

ALASKA LEGISLATIVE COMMITTEE HOUSE DOZ 100/2

1984 HRLS SB 666 (HOUSING FILE) 199

§ 261.9

tion by Bureau of Indian Affairs' employees, contractors, or subcontractors during the course of construction. The Superintendent is also responsible for the provision of inspection prior to the purchase of an existing house. These inspections are not necessary where inspection is provided for by the Department of Housing and Urban Development or the Farmers Home Administration or other governmental agencies.

§ 261.9 Flood disaster protection.

No Housing Improvement Program funds, under categories (b), (c), and (d)

Title 25—Indians

of § 261.4, will be expended in areas designated as having special flood hazards under the Flood Disaster Protection Act of 1973 (Pub. L. 93-234, 87 Stat. 977) unless the requirements for suitable flood insurance are met.

§ 261.10 Waivers.

A proposal for a waiver of the regulations of this Part 261 must be submitted to the Commissioner and will be considered if substantial justification is presented according to § 1.2 of this chapter.

SBC66
Housing

MAY 25 1981

A PERFORMANCE REVIEW
OF THE
DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT
ALASKA STATE HOUSING AUTHORITY

December 12, 1980

Audit Control Number
08-21-1005-S

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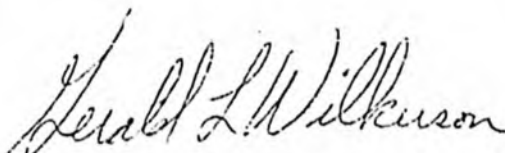
December 12, 1980

Members of the
Legislative Budget and Audit Committee:

In accordance with the intent of Title 24 of the Alaska
Statutes, the attached report is submitted for your review.

A PERFORMANCE REVIEW
OF THE
DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT
ALASKA STATE HOUSING AUTHORITY

December 12, 1980



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

TABLE OF CONTENTS

	<u>Page</u>
Purpose and Scope of the Review	1
Organization and Function	2
Findings and Recommendations:	
Division of Legislative Audit	4
Other Audits:	
A. Peat, Marwick, Mitchell & Co.	8
B. U.S. Department of Housing and Urban Development - Low-Rent Public Housing Program	12
C. U.S. Department of Housing and Urban Development - Section 8 - Existing Housing Assistance Payments Program . .	14
Appendixes:	
A. Questionnaire Sent to the Executive Director and Board Members	18
B. Questionnaire to Regional Housing Authorities	26
Agency Response:	
Alaska State Housing Authority	34
Legislative Audit's Additional Comments	53

PURPOSE AND SCOPE OF THE REVIEW

In accordance with Title 24 of the Alaska Statutes, a performance review was conducted of the Department of Commerce and Economic Development, Alaska State Housing Authority (ASHA). The purpose of our review was to:

1. Determine ASHA's compliance with its statutory purposes.
2. Evaluate ASHA's operating efficiency, effectiveness, and economy.

Our scope included all State and federal building and housing programs administered by ASHA. We did not perform auditing procedures to determine whether ASHA was in compliance with the federal regulations, policies, procedures, and contracts governing its housing programs. The auditing procedures to determine compliance with these were performed by other auditors whose findings and recommendations thereon have been furnished to us. Included in our report are those recommendations which were not implemented as of our report date.

ORGANIZATION AND FUNCTION

The Alaska State Housing Authority (ASHA) is a public corporate authority created by the territorial legislature in 1945. Its purpose is to assist in the development of decent, safe, and sanitary housing throughout Alaska for low and moderate income families.

A board of five members, appointed by the Governor, which included the Commissioner of Commerce and Economic Development governs ASHA's activities. The Board appoints an Executive Director/Secretary-Treasurer to administer ASHA. Presently, ASHA has a staff of 35 full-time employees in its central office in Anchorage and 73 employees in its 18 project offices located throughout Alaska. The following are programs administered by ASHA:

<u>Description of Program</u>	<u>No. of Units</u>
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Conventional Low Income Program. Costs of operations and maintenance are funded through rent receipts and subsidies from the Department of Housing and Urban Development (HUD). Also HUD provides funds for debt service.

813

Housing Assistance Payments (HAP) Program.

This program provides rental subsidies for low income families and elderly residents from HUD through ASHA. Two types of programs exist under HAP, one in which the rental units are owned by qualifying individuals (known as Section 8 Existing Program), and one in which ASHA owns the rental units (known as Section 8 New Construction Program). Existing
New Construction

1,178
285

Turnkey III Ownership Program. Eligible home purchasers, through a lease-option agreement, pay a monthly payment for reserves, utilities and an administration fee. HUD contributes to the debt service through annual contributions. Approximately 147 units under this program have been converted to rentals due to an insufficient number of qualified home purchasers.

230

Remote Housing Programs. The federal government funded construction of single family homes in 28 villages in rural Alaska from 1969 through 1971. In addition, the State appropriated funds to construct homes in 19 other villages during 1971 and 1972.

747

Description of Program

No. of Units

Wrangell 221(d) 3. This program is a housing development for middle income families constructed in 1967 with federal funds. A portion of the units are being subsidized through the Housing Assistance Program.

