the Bureau of Indian Affairs. HUD is the best single source of statewide housing information; however, the dispersal of data acts to stall the formation of regionally based programs and policies by keeping housing data fragmented and dispersed.

The formation of a statewide housing policy and the need for

centralized planning could create a tendency to consolidate decision-making; it is therefore essential that there be local participation at all levels of housing delivery from the planning and design stage to the construction stage. Ideally, policy should be developed locally through the Regional Housing Authorities. The Authorities should also have the staff capability to monitor village desires for housing, economic development, and capital improvements.

Short Construction Season and Difficult Logistics

The construction season in much of arctic and sub-arctic Alaska is short, usually lasting no more than four months, and sometimes as little as two months. In order to take full advantage of this time, advanced planning is essential for the timely purchase of building materials and their movement to specific building sites. The North Slope Borough has stated that construction in the Borough occurs year-around, taking advantage of the winter months to land cargo aircraft on seasonal lake-top runways.

Poor Communication Linkages

Some rural and remote communities do not have reliable telephone communication with either one another or with the metropolitan areas. For many residents of the bush, mail service is the most common form of communication, though telephone service is more widespread than in the past. For the "outsider", air travel into the bush can be both costly and time-consuming, though it remains the most effective form of communication with remote communities. This communication barrier creates difficulties in getting program information

to villages, and tends to pre-empt local "consumer" involvement in program decision-making in favor of the bureaucratic "providers". Telecommunications could bring some relief to this problem, as would an active role played by the Regional Housing Authorities. The Housing Authorities and/or Village Associations could assume the role of information disseminators, informing residents and village councils about housing program and finance matters, and educating them in the use of programs as needed.

Uncertainty over Native Selection of Lands

Land selections by both the regional and village native corporations should act to remove some uncertainty over land ownership by individuals. The Village Corporations are required, under the terms of ANCSA, to grant 1,280 acres of land to the village municipal governments. Where no local government exists, the land can be passed in trust to the state. In either case, such a land transfer will expedite private ownership of land by families and individuals, and help resolve the ambiguity over title that is now so widespread. In addition, native Alaskans can get preference rights to land, which can be pledged as security for repayment of mortgage loans (AS 18.56.097). However, the conveyance of land to indigent Alaskans is fraught with complications and is not nearly finished. A complete assessment of the relationship between native lands selection and the provision of housing has not been undertaken at this point.

Absence of Comprehensive Regionally-Based Housing Policies

The creation of regionally based housing policies should not be construed as advocating a bureaucracy to administer these policies. The state already has a housing delivery mechanism -- ASHA for the urban and built-up areas and the Regional Hou-

ing Authorities for the rural areas -- state-funded second mortgage markets, and other program responsibilities.

The purpose of regionally based housing policies is to establish a framework for allocating resources such as state and federal housing money, materials, time, labor, etc. The Regional Housing Authorities, the Alaska State Housing Authority, the Alaska Housing Finance Corporation, and the Division of Housing in the Department of Community and Regional Affairs should participate actively with local residents and their representatives. While some difficulties in policy development may be encountered owing to the vested interests of participants, they nevertheless represent the "front line" agencies involved in housing provision in the state, and therefore have an important role in determining how that provision should occur. Policy administration should be conducted regionally, through the Regional Housing Authorities.

The Desire of Some Villagers to Retain a Subsistence or Semi-Subsistence Lifestyle

Proof that such a desire exists has been documented in A Housing Study for Alaskan Natives, NBBJ², 1975. In the study, residents of several villages expressed a dislike for highway access, fearing that it would ultimately result in the loss of traditional lifestyles. This attitude cannot be universalized for all villages or for all the people of any single village, and it is difficult to assess without an extensive sampling of village councils and/or residents.

The question this attitude raises concerns the role to be played by the white culture in community and economic development projects in the bush. Local residents should participate in decision-making, when capital improvement and other

²Naramore, Brady, Bain & Johanson, A Seattle-based consulting firm

development projects that may have an impact on Native lifestyles are proposed to take place.

Insufficient Institutional Resources

State programs are in place, but are not sufficiently staffed, funded or coordinated to fully address the housing needs of Alaska's rural and remote area citizens. This is brought into focus when one considers the extent of the planning and administrative work which will be needed to provide several thousand houses over a vast area in a 10-15 year or longer period. The cost of providing new housing and community water and sewer utilities sufficient to meet 1976 needs was estimated to be \$300,000,000 in a report prepared by Robert R. Nathan and Associates in 1975 (2(c) Report: Federal Programs and Alaska Natives). While no current figure exists, it would no doubt be significantly higher than this.

Another condition which is perceived to impede a coherent, statewide housing strategy, is the dispersal of housing programs among separate agencies. However, the formation of a single Department of Housing has not been well received by public housing authorities in the state, and is commonly seen as "just another layer of bureaucracy." A possible solution would be to coordinate existing programs under a collectively agreed upon state housing policy.

Severely Underdeveloped Local Governments

Local involvement in housing delivery assumes the existence of some form of local government, yet many village governments have few resources (financial, technical, administrative) at their command. If villages are to participate actively in housing programs which affect them, they will require assistance which can be offered by or through the Village Associa-

tions and/or Regional Housing Authorities. The Department of Community and Regional Affairs could provide funds and technical assistance in establishing local government capabilities.

Lack of Environmental Data

Physical, environmental data is indispensable in making land use decisions. An environmental data base for villages would include information on soils, hydrology, geology and topography, as well as siting for solid waste disposal, identification of water supplies and gravel pits, location of docks and airports, etc. An environmental data base is an essential tool in determining where development can occur with the least impact on natural systems. Studies done by various state and federal agencies (Corps of Engineers; Office of Coastal Zone Management; Department of Natural Resources; United States Geological Survey, etc.) have not been collected or reviewed to determine the extent of the data base which already exists for given locations.

Location of Villages in Environmentally Hazardous Areas

This refers to villages which are located in river floodplains, wetlands, slide areas, areas subject to tidal inundation, etc. These villages often correspond to long-established hunting or fishing camps which have become permanently settled during the last two hundred years or so, and which have strong cultural and historic ties to their inhabitants. The problem concerns whether or not there should be a public expenditure of funds for capital improvements in environmentally hazardous areas such as floodplains. Conversely, making the availability of public funds contingent on village relocation to environmentally safe areas can be expected to meet with strong disapproval from affected village residents.

Another matter to be considered here is the number of permits which may be required for new construction in wetlands and floodplains. Depending on the nature, size and location of a proposed project, permits may be required from a number of state and federal agencies including the Corps of Engineers, the Environmental Protection Agency, the National Marine Fisheries Agency, the State Department of Environmental Conservation, and the State Office of Coastal Zone Management. Permit requirements may lengthen development timetables and may slow down or halt development in specific instances and locations.

The Absence of Community Development and Land Use Plans

Community development and land use plans are commonly considered to be a prerequisite to the growth and development of a town or region. Such plans identify the land base (biophysical assessment), determine the community needs and resources, then establish goals toward which the community can commit its time and effort. The preparation of village land use and/or development plans should clarify local wishes and needs for the physical patterns of siting and development, and therefore offer a coherent program for the location of houses. Planning assistance to communities is a priority. Such assistance would on all likelihood originate in the Department of Community and Regional Affairs, but should be administered locally through the Regional Housing Authorities.

PROGRAMS AND SOLUTIONS

Individual problems in the provision of housing combine to create a situation which cannot be dealt with effectively in a piecemeal fashion. Systematic approaches must be used to address a problem which occurs in financial, socio-economic, cultural and institutional contexts, all of them interrelated. Conditions such as climate, transportation methods, short construction season, and difficult logistics cannot be overcome by dollars alone.

Any effort to mitigate these and other conditions will require several-year financial commitments, adequate lead-times and careful planning. It would be an inefficient use of time and energy, for example, to transport construction materials to a single village one summer, then again to a nearby village the following summer. Materials should arrive for use in several or more villages in time to make full use of the construction season.

Community size and structure, and the desire of some village residents to retain a subsistence or semisubsistence lifestyle should not be abridged by policy or program action. The right of Alaskan Natives to pursue traditional lifestyles must be assured.

It is doubtful that Federal government funding for housing in Alaska will be increased over current levels. More likely is the possibility that funding levels will remain static or be cut back, though no prediction can be made with certainty at this point. In any case, the state will have to assume the lead role in the provision of bush housing if the situation is to be addressed at a scale equal to the need. Essentially, this will require firm program and financial commitments, as well as close cooperation with the Re-

gional Housing Authorities. The bottom line is the construction of appropriate, durable housing, and the achievement of this objective will require that it become a priority concern of state government.

The state has the programs and delivery system in place to make significant moves toward alleviating the bush housing problem. What is needed is a reliable and sufficient long-term funding source, a policy or set of guidelines to assure the efficient expenditure of funds, and a housing and community development program to assure that housing is provided as one component of an overall package including environmental assessment and land-use planning, installation of appropriate community water and sewer systems, and the articulation of community desires for economic development. It is important that the construction of housing occur within a larger context of community development.

The Alaska Housing Finance Corporation has expanded its services into rural Alaska. Although in the past it has worked largely in urban and cash-structured areas, the Corporation has authority to address the state's rural and remote area housing problems, under two programs specifically designed to serve rural residents. The Rural Mortgage Purchase program as budgeted offers 8-3/4% mortgage interest rates to qualified families and individuals who live in towns having a population of 4,500 or less and no road or rail access to Anchorage or Fairbanks. The program finances owner-occupied single-family dwellings and duplexes, and has been expanded annually for three years to meet the demand for this kind of service. The Rural Non-Owner Occupied Mortgage Purchase program, provides subsidized interest rates on structures of up to eight units. Like the Owner-Occupied program, it is available only in communities of 4,500 persons or less with no rail or road access to Anchorage or Fairbanks. The program was ini-

tially funded with a loan from the Department of Revenue; however, that Department's lending power was restricted in the last legislative session, and no other funds were appropriated or made available in Senate Bill 1.

The Corporation also operates the Home Ownership Assistance program. A fund established under this program will subsidize a qualified borrower's mortgage interest rate down to 6%. Demand for the program, which went into effect in December, 1980, is expected to be high.

The Division of Housing Assistance was created last year in the Department of Community and Regional Affairs. Essentially, this Division was set up to act as a second mortgage market, purchasing mortgage and home improvement loans for nonconforming housing and purchasing loans made to buy building material for rehabilitating nonconforming housing. The intent was to make money available from commercial lenders to home-owners or buyers whose homes do not meet the minimum property standards usually required to secure a loan.

The program hasn't yet been implemented and is currently under study for revision. It may be changed to a direct loan program, bypassing the banks and/or Regional Housing Authorities as intermediaries, to deal directly with its clients.

Transportation and labor costs are not covered under the current legislations, and this will impair the programs effectiveness where transportation costs are high. Air freight expenses can account for up to 90% of the costs of housing improvement, depending on location.

The Division recently released a study concluding that existing loan programs for mobile homes are sufficient (the Mort-

gage Company of Alaska has subsequently gone out of business) and that the state should not provide funds for conservation retrofits in mobile homes.

The role of the Alaska State Housing Authority will not be discussed in detail, as their program commitments are in the urban and cash-structured areas of the state. However, ASHA can play a valuable part in any effort towards the creation of a housing data bank and the formation of a statewide housing policy. The Authority has a long (30 year) history of involvement in Alaska housing, and has both the experience and staff expertise to provide invaluable assistance in addressing remote area housing issues.

In addition to these "provider" programs, housing delivery is set up for rural Alaska through the Regional Housing Authorities. These Authorities have essentially the same powers as the Alaska State Housing Authority, and deal directly with funding sources (HUD) for their subsidy money. The twelve Regional Housing Authorities comprise the membership of the Alaska Association of Housing Authorities. Presently, the Association has neither the funds nor the staff to address housing issues on a statewide basis; nor is it in a position to coordinate the activities of its constituent members, or gather or supply information.

Correspondence with the executive directors of the Authorities shows that a shortage of funds is their chief problem. The thinking of the respondents (6 of 13 contacted) was that by establishing the Regional Housing Authorities, the State also created an obligation to provide assistance to Housing Authorities needing help to carry out their work. Such work might include housing studies and related social and economic reports, as well as land-use and community development planning. While seven of the housing authorities had not responded (Bering Straits,

Bristol Bay, Cook Inlet, Copper River Basin, Metlakatla, North Pacific Rim, and AVCP) at the date of this writing, it is felt that their concerns will closely approximate those of the respondents (NANA, Kodiak Island, Arctic Slope, Interior, Aleutian Chain and Tlinget-Haida).

The Housing Authorities have gained valuable experience in the management of subsidized housing through their close association with Housing and Urban Development, the Bureau of Indian Affairs and Home Weatherization contractors, notably Ruralcap. AHFC also relies on the Housing Authorities to sell and service subsidized mortgage loans under the Rural Mortgage Purchase program. While some Housing Authorities have staff capabilities and can perform a variety of work, others will need assistance if they are to provide the range of services outlined in this report.

House design and construction standards are other areas which have not been well addressed by the provider agencies in the past.