32

Marine View Apartments. This is a high-rise apartment complex constructed in Juneau in 1973 with funds from a State appropriation. No federal funds are received as subsidy for this program. Recently, the first four floors have been converted to commercial rental space.

60

Total number of units administered by ASHA

3,345

In addition, from 1966 through 1974, ASHA acquired or constructed public buildings for lease to the State of Alaska. Bonds were issued by ASHA to finance this program. At the expiration of each lease, title of the buildings will be transferred to the State of Alaska.

FINDINGS AND RECOMMENDATIONS

The following are recommendations made by Division of Legislative Audit:

Recommendation No. 1

ASHA should perform a statewide survey of low and moderate income housing needs in Alaska.

There has not been a sufficient housing needs survey conducted to determine the housing needs of low and moderate income Alaskans. A listing prepared by the U.S. Department of Housing and Urban Development (HUD) indicates that only fourteen cities and/or towns during the past three years have been surveyed by that department.

Four of the ten regional housing authorities responding to our questionnaire (see Appendix B) indicated that a survey had not been performed in their region. One of the remaining six authorities indicating that a housing needs survey had been performed stated that the Department of Community and Regional Affairs had conducted a needs survey of their region. However, we contacted the Division of Community Planning within that department and found that the only surveys performed by the division are community profiles. These profiles identify building sites and land uses rather than housing needs. In addition, ASHA's Executive Director and board members indicated that in their opinions the housing needs of Alaskans had not been adequately surveyed.

We recommend that ASHA perform a statewide housing needs survey. However, prior to conducting such a survey ASHA should contact the regional housing authorities to determine what data is currently available and evaluate its adequacy. After conducting the survey, ASHA should prioritize the housing needs of those areas of the State over which ASHA exercises its authority. (Much of the rural area of the State receives housing assistance through the regional housing authorities.)

Presently, ASHA's general practice is to apply HUD allocations to projects for which a local government and/or advocate group has expressed a need. However, this procedure does not necessarily allow projects to be first constructed in those areas with the greatest housing need. Effective management necessitates identifying those areas with housing needs, prioritizing those needs and applying the HUD allocations as they become available to those localities with the greatest or more immediate need.

In addition to prioritizing housing needs ASHA should comply with HUD's recommendation to complete a three-year maintenance plan (see Recommendation No. 6 page 14). The maintenance plan should be prepared for all housing projects owned and/or managed by ASHA to allow for effective budgeting of the authority's funds.

Recommendation No. 2

ASHA should seek additional sources for funding of housing projects to ensure that federal allocations are not lost.

In 1977, ASHA had no choice but to return to the federal government two allocations totalling approximately \$3,460,000 due to the infeasibility of the projects. The allocations were for family housing in Juneau (30 units), and Ketchikan (50 units).

These projects could not be constructed due to federal limitations on the maximum costs per unit. In a letter informing ASHA of the cancellations, HUD stated that they "were aware that these projects have not been able to be constructed because the prototype costs (maximum costs prescribed by HUD) in these areas have been too low and it is not reasonable for you to issue construction contracts ..."

ASHA has taken steps to minimize the possibility of losing additional federal allocations. They have changed their bidding procedures to include design-construct contracts. This minimizes the chances of the total construction costs exceeding the HUD allocations. In addition, ASHA intends to utilize a different housing program under HUD (Section 8 New Construction). Under the Section 8 Housing Program ASHA does not have to comply with HUD's low prototype cost limitations. However, HUD does set the maximum amount of rental income (Fair Market Rent) ASHA may receive from each rental unit, which somewhat offsets the advantage of no prototype cost compliance requirement.

This maximum rent less administrative costs of managing the project equals the amount remaining to cover the cost of amortizing the debt of the project. Because HUD's fair market rents are too low, the rental income may not be sufficient to cover the debt of the project. When this occurs it is no longer feasible to construct the project.

At the time the two family project allocations were cancelled, ASHA was able to construct two elderly housing projects under the same program. This was due to the receipt of additional funds through the affected municipalities who had received grants through the Department of Community and Regional Affairs' Senior Citizens Housing Development Fund.

In addition, two other elderly housing projects have been constructed in 1980 under the Section 8 program which also received funds from the municipalities in the same manner to make the construction of the projects feasible.

In total, \$1,702,395 was received through the Senior Citizen Housing Program in order to utilize, over the life of the projects, approximately \$24,700,000.

Therefore, we recommend ASHA seek additional funding to allow utilization of all federal allocations for low or moderate income housing in Alaska. These additional funds to be used as leverage for the federal funding can be obtained from sources such as direct State appropriations, sale of general obligation bonds, or grants from State departments.

Recommendation No. 3

The statutes governing ASHA should be revised.

We determined through interviews, questionnaires and a review of ASHA's files that the statutes governing ASHA are in need of revision and clarification. The following changes are needed in order for ASHA to operate in a more efficient manner:

- A. AS 18.55.140, 18.55.180, 18.55.185 and 18.55.570, concerning the sale of bonds, need to be amended to allow ASHA to sell bonds in a more efficient manner.

ASHA has proposed three areas of revision: (1) the addition of authority to sell notes; (2) the removal of the requirement to sell bonds at a price not less than par; and (3) clarification of section 185 concerning the prohibition of a financial advisor from bidding or negotiating for the purchase of the bonds. The proposed language is the same as the wording used in the Alaska Housing Finance Corporation statutes concerning the sale of bonds.

- B. AS 18.55.110 should be clarified as to whether or not ASHA is exempt from adherence to the Administrative Procedures Act (APA) requiring the adoption of federal regulations governing its housing projects.

Advertising and holding public hearings and submitting the regulations to the Department of Law for review is time consuming and ineffectual since the federal regulations cannot be changed, and whether adopted by the State or not, must be abided by in order to retain funding. Therefore, ASHA should be exempt from the APA concerning the federal regulations governing its housing programs.

- C. Clarification of the definition of State agency is needed to determine under what statutes ASHA is considered to be a State agency.
- D. The statutes concerning the regional native housing authorities also need clarification. Since the State created these entities by law it should be clarified, as with ASHA, whether or not they are State agencies.

Recommendation No. 4

The Office of the Governor should appoint members to the Board of Directors of ASHA in accordance with statute and in a more timely manner.

During our review of appointments to the Board of Directors of ASHA, we noted that a member position has been vacant since August 16, 1979.

AS 39.05.060(b) states that the Governor shall appoint each member. Because a member was not appointed, ASHA has not been in compliance with AS 18.55.020(a) which requires the Commissioner of the Department of Commerce and four residents of the State to serve as members of the Board of Directors of the Authority.

This recommendation was also made in the HUD Management Review Report on the Low-Rent Public Housing Program dated September 30, 1980 (see Recommendation No. 1, page 12).

A summary of each recommendation not implemented at our report date, along with ASHA's response, from the audit reports by Peat, Marwick, Mitchell & Co., and the U.S. Department of Housing and Urban Development (HUD), is presented below. The full text of these reports are available at ASHA offices, 4325 Laurel St., Anchorage, Alaska.

A. Recommendations from the Peat, Marwick, Mitchell & Co., audit report, dated March 31, 1980, entitled Examination of Financial Statements and Supplementary Data of: Annual Contribution Contracts; Preliminary Loan Contracts; Section 8, S-014E; Urban Renewal Project R-16 and; Revolving Fund.

Recommendation No. 2

ASHA needs to reduce rental accounts receivable and collection losses.

Using HUD guidelines of \$15 per rental unit, two projects, the Remote 200 Housing Program and the Nome Turnkey III Program, evidence a high accounts receivable balance at March 31, 1980. The per rental unit receivable for each project was \$17.42 and \$135.85 respectively.

ASHA should develop and implement additional procedures to reduce rental accounts receivable. These procedures should include an initial evaluation of all prospective renters' ability to pay, prompt identification of delinquent accounts, and effective collection procedures. In addition timely eviction of tenants will aid in minimizing uncollectible receivables.

ASHA's Response:

We concur that receivables in the Remote 200 Housing Program and the Nome Turnkey III Program are excessive. Considerable effort and expense have been made in reducing the receivables in Nome, but the distance and insolvent nature of the tenants in the Nome project continues to aggravate the problem. A beneficial factor offsetting receivables is the new utility allowance which will generate a credit rent situation. Over a period of time, the receivables are automatically being reduced to the extent of the credit rent. The write-off of collection losses during 1980 in the Nome Turnkey III project were 100% related to damages. There were no write-offs of rent in the Nome Turnkey III project. The receivables Remote 200 Housing Program are high. Until adequate funding by HUD is agreed upon, no funds are available to do reexaminations or encourage residents to make their payments.

The project managers continue to make a very thorough analysis of prospective renters given the amount of credit information available to them. We obtain credit reports in Fairbanks and in Juneau. In remote areas, credit information is unavailable without in-depth personal investigation. The concept of quick identification and separate accounts of bad payment tenants is a very important item that we are currently quite active in pursuing in our collection of delinquent accounts. Eviction processes have been taken in the majority of all cases as soon as possible. The eviction process in Alaska, in view of the aggressive nature of Alaska Legal Services, is a lengthy one at best. Our grievance procedure, together with various stalling tactics that can and are used by Alaska Legal Services and the tenants, exasperate the timing of an eviction. We continue to try timely eviction although it is unsuccessful at times.

Recommendation No. 3

ASHA should comply with HUD requirements to control land, structures and equipment.

The following requirements had not been complied with for the period ending March 31, 1980: a physical inventory of nonexpendable equipment at certain remote locations for the Remote 200 Housing Program projects had not been performed; a reconciliation of the physical inventory to equipment records for certain Remote 200 Housing Program projects and Low-Rent Public Housing Program projects had not been performed; and equipment records for certain nonexpendable equipment accounts did not agree with the property ledger for those accounts.

ASHA's Response:

Inventory of the Remote 200 Program projects' nonexpendable equipment is not possible due to access denial by residents. Reconciliation of the physical inventory to equipment records for the Nome and Bethel Turnkey III and the low rent projects are in the process of verification and will be completed in the near future. The long-term solution to inventory control is the pending computer program which will accelerate inventory reporting and accentuate inventory control.