The Alaska State Housing Authority (AS 18.55.400), the Alaska Housing Finance Corporation (AS 18,56.090(16)) and the Department of Community and Regional Affairs (AS 44.47.500) all have the statutory authority to develop an appropriate housing technology for northern regions.

The two elements of a housing design program which should be emphasized are the importance of user involvement in the design stage and the recognition that housing which is appropriate for bush and remote areas may not meet HUD minimum Property Standards or other construction criteria which ordinarily "qualify" homes for bank loans. Remote area housing should be regionally designed and built rather than be adapted from "conventional" plans. The ultimate test, though, is to construct

homes that are environmentally sound and compatible with the social and cultural needs of those who will live in them. Building codes should be based on performance standards rather than specification standards, to allow for flexibility in the use of material and construction methods, while assuring the quality of the product. The North Slope Borough is confident that new housing being constructed in their jurisdiction is of adequate arctic quality. As mentioned, both HUD and the Regional Housing Authority, have gained valuable experience in arctic construction techniques. What appears to be necessary at this stage is a formalization of design and construction standards based on regional, environmental conditions, and other conditions that have been set forth in this report.

A matter of concern mentioned earlier is the absence of a statewide housing policy to coordinate housing development. Such a policy should be developed by the housing providers, the intermediaries and the consumers or clients and it should result in mutually agreed upon objectives congruent with the more comprehensive goals of rural economic development. Policy development should originate at the village level and be expressed through the Regional Housing Authorities. These desires should then form the basis of policy development at the state agency and administrative level. The critical concern is that local participation in decision-making be assured.

The role of the Native Corporations in housing has not been assessed although all the corporations have been contacted and asked to comment on their perceived role in housing production. The corporations are profit-making entities, not social welfare agencies, so that any involvement they undertake would have to be to the benefit of their shareholders. It is an area which bears further scrutiny.

It is conceivable that housing production could be "shirt-tailed" to capital improvement and other economic development projects, and included as part of the base cost. Under this scheme, port, highway, school and other public construction in the bush would mandate the construction of new housing.

AGENCIES WITH A SECONDARY INTEREST

The agencies with obvious and close involvement in housing provision are those frequently mentioned in this report: the Alaska Housing Finance Corporation; the Native Regional Housing Authorities; the Alaska State Housing Authority; the Department of Community and Regional Affairs; the Department of Housing and Urban Development; and the Bureau of Indian Affairs. Each of these agencies has a mandate which involves it directly in housing provision in the state; consequently, these can be viewed as the agencies with primary interest.

There are in addition to the agencies with primary interest, a number of other agencies, councils and programs having what can be more appropriately described as a secondary relationship to housing provision. These range from the state's Council on Science and Technology, with a strong research orientation, to the federal Indian Health Service, which counts sewer facilities construction among its many program responsibilities. The Farmers Home Administration is included here because very little of their program effort is directed to the villages which are the subject of this report.

Farmers Home Administration

Farmers Home provides new housing largely to areas having central sewer and water facilities. While the rule requiring central facilities can be waived in some cases, the construction of ten or more houses in one location requires that services be in place. The demand for Farmers Home housing money is great in presently serviced areas; consequently, the vast majority of the agency's housing funds goes to those areas. A home rehabilitation program with some use in rural and remote villages is offered in addition to new construction; the program is severely underfunded (\$100,000 per year), however,

and reaches few who are in need of it. Funds from this program could be stretched if "piggybacked" with Housing Improvement Program funds from the BIA.

Farmers Home finances the construction of central sewer and water facilities on a priority basis, with already established communities have no facilities receiving first funding. "Piggybacking" of funds is not uncommon given the expense of installing sewer and water systems, and Farmers Home has provided funds in conjunction with the State Department of Environmental Protection Agency, the Economic Development Administration and the Indian Health Service. Towns must have a population of 10,000 or less to be eligible; however, villages and small towns have not been served historically. Service in the bush is typically provided in the regional commerce and transportation centers.

Indian Health Service

One of the numerous program responsibilities of the Indian Health Service in Alaska is the construction of sanitary sewer and water facilities in the state's Native villages. IHS works in conjunction with the Department of Housing and Urban Development in an effort to provide utilities in villages which have also been selected to receive subsidized housing. Detailed feasibility studies have not been prepared for the 208 villages which are eligible for IHS assistance. Sufficient planning has been done for all of the villages, however, so that there is a rough estimate of the villages' unmet needs.

The IHS estimates that 50-60% of Alaska's Native villages have received some form of assistance for sewer and water improvements since the 1960's, but this figure very likely is inflated, since at least some of the improvements will

need to be upgraded. Villages receive IHS assistance on a request basis, in the absence of a system for allocating utilities development money on a priority basis. Funding is provided to villages in the form of direct grants. The cost of providing utilities varies by location, with the average cost per house in the neighborhood of \$20,000. Program funding has varied in the past, but over the last two years has stabilized at around \$14,000,000.00 annually.

Department of Environmental Conservation: Village Safe Water Program

The Village Safe Water Program has been in place since 1972 and has constructed facilities in 11 villages. Thirty-one additional villages are to receive water and sewer improvements which were funded by voter approval of bond issues in 1978 and 1980. Projects are underway or have been completed in at least 10 of these communities.

Villages in need of water systems are selected on a priority basis by the Native Regional Health Corporations, who then forward their lists to the Department of Environmental Conservation for review. DEC screens the health corporations' recommendations and submits a package to the legislature for final review and amendments. The approved legislative package is then put before the voters for the approval of bonds to finance construction. Repayment of these bonds is the responsibility of the village residents who will benefit from the service.

Unlike the Indian Health Service, the Village Safe Water Program is keyed to villages which are not slated to receive HUD or BIA housing money or any associated improvements. Essentially, the program acts as an advocate for the villages it serves by including village residents in the decision-making

process from the outset. User or client involvement is considered important to the success of the program.

The types of systems provided by the program vary according to environmental, technical, social, cultural and economic factors, with each system designed to be the most appropriate for its location. Generally speaking, the program favors the construction of low-cost, low-technology systems which are easy to operate and maintain. This acts to reduce both capital and long-term costs and to implement systems which are scaled to the needs of those served.

The Rural Development Council

The relationship between housing provision and the role of the Rural Development is inherently close. The Council was established to act as an "advocate of rural areas and small communities presenting development issues before state, federal and local governments, and in the private sectors" and to "assist in laying the foundations of a healthy, rural, private economic base." In this manner, the Council's work may act to stimulate the articulation of a rural policy, both on behalf of the state, whose involvement in rural development is indispensable, and on the behalf of rural residents whose lives will be affected by the many forms of economic growth.