Recommendation No. 4

ASHA and HUD should come to a mutual agreement concerning problems noted in the homeownership activities in the Remote 200 Housing Program.

The problem areas noted were as follows:

- a. ASHA has not reexamined the majority of home buyers' income as required by a contract with HUD.

- b. During our review, it was determined no payments had been received from 156 of the 200 housing units during the two-year period under examination.
- c. The mutual help and occupancy agreements for the village of Kwethluk had not been signed by the participants with ASHA.
- d. As of July 11, 1980, ASHA had not taken action to transfer title to at least five individual buyers who have more equity than is required to gain title to the dwelling.

ASHA's Response:

- a. ASHA has not undertaken reexaminations or aggressive rent collection policies for the following reasons:
 - 1. The lawsuit of Alaska Legal Services and the settlement require that rehabilitation be undertaken before further aggressive efforts to obtain rent payments can be made. The lack of funding by HUD, which we have requested, has stalled implementation of an aggressive reexamination program and rent collection program.
 - 2. Legal title to the land is not vested in ASHA and eviction would be fruitless.
- b. Home ownership payments have not been received by 156 of 200 housing units during the two-year period under examination. We concur. Identical response to a.
- c. ASHA's Housing Director, George Briggs, was ejected from the village of Kwethluk and informed HUD at that time that he would not return. Mr. Doug Riggs, then Executive Director of ASHA at the time, indicated that no ASHA employees would be sent to Kwethluk in the future in view of the personal danger. The requested new mutual help and occupancy agreement has not been received from HUD.
- d. Upon receipt of the proper closing documents from HUD, ASHA will aggressively undertake this transaction. We have been waiting for several months for HUD to come forward with the closing documents.

Recommendation No. 5

ASHA should comply with filing requirements for all projects.

Chapter 13, Appendix 1 of the Low-Rent Housing Accounting Handbook 7510.1 requires all financial reports be submitted to the HUD office designated no later than the 20th day of the month following the close of the period for which the report is prepared.

ASHA's practice is to submit financial reports as books are closed. Current year reports were submitted on May 30, 1980, fifty days delinquent.

ASHA's Response:

ASHA has installed a computer system and we are in the process of conversion. Investment program, payroll and accounts payable were initiated on January 1, 1980; the general ledger program commenced on April 1, 1980. Tenants accounting should be on the computer by August 1, 1980. It is anticipated that this will relieve the pressure at physical closing and assist us in meeting the reporting deadlines.

In addition, a written time and responsibility chart is in process which will clearly outline the tasks necessary to close in a timely fashion to meet HUD reporting deadlines.

Recommendation No. 6

ASHA should limit expenditures to budgeted amounts in controlled categories.

Expenditures were not limited to amounts in certain controlled categories of the annual operating budgets of annual contribution contracts of the Remote 200 Housing Program and the Low-Rent Public Housing Program.

ASHA's Response:

The 1979 total operating expense in the low-rent project was overrun by \$131,420.00. The total routine expense line item was overrun by approximately \$158,000.00. The difference between the two items was approximately \$26,000.00 and is the net effect of underrunning capital expenditures and a negative effect of casualty losses. The overrun of \$131,000.00 in the above mentioned account results from insurance, write-off of bad debts, utilities, labor and materials. A great portion of this overrun resulted from the lack of timely information which the new computerized system should alleviate. In the low-rent program, reserves had been established to cover the overruns above stated and were adequate to totally offset the deficits. During 1980 reserves were increased by approximately \$97,000.00.

The 1979 total routine expenditures in the Bethel Turnkey III Project came out into an overrun of this line item of \$4,267.00. This overrun was the result of insurance and labor and materials. The additional labor expense was the result of a new sewer and water system that went on line during this fiscal year. The total budget surplus in this project amounted to approximately \$75,000.00.

The 1979 total administration expense in the Nome Turnkey III Project was overrun by approximately 1% or \$2,405.00. This was due primarily to prorated overhead charges. The 1979 Nome total routine expense line item was overrun by approximately \$36,000.00. This overrun was the result of an emergency repair on four houses that were extremely damaged by abandonment and the repair of three sewer lines to make the houses livable. These items were approved by HUD; however, the budget revision to adjust these line items was not transmitted to HUD in a timely manner. The total operating expenditures for 1979 in the Nome project resulted in an overrun of \$17,284.00. This is the same as the item above except there was a credit for approximately \$27,000.00 in a charge for casualty loss.

The overrun in the Remote 200 Housing Program 1979 total expenditures line item was caused by an insurance cost overrun. All other line items were substantially under budget.

It should be noted that when the computerized general ledger is up and running, it will result in the return of information to our Housing Management Department and project managers on a much more timely basis and result in fewer line item overruns. It should further be noted; however, that fires, tenant damage and other actions either by nature, or to a certain extent by tenants, are uncontrollable in nature. The serious problem in 1979 which is evidenced by the overruns has been corrected in 1980, and I believe that the results above stated are proved.