This report has repeatedly stressed the close relationship between rural housing production and rural economic development. The Rural Development Council, while it is newly formed and hasn't had the time to develop a firm sense of mission, is nevertheless in a unique position to oversee and coordinate rural economic activity. State efforts to enhance the basic mechanisms of housing production and delivery in rural and remote areas would appear to be an integral component of the

kind of economic growth that the Council is charged with advocating. This report has also stressed the importance of developing housing programs and policies on the basis of locally and regionally expressed needs. This is consistent with the Council's advocacy role, by which the Council will respond to local initiatives rather than formulate or implement programs without the benefit of local involvement or consent.

Housing production is only one of many economic activities which occur in remote Alaska. Public facilities construction, electrification projects, utilities construction, resource development and the provision of goods and services are all occurring, albeit in a dispersed manner. The Rural Development Council could be in a position to coordinate the efforts of public as well as private entities, to establish communication linkages between entities which are both routinely involved or involved on a single-project basis only in the bush, and to act as an information clearinghouse for rural economic policy and development information.

Alaska Village Electrical Co-operative

AVEC provides electricity to 48 villages, the majority of which are situated along the Yukon and Lower Kuskokwim Rivers in the western part of the state.

Initially, AVEC provided service to bush schools, then to homes as the demand for residential service increased. The utility relies on information provided by the Regional Housing Authorities to establish priorities for providing service; however, there is neither a formal nor an ad hoc policy for coordinating the rural electrification program with HUD and BIA housing starts. The Co-op is allowed eighteen months to provide service after receiving a notification for hook-up.

At the present time, all AVEC generators are diesel powered and are operated and maintained by locally recruited workers.

The cost of AVEC produced power has been rising steadily since the early 1970's and has more than doubled between 1974 and 1979, from 19.3¢ per KWH (Kilowatt hour) to 39.0¢ per KWH. The Institute for Social and Economic Research at the University of Alaska has estimated that fuel costs for Native families will rise from 28.8% (1978) of annual income to as much as 43.2% of annual income by 1988. Diesel prices being no exception, the cost of electricity will also continue to rise.

Opportunities to mitigate electricity rate increases are fivefold: subsidize fuel purchases; deliver and store fuel (diesel) in bulk quantities; decrease household use to offset rising prices; maximize the thermal efficiency of structures; and develop renewable, local energy sources. Of these, the first two would be helpful in the short term and the latter two in the long term; the third alternative is not feasible under present conditions. AVEC has been following wind power developments, but does not consider wind-driven power generation to be a practical alternative at this time.

Alaska Growth Policy Council

The Growth Policy Council was created by administrative order within the Division of Policy Development and Planning, and charged with examining growth and development related issues in the state and forwarding policy and program advice to the Governor's office.

Since its inception in 1975, the Council has considered such topics as on and offshore petroleum development, agricultural, mining and tourism development, population growth and community

change. While many of the Council's deliberations have had only a secondary relationship to housing production, the findings of a recent Council publication have a close relationship to housing requirements in the state's remote villages. This is the University of Alaska, Institute of Social and Economic Research report titled, "The Impact of Rising Energy Costs on Rural Alaska," mentioned above.

The Growth Policy Council can be viewed as a commentator on issues which are related to or result from growth and development in the state. The Council's role in housing development is a secondary one, since the Council is advisory only and cannot become directly involved in housing improvement or construction programs. The Council does have the authority, however, to address housing as a single issue of concern and to indicate, through policy suggestions, how the state might commit its time and resources to improve rural and bush housing conditions.

Rural Alaska Community Action Program (RurAL CAP)

RurAL CAP is one of several contractors receiving United States Department of Energy funds to conduct a program of home weatherization. It is virtually the only contractor doing weatherization work in the north, west and southwest areas of the state, where many of the villages that are the subject of this report are located.

The weatherization program was established in the Department of Energy in 1975 to help low income, elderly and handicapped households conserve energy through insulating, caulking, weather stripping and other methods of improving the thermal efficiency of dwellings. Since that time, RurAL CAP has weatherized 2,400 houses in the state, split roughly half and half between villages and larger communities.

Several problems impair the effectiveness of the home weatherization program in the state. In the first place, federal eligibility guidelines do not account for Alaska incomes or cost of living, with the result that many households which ought to receive assistance do not qualify for it. In addition, administrative costs are limited to 5% of the money total available for weatherization, making the program undesirable in some instances where grants to local agencies are small. Finally, transportation costs, which can account for up to 90% of the total cost of weatherization per unit in some locations, must be paid from the grant amount available per unit. There is at the present time no state money available to match and stretch federal weatherization funds, discounting that which is available through the Residential Energy Conservation Fund in the Department of Commerce.

RurAL CAP does not go into an area unless it has received Regional Housing Authority or Native non-profit corporation approval. RurAL CAP also relies on the Regional Housing Authorities to combine weatherization funds and Bureau of Indian Affairs Housing Improvement Program funds in the absence of any policy for program coordination at the state level. Conceivably, rehabilitation money from these two sources could also be combined with Farmers Home Administration rehab money to further enhance home improvement opportunities.

No audits have been attempted to date to determine the fuel savings which have resulted from the program, owing largely to the absence of a control group of "before and after" houses in varied geographic locations. RurAL CAP has approached the Alaska Energy Center with the idea of setting up model village programs for energy auditing. The purpose of such an exercise would be to establish regional standards for thermal efficiency in dwellings.

The Alaska Renewable Resources Corporation

The Corporation was established in 1978 and charged with promoting the development of the state's renewable resources. The overall corporate goal is to create a renewable resource economy in the state by encouraging private market development of renewable resource industries or the application of renewable resource technologies to already established industries.

Essentially, the Corporation acts as a private investment firm using public dollars to bring private projects or industries to the commercial stage. Thus, the Corporation acts not to advocate the concept of such development, but to implement proposals which show reasonably good potential for success. It is in this sense a "hands on" agency.

A private sponsor promoting housing with some form of renewable resource application in design or construction methods, and which meets the requirements set forth in AS 37.12.015, could be eligible for assistance. Houses built from local materials such as logs, or incorporating design and siting principles for passive solar space and water heating, or deriving household power from wind generators could all conceivably qualify for financial aid. The critical element from the perspective of housing provision is that a proposal be at the development stage when presented; the feasible application of an appropriate technology must be demonstrated for a program to be considered for approval.

Keeping in mind the state's commitment to renewable resource and appropriate technology development as expressed through the Corporation, the Council on Science and Technology and the Division of Commerce, it is conceivable that a housing development program could be started which would satisfy the

dual requirements of providing needed, additional dwellings and promoting renewable resource development.