B. Recommendations from the HUD audit report, dated September, 1980, entitled HUD Management Review Report on the Low-Rent Public Housing Program:

Recommendation No. 1

Appointments to the ASHA Board of Directors should be made in a more timely manner.

A vacancy in the Board created by the resignation of a board member in August, 1979 still exists. In addition, we noted when reviewing individual board member files that copies of each members' Certificate of Appointment and Oath of Office required by Alaska Statute were not retained by ASHA.

ASHA's Response:

ASHA will comply with request.

Recommendation No. 2

ASHA should assure that variations between budgeted and actual staffing and salaries are reflected in the next budget revision submitted to HUD.

Actual salaries for administrative and maintenance personnel varied slightly from amounts estimated in the budget.

ASHA's Response:

The budget process is very labor intensive which precludes ASHA from resubmitting a complete budget revision. Past approved practice of budget revision will be continued unless in violation of federal regulations.

Recommendation No. 3

ASHA should provide HUD with a copy of its revised personnel regulations for approval prior to distribution.

ASHA's personnel regulations, last revised April 3, 1976, require updating to incorporate personal leave changes, increased wage, meal and travel rates and laws regarding age discrimination. We realize that your revised regulations are currently in draft and under evaluation.

ASHA's Response:

None

Recommendation No. 4

Position descriptions should be updated and a comparison made with similiar position descriptions within State service.

Once all position descriptions are updated, ASHA should reevaluate comparability with State position descriptions to assure positions are properly classified and salaries are comparable. The last such comparison was done in 1977.

ASHA's Response:

ASHA will comply with request.

Recommendation No. 5

A sample of the computer budget control system should be submitted to HUD.

The last Management Review Report issued by HUD stated ASHA had, in past years, regularly incurred budget overruns of controlled accounts, and recommended that actions to control expenditures be initiated by ASHA.

The fiscal audit report recently completed points out further overruns in 1979 and 1980.

With a present operating reserve level at five percent of the maximum, it is imperative that strict budget controls be instituted. ASHA advised us during our review that the implementation of their computer budget control system would effectively monitor program expenses.

ASHA's Response:

Preparation of computer printout reports containing income and expenses vs. budget will begin on approximately October 15, 1980. A copy of the report will be sent to HUD.

Recommendation No. 6

A three-year maintenance plan for each project should be completed by ASHA.

As the average age of ASHA's units increase the necessity for maintenance, planning and forecasting becomes more imperative. In addition, due to increasingly limited funding, the need for careful long-range planning for maintaining and preserving property, as well as for providing for replacement items, becomes critical. Therefore, we are requesting ASHA develop a multi-year maintenance plan.

The plan will be helpful in determining staff projections, repair and replacement priorities and will be a helpful tool in preparing future budgets and modernization fund requests. In the future, ASHA will be required to file a plan with our office in order to obtain consideration for modernization or nonroutine maintenance funds.

ASHA's Response:

ASHA will comply with request.

C. Recommendations from the HUD audit report, dated September, 1980, entitled HUD Management Review Report on the Section 8 Existing Housing Assistance Payments Program:

Recommendation No. 1

ASHA should establish an Administrative Plan.

The Admission and Occupancy Policy and the Management Plan should be updated and consolidated into an Administrative Plan.

Some major areas that should be addressed include: verification procedures; reexam procedures; designation of handicapped persons; plans for continued outreach to families and owners; application procedures; grievance, hearing, and appeal procedures; preference and ranking procedure on waiting list; briefing of families and issuance of certificates; housing quality standards and inspections; lease approval and HAP contract execution, as well as termination, eviction and family moving procedures.

Please provide an outline of the Administrative Plan within thirty days. Advise us of the anticipated completion date and upon completion forward a copy of the plan to our office for approval.

ASHA's Response:

ASHA will comply, but if not required by federal regulations or it is not workable, we shall object.

Compliance will be made with the outline for the Administrative Plan within thirty days. An estimated additional thirty days will be required for completion of the plan.

Recommendation No. 2

ASHA should review the units listed which did not conform to the Housing Quality Standards and request repairs be made by the owner.

Eighteen unit inspections were completed during our review and an additional unit was visited. The following are exceptions noted in which the units did not conform to the Housing Quality Standards at 24 CFR 882.109: chipped paint on walls and trim; missing outlet cover; inlaid floor tile in kitchen needs to be replaced or repaired; loose wall paper and nail pops; peeling paint on exterior trim; loose and uneven carpet; worn carpet; no vent fan cover in the kitchen; loose bathroom sink; exterior surface needs painting; bedroom window sill needs painting; exterior main entrance door does not provide adequate security; bathroom floor needs to be finished properly; walls around tub need to be sealed; loose ceiling tile; leak in wall from upstairs bathroom; and; install railing at stairway landing in main entrance.

ASHA should review each unit and request repairs be made by the owner. If the owners are unwilling to make the required repairs, we request another certificate of participation be issued to the family. As soon as an acceptable unit is identified, the HAP contract for the first unit should be terminated.