The Council on Science and Technology

The Council was established as an advisory board in 1978, and charged with overseeing and coordinating research activities in the state, determining research priorities, evaluating research needs and administering the Northern Technology Grants Program. The grants program and the recently established Needs Assessment Committees are of particular interest with respect to housing.

Northern Technology is defined as "the application in Alaska of methods of energy generation, waste disposal, recycling, food production, transportation, building design and industrial enterprise which may be more efficient and less costly and less energy intensive than those methods presently utilized and which are appropriate to the Alaska environment." The Council solicits proposals from citizens, judges them and grants awards for amounts not to exceed \$5,000. Of the nearly 600 applications received in 1980, 44 projects ranging from a solar wood drying kiln to a demonstration of arctic home construction techniques received funding. Unlike the Renewable Resources Corporation, the Northern Technology Grants Program does not require that a project be commercially feasible to be funded. The program is therefore an incentive for individual inventiveness and can be viewed as creating a "breeding ground" for innovative ideas and technologies, some of which may demonstrate the potential for widespread application.

Needs Assessment Committees have been established in a number of subject areas including Community Structure, Transportation,

Renewable Resources, Cultural/Lifestyle Relationships, Energy, and Communication and Information Transfer. Of these, the energy report has been completed while the remainder are pending. While all of the subject areas have a bearing on housing production, the Community Structures report is expected to be of particular interest. The report will focus on the physical structure of communities (homes, roads, port facilities, sewer and water systems, public buildings, etc.) and will ultimately be directed to the legislature for review. It should provide an overview of community problems, and suggest solutions.

Division of Energy and Power Development

The linkage between this Division of the Department of Commerce and Economic Development and rural housing provision is HCS CSSB 438, the Alaska Energy Bill. HCS CSSB 438 established the Residential Energy Conservation Fund; the Alternative Technology and Energy Revolving Loan Fund; a college level program on alternative energy systems, conservation and solar design and construction methods; and a requirement for long-term energy planning to include energy conservation and alternative energy systems as plan elements.

Under the residential conservation program, auditors perform on-site inspection of homes, calculate heat loss and suggest corrective measures to increase a home's thermal efficiency. A homeowner may then receive a state loan or grant to perform the necessary work. Audit training workshops have been held in the state's principal cities, and are scheduled for the regional urban centers of Barrow, Nome, Kotzebue and Bethel. Workshops could be held in other regional centers, further extending application of the program into villages and small communities.

The alternative technology loan program is designed to fund a variety of projects, but is used chiefly to develop renewable energy sources for home use. The largest number of loans has been for the installation of wood stoves, followed by oil to electric heat conversion (Juneau), solar design and construction and wind power generation. Although the enabling legislation for this program is much like that for the Northern Technology Grants Program, the essential difference is that this program is geared for projects which have a high potential for widespread application, while the NTGP as mentioned previously, is geared more to promoting innovation on a single-project basis.

The long-term energy plan will include both an energy conservation element and an element on research and development projects involving alternative energy systems and local energy sources. Preparation of the plan is currently under contract and is to be submitted to the Legislature on February 1. Conceivably, this document could lay the basis for state energy policy in the bush.

Soldotna and Anchorage Community Colleges are now establishing two-year Associate of Arts programs in alternative energy studies. In addition, auditor training programs will be offered at most community colleges in the state. Programs such as these, along with the "House for Bethel" program which has been offered at Kuskokwim Community College would be integral components of a college level program in Alaska housing technology. Further, the development of local, renewable resources for home heating and electricity production, combined with appropriate housing design for arctic regions, will mitigate the demand for costly fuel purchases over the long-term.

These entities have a range of expertise and interest, from

the installation of conventional utilities to the development of solar heated homes. The involvement and interest in housing provision on the part of these groups represents an important resource in forming thorough, long-term solutions to the shortage of decent housing in rural and remote communities. The Division of Power and Energy Development, the Council on Science and Technology and the Renewable Resources Corporation all have a legitimate role in promoting conservation and renewable energy development which could, for instance, lead to a stabilizing or decreasing demand for fuel as well as new design standards. Similarly, the Farmers Home Administration, the Indian Health Service and the Department of Environmental Conservation have a great deal of combined experience in the application of utility systems to Alaska conditions. The state could utilize its institutional research and "hands-on" or applied talents in an effort to address housing construction in remote Alaska in a manner consistent with the complexity of that endeavor.

The ultimate success of a housing construction program for remote Alaska will require both a strong commitment and a comprehensive approach in addressing the kinds of issues presented here.

AREAS OF LEGISLATIVE INQUIRY

A preliminary search for solutions to the remote area housing problem has identified areas of inquiry and potential action for Alaska lawmakers. The solutions are general in nature. They are intended to show areas in which legislative action can be undertaken, while not making specific suggestions for the form that a given piece of legislation should take. The solutions are diverse, including direct money grants, program development, expanded mortgage market assistance, and the creation of a housing information system.

Commitment of Program Financing for a Two, Three or Four Year Period

Long-term financial commitments are necessary if capital improvements such as water and sewer facilities, and electrification projects are to precede the construction of new housing. The predictable availability of program funds would allow community development to occur in an orderly manner. For example, a village in need of new housing may also require land-use and development planning and public facilities such as sewer and water systems, an airport or expanded airport facilities, a wind generation system, a dock, bulk fuel storage, etc. If a village or community were assured of receiving housing money in 1981 for use in 1984, it would simplify and expedite the completion of other projects which typically precede housing construction. The year to year budgeting of housing construction money thwarts a comprehensive assessment of and solution to housing shortages in remote areas. Long-term budgeting would allow for community planning as well as establish a framework within which the full spectrum of community development issues could be addressed.

Passage of Planning Enabling Legislation

This would allow the Regional Housing Authorities to conduct land use planning in unincorporated villages and other villages not specified under AS 29, Article 4, Sections 29.33.070-245 and 29.43.010-40.

Land-use planning is a necessary component of orderly community growth and development. While villages and small communities do not generate the complex and conflicting demands on land that occur in cities, they nevertheless can benefit from a method of land allocation that specifies public and private uses, separates incompatible uses, and sets down the physical basis for growth and development.

The Regional Housing Authorities appear to be the agencies most capable of conducting land-use planning and acting as clearinghouses to disseminate planning assistance and information in those areas of the state where there are no borough or municipal governments, or where such governments are underdeveloped and lack the fiscal and administrative capabilities to act independently. The Department of Community and Regional Affairs should play an instrumental role in providing personnel, program and technical support to the Housing Authorities.

In addition to planning authority, the Regional Housing Authorities could also assist in the creation of locally and regionally based building codes which reflect local needs and conditions and are also acceptable to lenders, insurers and the appropriate state and federal agencies.

Revision of AS 18.55.995-996 to Specify the Authority of the Native Regional Housing Authorities

The Authorities were established in 1971 in response to President Nixon's Indian Housing Program for Alaska, which was to have constructed 1,200 new homes a year over a five year period in Alaska native villages and communities. The Regional Housing Authorities, meanwhile, face a variety of issues related to housing production, which they are not specifically enabled to address. The conditions of housing production in bush Alaska given in Part III of this report, show the complexity of the situation as well as demonstrate the need for regionally based planning. The authority of the Regional Housing Authorities in addressing remote area housing concerns should equal the unique nature of those concerns.

Development of an Appropriate Housing Technology for Northern Regions

Essentially, this refers to a house's ability to perform well over an extended (fifty year) period under environmentally demanding conditions. It includes such things as heating efficiency, maximum use of local materials and resources, recognition of the unique lifestyle of remote area residents, innovations to reduce cost, and development of performance standards for arctic and subarctic area buildings.

Programs could be expanded or created in the University system to develop durable, useful, environmentally suitable housing in remote Alaska. A program or programs should not be concerned with design alone, however, but should also include economies of production, delivery and construction, use of local materials, innovative uses of materials, adherence to energy efficiency and the use of renewable energy resources where possible, and involvement with the public and private agencies and markets that will produce the housing. Any such program should be oriented towards producing feasible, marketable housing. Other alternatives would be to encourage the creation of designs by private firms; to establish a program similar to the Council on Science and Technology's grants program, with an emphasis on innovations in housing design and construction; and to actively seek out information from other countries such as Canada, which has already developed northern housing design and construction technologies. Thermal efficiency is not a desirable, but an essential part of housing built in arctic and northern regions. The University of Alaska, Institute of Social and Economic Research, has estimated that rural Native households will spend 43.3% of their annual income on energy by 1988 (up from 28.8% in 1978). While this figure will vary as actual conditions deviate from the assumptions that underlie it, it shows the seriousness of rising energy costs in clear terms. New housing must be energy efficient both to ensure the conservation of fossil fuels and to ease the debt burden for fuel for remote-area families and communities.

Establish a State Lands Setaside Program to be Used for the Construction Of Low and Moderate Income Housing

The availability of land, or rather the lack of availability, is a significant deterrent to housing production. Land which could be made available at no cost would lower overall development costs, assist in title clearance and stimulate interest by private investors and builders. Such a program would have to be set up so that land would not become available where there was excess housing; availability would have to be keyed to a shortage of units and/or to areas with a high number of substandard or dilapidated units. As a control measure, the availability of investment land could be made contingent on the developer's consent that s/he make no more than an 8% (or the accepted industry average) profit on her/his investment. Conceivably, the costs saved on land would be returned to tenants as lowered rents.

Creation of a Deep Subsidy Loan Program

A program such as this could provide no-money-down, one-percent loans to qualified applicants, much like Section 502 of the Rural Housing Loan program administered by the Farmer's Home Administration. It is not known how many people would qualify for money at 1%, who would not qualify for it at 6% under the Home Ownership Assistance program. Widespread use of a program such as this, while it would enfranchise additional buyers, would also be very costly, if not unaffordable. The state should segregate housing investment programs and housing subsidy programs, perhaps dealing directly with the Regional Housing Authorities in the latter case. If the state is to house those who cannot afford it or can only minimally afford it, it will have to provide new housing as a form of welfare.

Direct Assistance for Construction of Water and Sewer Facilities and Village Electrification Projects

There is a critical need for public sewer and water facilities in many of the state's remote villages and communities. At the same time, many vil-

lages do not have the fiscal resources to undertake capital improvement projects, nor is there sufficient subsidy money available to meet the need for new sewer and water facilities. To give an example of the cost, the village of Nikolski on Unak Island in the Aleutians required \$217,000 to provide water and sewer service to 17 houses, or almost \$12,800 per house. While the Aleutians present special concerns because of the distance to supply centers, the point is nevertheless well made that costs will be high in providing capital improvements in remote, environmentally demanding regions. It is figured that on a statewide basis, the average cost per house for installing sewer and water systems in rural and remote areas is \$20,000.

In an effort to mitigate high costs and offer a greater measure of local control, state and federal agencies with interest should look at "decentralized" facilities which would be easier and less costly to maintain than the more conventional but sophisticated sewer and water systems. This would include the use of chemical or dry composting toilets, cisterns, wells and septic tanks in environmentally suitable locations, small-head hydroelectric dams to supply both drinking water and electrical power and other uses of local (preferably renewable) resources. The state Council on Science and Technology and the Division of Energy and Power Development promote new waste-disposal systems and ones which have the potential for widespread application. Alternative and appropriate technology developments in energy, building design and waste disposal and recovery should continue to be encouraged and applied where feasible.

Provide Funding to the Department of Community and Regional Affairs for Use in Remote Communities

Many remote communities do not have banking service, nor do many of their residents have secure, year-around incomes. The state should appropriate money to the Division of Housing Assistance for use in small (less than 1,000 for instance) communities with seasonal incomes, deteriorating housing and whatever other qualifying measures thought necessary. The success

of such a program is in the degree of flexibility it has with respect to local conditions. Housing may not conform to applicable codes, regardless of its durability and efficiency; mortgage payments may be irregular, reflecting seasonal income patterns. A program such as this would bring into the housing market borrowers who do not meet traditional lending criteria, but are otherwise capable of long-term debt service.

Develop a "Shirt-Tail" Policy for the Provision of Housing

This would mandate that all rural and remote area economic development and capital improvement projects include a provision for the construction of new housing. The number of houses to be built could be keyed to the amount of expenditure of the project; for example, one house per \$62,500.¹ This amount could also be established by dividing the total project cost by the average cost of a new house in that region. Some sort of trigger mechanism would be necessary to assure that houses were built where they would be needed and not indiscriminately. A variation of this would see residents who qualify for loans receive assistance from construction companies involved in other local projects in the same area.

Revision of Building Code Requirements for Remote Area Housing

Building codes should stress performance standards. This would include, but not be limited to such things as heating efficiency, fire safety, square footage to volume ratios, number of entrances, window coverage and foundation strength. The use of performance standards would allow flexibility in the use of materials, design and construction methods, while still assuring that houses meet rigorous standards for safety and durability.

The unique requirements for remote area housing would alone seem to dictate the need for building code revision, or the preparation of appropriate codes. Building performance standards could be formulated regionally, on the basis of energy efficiency performance audits done on test or model structures. Energy performance standards for public buildings are based on standards

¹This is the average amount of loans purchased by AHFC in the Rural Housing program.

established by the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE) as adopted for application in high latitude, cold climate environs. Similar, or more stringent standards should be codified for residential construction, particularly when public subsidies are involved.