ASHA's Response:

We appreciate your review and assistance but please review 24 CFR 882.109 again. The regulation speaks of SERIOUS problems not minor such as the chipped paint provided this paint is not lead base. Please note further that the review was done as an interim inspection and our inspection at the time of admission to the participant certifies that each unit did meet the housing quality standards. It appears your inspector used the new inspection report which is not effective at this time.

Recommendation No. 3

ASHA should advise HUD of procedures for reinspections of units.

HUD requires that, in order to insure inspections are providing consistent determinations, ASHA must establish procedures for reinspection by the supervisor of a random sample of approximately 5% of the approved units.

ASHA's Response:

ASHA concurs and will comply.

In conclusion, please note that where landlords and tenants are alerted to specific requirements a designated time will be given and follow up inspections will be conducted to make sure that serious offenses have been corrected in accordance with 24 CFR 882.109.

Recommendation No. 4

Procedures for documenting that the contract rent is reasonable should be established by ASHA.

We request ASHA establish a procedure for documenting and certifying that the contract rent for each unit with an approved lease is reasonable and not in excess of rents currently charged by owners of comparable unassisted units. In order to satisfy this requirement, ASHA must conduct a survey of available rental units to assess rent reasonableness and comparability.

ASHA's Response:

ASHA concurs and will comply.

Recommendation No. 8

ASHA should submit a revised Estimate of Total Required Annual Contributions form.

In reviewing ASHA's year-end voucher for payment of annual contributions it was noted that the estimated preliminary expenses through March 31, 1980 varied slightly from the actual expenses. This necessitates a revision of ASHA's 1981 Estimate of Required Annual Contribution to reduce line 10 by \$8,302 and increase line 11 by \$2,869 if ASHA needs to purchase equipment originally approved.

ASHA's Response:

ASHA concurs and will comply.

APPENDIX A

Questionnaire Sent to the Executive Director
and the Board Members of the Alaska State
Housing Authority (ASHA).

Instructions

Please answer the following questions to the best of your knowledge.

1. What do you believe to be the goals and objectives of ASHA?

*Provide housing for moderate and low income families.
Housing for the elderly.*

*To take advantage of its' state charter and provide
housing for the disadvantaged and elderly Alaskan
citizens.*

*ASHA's primary responsibility is to furnish housing
to low-income families, housing for low-income elderly
and housing for moderate-income persons. To give
assistance to regional housing authorities, encouragement
to private and public developers of housing projects in
the low to moderate-income price range.*

*ASHA's goals and objectives are, in general, set forth
in Alaska Statutes 18.55.010; 100; 300; 310; 480; 490;
520; and 700.*

2. How does ASHA measure its progress in meeting its goals and objectives?

*Progress is measured in the number of units made available
and the demand for units.*

*By maximizing the opportunities offered with Federal dollars,
working with local governments, including the beneficiaries
in its planning, and staying within the dollar amount
allocated for individual projects. A strong and capable
administration.*

*ASHA's records speaks for itself, elderly housing, in seven
years, has gone from 41 units to 421 units. Low-income
family housing has risen through various programs from
568 units to 1395 units in seven years.*

ASHA currently measures its' progress towards the implementation in two ways:

- a) ASHA can empirically record the increase in housing and public facilities due to its' efforts. Since 1973, 380 elderly housing units and 312 family housing units have been constructed by ASHA. In addition, ASHA has provided 979 housing units under the Existing Section 8 Program.

ASHA has also been involved in the development of other public facilities. ASHA is currently planning with the Municipality of Anchorage for the development of a \$2.7 million dollar multi-purpose center for ASHA's elderly tenants and other elderly citizens of the State. ASHA anticipates developing and constructing a smaller multi-purpose center for the elderly in Juneau. These new projects will hopefully be constructed in the 1981 construction season.

In summary, ASHA's empirical measure of progress has confirmed dramatic increases in low income housing through ASHA's conventional low-rent and Section 8 housing programs. Since 1973, housing under the programs has increased 878% for specifically elderly housing and 234% for family housing.

- b) ASHA measures the quality of management through the following devices:
 1. Audit reports compiled by private accounting firms.
 2. Program reviews of the Department of Housing and Urban Development.
 3. Complaints or lawsuits filed by housing applicants, tenants, contractors, suppliers or other persons or entities with whom ASHA interacts.

Briefly, since the audit of 1975, ASHA has had only minor audit findings and the cause of such findings were quickly remedied. Since 1975, ASHA has admirably passed HUD's program reviews. Since 1975, ASHA has averaged no more than one significant dispute per year. Although such disputes may be deemed significant they have generally been rather minor and have been quickly and satisfactorily resolved.

3. In your opinion, is ASHA attaining its goals and objectives?

Yes

No

If No, what problem(s) is hindering progress?

Yes - At least since I've been on the Board, we've reduced the serious problems we inherited, and have a working relationship with other housing authorities.

4. Do you believe that housing needs have been adequately surveyed and/or evaluated for:

a) Low-income Alaskans?

Yes. If Yes, by whom? _____

No

b) Moderate-income Alaskans?

Yes. If Yes, by whom? _____

No

5. Is there any duplication of responsibilities between ASHA and the Native Regional Housing Authorities?

Yes

No

If Yes, in what areas of responsibility?

Our board, by a resolution, has determined that we would not "compete" for programs, or dollars which could be handled by other housing authorities in rural Alaska. We would be in only urban centers.

Currently, the Regional Housing Authorities are primarily involved in the provision of village housing and housing for Alaskan Natives under programs not utilized by ASHA because of the presence of the regionals. Additionally, local governing bodies determine whether ASHA or the Regionals shall undertake activities in a particular area.

6. In your opinion, do you feel that the role of the Native Regional Housing Authorities should be: (Check one)

4 Significantly increased.

0 Maintained as is.

0 Decreased.

0 Eliminated.

Please provide a brief explanation of your answer.

Significantly increased. This is the area where the largest housing problems exist.

Significantly increased - Rural housing is still a very serious problem. Some thinking has to go into the high prototype costs of meeting Federal Regulations.

Significantly increased - ASHA's lack of success and the advent of the Native Regional Housing Authorities, the substantial problems of providing housing are found in the villages, with the assistance in planning and development, grants, loans, and/or appropriations, they would increase their ability to provide housing needs in the region.

Significantly increased - Because of the lack of success of ASHA's early village housing programs and the advent of the Regional Housing Authorities, ASHA has deferred from participating in new village housing programs. Since the most substantial problems in providing adequate housing are found in the villages, the Regionals should get assistance in planning and developing through grants, loans and/or appropriations in order to increase their ability to provide housing.

7. In your judgement, evaluate the overall adequacy of the following chapters of ASHA's Regulations:

(Place a checkmark (✓) under the appropriate response across from each chapter.)

	Very Adequate	Adequate	Inadequate	Please comment on any known problem areas
Ch. 95. Purchasing and New Construction Bidding Procedures.	1	3		
Ch. 96. Acquisition of Real Property and Improvements		4		
Ch. 97. Disposition of Real Property		4		
Ch. 98 Public Housing		3	1	

Additional comments - *Because of reluctance to compete for housing in the "public" sector, we haven't been as aggressive as I would like us to be.*

Revised regulations, based upon the past four years experience with ASHA's existing regulations, are being finalized at this time.

8. In your judgement, evaluate the overall adequacy of the following articles of ASHA's State Statutes.

				Please comment on any problem areas
	Very adequate	Adequate	Inadequate	
Art. 1. Alaska State Housing Authority Act		4		
Art. 2. Moderate Cost and Rental Housing		3		
Art. 3. Slum Clearance and Redevelopment Act		3		
Art. 5. Regional Native Housing Authorities		2	2	

Additional comments - *in moderate and rental housing our need for additional units is far greater than our capability to meet demand, inflation and a "bust cycle" in Fairbanks and Anchorage may be the cause, but it is serious.*

9. Please add any additional comments you wish to make which you think will assist us in addressing any needed improvements at ASHA.

When I came aboard, the work was well underway in establishing some credibility for the work performed by ASHA. Each time that there has been a consideration of differing from that goal, it has been at the instigation of a politico as to the decisions which have been arrived at by the board. The board is very aware of its public use of its authority, we have included the elderly in housing planning, furnishing, and design, and allowed them to sit in on contract evaluation and contractor selection processes. All in all a very satisfying experience. If there were to be improvements, it should come from a legislative solution to programs which come short for citizens because of federal regulations. Maintenance, up-keep and renovation are sorely needed in certain areas. The urban renewal project in Anchorage proved that ASHA can do outstanding work in that area, something the State should think about for its' urban areas. I think that the State should look at the problem which plagues both Native and ASHA housing authorities concerning limitations of working with federal regulations, housing is very exciting until design and construction are over, then it becomes a serious problem of payment, heating and electricity. Some thought should be given to the life-cycle of buildings which are put up with state and federal dollars. The problems are the same all over the state, but the solutions are different, depending upon the ability of the authority to be somewhat innovative. I am content that given the problems which were the result of a lot of political pressures early in its' life, ASHA is doing quite well.

The limited funding for all housing authorities available from HUD, the inability to obtain permanent financing due to the high interest rates, the needs for more planning data and effective communications of data so the authorities will not have to rely on HUD and local governments, use of the permanent fund to finance projects to offset the high interest rates and the current bond market.

ASHA, as well as the Regional Housing Authorities, can be more effective if more planning data is available, and if the data now available is more effectively communicated and disseminated. ASHA is currently attempting to initiate a process for the collection and evaluation of demographic data specifically concerning housing needs. In the past, ASHA has had to rely primarily on data provided by HUD, local government units, and inferences interpolated from non-housing related data. Even though ASHA is obtaining its goals and objectives, certain problems do hinder ASHA's progress. Such problems include limited funding available from HUD and the inability to obtain permanent project financing because of high interest rates and the current state of the bond market.

APPENDIX B

Questionnaire to Regional
Housing Authorities

Instructions

Please answer the following questions to the best of your knowledge.