Promote Small-Scale, Appropriate Technology for the Manufacture and/or Use of Local Resources in House Construction

The high cost of bush housing is caused in part by the purchase and transport of building materials from the major supply centers of Anchorage and Fairbanks. These costs can be mitigated to the extent that local materials such as timber and sand and gravel can be used for both foundations and framing, or log construction. The development of small-scale industry will help create local self-reliance while developing the rudiments of an economic infrastructure related to housing production.

Another area which was not mentioned in the discussion on housing design, but which is worth examination, is the use of sod or semi-underground houses. This traditional design may be capable of great improvement with the application of contemporary materials and technology.

Promote the Use of Local Labor

Many regions now have a pool of skilled workers because of pipeline construction in the mid 1970's and subsequent smaller construction projects. This labor pool should be used first, whenever possible, in remote area housing construction projects. This will both maintain an employment base and provide cash for circulation in local and regional economies. There are at present few private contractors who work in the bush. While this condition cannot be altogether remedied by government action, it can be addressed in part. The state could, for example, provide construction bonding for companies demonstrating the willingness to, and the capability of, working in the state's remote areas. The state could advocate for the formation of regionally based construction firms, or provide incentives to those firms

which have been organized as subsidiaries of the Native Regional Corporations to undertake projects within their respective Corporation boundaries. In the same vein, the Corporations themselves could be approached for assistance in promoting regional construction force capabilities. The role of the Native Corporations in the matter of remote area housing provision has not been discussed in this report.

Labor should be viewed as a resource. The use of local labor, like the use of local resources, offers a positive step toward local and regional self-dependence while helping mitigate the high cost of housing construction and improvements.

Establish A Housing Data Collection System

There is no current, statewide information on housing. The cities of Anchorage and Fairbanks have prepared Real Estate Research Reports; the Department of Housing and Urban Development has written market analyses for a few cities and towns, with more planned; and the Alaska State Housing Authority has contracted out a statewide market analysis. However, there is no reliable, up-to-date information on housing needs and conditions in the 200 or so villages and small communities that are the focus of this report.

The Regional Housing Authorities are in the most favorable position to act as the "first-tier" in collecting housing data. Such data collection would include assessment of the current stock (total number of units; number needing repair; number uninhabitable; etc.); number of houses needed to replace dilapidated units; number of new houses needed annually for a 10-15 year period (estimate); and other information deemed pertinent by the Authorities. This information would then be available to state and federal agencies on a continuously updated basis. It is felt that regional data collection would assure the currency of housing information.

Create an Inter-agency Housing Policy and Development Task Force

The purpose of such an organization would be to coordinate remote area hou-

sing production and related activities; to assure the most efficient use of funds and programs; and to assist in the development of a policy or method of allocating resources to housing production.

Develop a Life-Cycle Cost Analysis for New Housing

This would assess the cost of housing over the lifetime of its use, including all maintenance and heating costs, depreciation and so on. This approach differs from a cost-benefit analysis, which usually examines only the first time or up-front expenses of construction. Life-cycle costing would implicitly favor energy-efficiency, climate-conscious design, sound conservation and other practices designed to reduce non-renewable energy consumption and promote renewable energy use over the long term.

These recommendations are given as solutions to problems, and not necessarily as politically feasible courses of action. All of these recommendations fit together to provide the kind of comprehensive approach that is necessary to adequately address a complex and ubiquitous situation. It is hoped that they will be of some assistance to lawmakers, agency personnel and others with an interest in the matter.

CONCLUSION

Housing construction and improvement and homeownership assistance programs serve virtually all income groups under their collective jurisdictions. However, the ability of these programs to serve all those qualified is limited by budget constraints; the eligibility of an applicant for a given program is largely a function of his

The Alaska Housing Finance Corporation, while continuing to extend service to rural and low and moderate income families, can help only those applicants capable of assuming long-term debt service. On the other hand, the Bureau of Indian Affairs' Housing Improvement program provides direct grants for rehabilitation and occasional construction to households not qualifying for assistance from any other source. The Department of Housing and Urban Development's Native Mutual Help Housing Program, generally speaking, serves those households whose incomes and debt capabilities fall between AHFC and BIA qualified households.

HUD home recipients must assume debt service, though the monthly payment varies according to income and cannot exceed 25% of a family's adjusted income. While these programs span the income range of remote and rural residents, they do not enfranchise all of those in need of new or rehabilitated houses.

A state program to build houses for those otherwise unable to own, amounts to an income transfer from society at large to a unique segment of society. It would be essentially a welfare program. In turn, it is the widespread absence of income that compounds the difficulties of housing construction in the bush, and creates the consequent need for public subsidies to provide services the private market cannot.

If new housing is to be built for households unable to pay for it, it will probably require that direct grants be made to the Regional Housing Authorities to initiate and oversee construction projects. Another approach may be viewed more favorably than this, but the essential fact is that the

state will have to pay to adequately house some of its citizens. The success of programs based on such a commitment will depend in part on the recommendations given in this report.

One matter not mentioned thus far is the Ullman Bill, passed into law by former President Carter on December 5, 1980. This bill severely restricts the ability of housing finance authorities, such as the Alaska Housing Finance Corporation to issue tax exempt bonds. In the past, the low interest rate on these bonds made it possible for AHFC to purchase mortgage loans with below market rate yields. Under the terms of the bill, the state can issue only \$200,000,000.00 worth of tax exempt bonds annually, of which half would be AHFC's share. AHFC is actively seeking alternative financing methods and should be releasing detailed recommendations in the near future.

Jack:

I talked with Jeff in Mike Miller's office regarding the ASHA bill that Mike had assigned to you as chair of Reg Review. Jeff indicated that they expected the committee to look into it during the interim and that there was no need to deal with it this session -- is that how you would like to handle it? Or do you want it checked out during this session?

Cheryl.

*housing authorities
bill*

SB554

SB 664
Housing

A STUDY OF ALASKA'S HOUSING PROGRAMS

EXECUTIVE SUMMARY

Prepared for

LEGISLATIVE BUDGET AND AUDIT COMMITTEE
ALASKA STATE LEGISLATURE

Prepared by

INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH
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March 1982



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March 26, 1982

Senator Arliss Sturgulewski
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Sturgulewski:

We are pleased to transmit with this letter a copy of our report, "A Study of Alaska's Housing Programs". This study was conducted under contract to the Legislative Budget and Audit Committee. The study examines the present and future effects of the state's current housing programs. These programs are operated by three separate agencies of the state: the Alaska Housing Finance Corporation, the Alaska State Housing Authority, and the Department of Community and Regional Affairs.

The study examines the direct and indirect effects of each program. The direct effects of the programs describe what the programs did; the number, value, and distribution of loans made are examples of direct effects. The indirect effects, or market impacts, describe the changes that occurred in Alaska's housing markets as a result of the programs; the additional units constructed and the changes in housing prices exemplify market impacts.

Our analysis of the direct effects of the programs is complete and comprehensive. We describe the cost to the state of each program, who was served by each program, and the outputs of each program. Our analysis benefited greatly from the access to program data and cooperation of the staff of each agency involved.

UNIVERSITY OF ALASKA

Senator Arliss Sturgulewski

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March 26, 1982

Although we are confident of the reliability of our analysis and findings, our analysis of the market impacts was constrained by limited information on Alaska's housing stock and housing transactions, and certain caveats to our report are appropriate. First, the lack of data and information on the various segments of the housing markets - for example, the conversion of single family rental units to sale units - confined our analysis of program impacts to impacts on the overall housing market. Second, many of the programs' impacts may not have surfaced within the relatively short history of the programs' operations. For example, the subsidy to home ownership may have permanently adjusted financial incentives to invest in rental housing. And finally, during the period of our study, July 1980 to August 1981, Alaska experienced a surge in population, causing housing vacancy rates to fall and housing prices and rents to rise. Thus the task of segregating the program effects from the overall demand effects was particularly challenging.

Our report does not examine alternative housing policies but rather documents and analyzes the costs and outcomes of the present programs. We did not attempt to measure housing needs in Alaska nor to assess the relative merits or effects of owner housing subsidies versus renter subsidies. Nonetheless, the information we provide herein should prove useful in the public debate over housing policies and priorities, even though it cannot be appropriately viewed as a substitute for that debate.

Sincerely,



Lee Gorsuch
Director

ELG:ec

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AN EXECUTIVE SUMMARY

On August 21, 1981, the Alaska Legislature's Legislative Budget and Audit Committee, following a competitive solicitation of proposals, formally entered into a contract with the University of Alaska's Institute of Social and Economic Research (ISER) to conduct a study of the State of Alaska's major housing programs. The purposes of the study, identified as seven major tasks, are summarized on the preceding page. ISER was essentially to furnish the Committee with an overview of the state's housing program impacts on housing markets, and to assess their cost to the state. ISER was also to estimate the future fiscal impact of the housing programs upon the state.

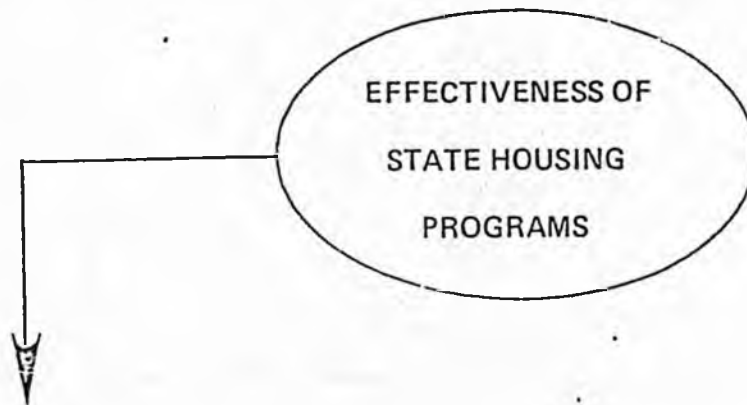
The major state housing programs examined include the Alaska Housing Finance Corporation's (AHFC) programs--the Special Mortgage Loan Purchase Program, the Home Ownership Assistance Program, the Mobile Home Loan Mortgage Purchase Program, the Rural Housing Mortgage Purchase Program and the Rural Nonowner Occupied Mortgage Purchase Program, the Alaska Department of Community and Regional Affairs (CRA) programs--the Nonconforming Housing Loan Program and Senior Citizens Housing Development Program, and the federally funded programs of the Alaska State Housing Authority. (In 1980 the Veterans Home Loan Program was transferred to the AHFC.)

To avoid repeating the various assumptions and methods we employed to perform each task, the reader is referred to the full study report. For ease of reference, each chapter of the study report pertains to one of the seven major tasks identified. Similarly, the findings and conclusions we have reached as a result of research are also presented below by major task.

Before proceeding to the findings, a few precautions are worth repeating. First, the study assesses the state's housing programs as they currently exist. No effort was requested or made to play the "what if we changed this policy" game. Thus, our projections of future fiscal impacts assume that the current programs remain unchanged, including such things as loan limits and interest subsidies.

Second, limited reliable data is available on Alaska's housing stock or market. Even results from the 1980 Census of Population and Housing are not yet available. Fortunately, thanks to the full cooperation of the state's housing agencies, we were able to approximate most of the missing information. Nonetheless, much of the data we used in our analysis are approximations of the past and present, not hard facts collected over time.

And finally, regarding our projections of fiscal impacts to 1986 and 1990: to get from 1981 to 1986 or 1990 requires, among other things, a knowledge of changes in Alaska's future employment opportunities, shifts in demographic trends and social patterns, and fluctuations in housing prices and financial markets. Because our knowledge of these issues is imperfect, we substitute judgment, in the form of assumptions, as our way of dealing with many implicit uncertainties. Thus, our projections are inextricably tied to our assumptions, and can most appropriately be interpreted with an understanding of the assumptions and methods from which they were derived. By no means can the projections be appropriately viewed as our prediction of the future.



For each of the programs included in our study, we examined the operations and outcomes of the program in the context of its goals as means of assessing its effectiveness. Each of the following summaries correspond to a chapter of the study report. Elsewhere in the summary and in the report, we deal separately and explicitly with such concerns as the direct and indirect impacts of the programs and their present and projected costs.

The Alaska Housing Finance Corporation

The Alaska Housing Finance Corporation (AHFC) administers several housing programs which aid different segments of the housing market. These include the Special Mortgage Loan Purchase, the Mobile Home Loan Purchase, the Rural Housing Mortgage Purchase, and the Rural Nonowner Occupied Mortgage Purchase programs, each of which have different interest rates and loan terms. AHFC's basic goal is to provide residential housing at the lowest possible interest rate. State intervention in the housing market has been previously justified as a means of improving the economic welfare and growth of the state, and of correcting deficiencies in Alaska's housing market.

In all instances, AHFC operates as a secondary lender. It has no direct dealings with prospective homebuyers. Figure 6 illustrates the role AHFC plays in Alaska's housing market. All prospective buyers go