General Information

1. Staff Composition:

<u>Job Category</u>	<u>No. of Positions</u>
<i>Executive Director</i>	8½
<i>Finance Director</i>	1
<i>Coordinator</i>	1
<i>Assistant Coordinator</i>	1
<i>Litigation Manager</i>	1
<i>Housing Planner</i>	1
<i>Administrative Assistant</i>	2
<i>Secretary/Receptionist</i>	7
<i>Accountant/Bookkeeper</i>	6
<i>Accounting Clerk</i>	2
<i>Housing Manager</i>	6
<i>Housing Counselor</i>	10
<i>Maintenance</i>	1

Note: One housing authority's personnel are not included above as it has a management agreement with its respective borough.

2. Please list below the housing programs administered by your Authority and the name of the funding agency.

<u>Name of Program</u>	<u>Name of Funding Agency</u>
<i>Indian Mutual Help</i>	HUD
<i>Indian Mutual Help Program Reservations</i>	HUD
<i>Low Income Rentals</i>	HUD
<i>Low Income Rentals-Elderly</i>	HUD & State of Alaska
<i>Section 8 - New Construction</i>	HUD
<i>Modernization</i>	HUD
<i>Acquisition Program</i>	HUD
<i>Turnkey III</i>	HUD
<i>AK 10-1</i>	HUD
<i>AK 10-3</i>	HUD
<i>AK 10-4, 6</i>	HUD
<i>Home Improvement</i>	BIA
<i>Winterization</i>	DOE
<i>AHFC Rural Housing Construction</i>	AHFC

Now, we would like to get your opinion on subsidized housing in Alaska.

3. Do you believe that, in general low-income housing needs in your region are being met? 4 Yes 5 No

Moderate-income housing needs? 1 Yes 8 No

4. Are there specific locations within your region of Alaska that have failed to receive necessary housing assistance through Hud? 5 Yes 4 No

If Yes, list the locations:

Upper Kuskokwim River from Lower Kalskag to Stony River; Coast Villages of Scammon Bay, Chevak, Hooper Bay, Cheforak, Kongiganak, Goodnews Bay and Platinum.

28 villages in region: four served by Hud; two served by ASHA and; 27 more need to be served.

Kenai Peninsula Area.

Copper Center, Gulkana, Tazlina, Glennallen, Kenny Lake, Chistochina, Chitna.

HUD cannot meet our demand for housing in that they have to divide up funds for 13 regional housing authorities.

Just one village.

Hit most areas - but have not satisfied housing needs.

5. To your knowledge, has a survey of housing needs ever been performed of your region? 6 Yes 4 No

If yes, by whom and which location?

Alaska Consultants - the entire borough.

The housing authority conducted a survey of the entire region in 1975 and updated the survey in 1979.

All 28 villages in the region by the Native association.

Specific areas have been surveyed, however, no comprehensive survey has been taken.

In 1974, by Community and Regional Affairs, Division of Regional Planning.

Kodiak, all locations. Kodiak Island Borough, Kana 5 - Year Health Plan, NBBJ's Report on Native housing (HUD).

Consultant - '71 Planning Grant - State.

The housing authority for Tatitlek, Port Graham, English Bay, and Chenega.

6. If your answer to No. 5 was No, does your authority have the resources to conduct such a survey? 0 Yes 4 No

7. If your answer to No. 6 was Yes, are you planning a survey? 3 Yes 2 No

If yes, by whom?

No money for a survey, but would like one!

Whenever funds become available. Hopefully, State legislature.

The housing authority is probably the best agency to perform new survey, but time and money postpones such a program.

Contract it out.

By the housing authority for Cordova, Seward and Valdez. This needs assessment survey will be conducted in conjunction with the non-profit corporation's community planning department.

8. Presently, is there any duplication of program activities between ASHA and your Regional Housing Authority? 2 Yes 8 No

If Yes, in what areas of activity?

We are planning on an Acquisition Program and possibly Low-Rental Program in the borough.

Our authority will be constructing HUD Mutual Help Housing in villages where only a few years ago ASHA constructed inappropriately designed housing under the same program.

9. In your opinion, are there advantages to having Regional Housing Authorities administer housing in rural areas as opposed to ASHA?

ASHA's houses are not comparable with the units the Housing Authority acquires. The ASHA units fall apart in a few years. They are just a one room box, good for a dog to live in.

There are many advantages to having rural housing administered by the Regional Housing Authorities but the basic one of most importance are that the Regionals are in a position to be more responsive to the problems and needs to the people within their area. There is more opportunity for local input which is very important from a success standpoint.

Regional housing authorities are better adapted to serve local needs. ASHA is too distant to adequately meet present needs.

Yes, there are. In general, programs operate more satisfactorily the closer the planning and administration is to the people being served. Local control.

Yes.

There is definitely advantages in that we work more closely with the non-profit Native Corporation in our planning, and coordination of homes and meetings.

Regional Housing Authorities are more in touch with local resources; more intimate knowledge and working relationships with local users and providers.

Yes, homeowners are able to get to Authority and receive faster response. Local authorities are able to know better what is going on in projects - ASHA has never been able to run a decent program. Natives should be able to receive help when they migrate to urban areas also.

Yes, because the Regional Authorities are more intimately familiar with not only the needs of the area, but also with those unique aspects which make planning, development, and operations different for each area of Alaska. Grass roots.

Disadvantages?

In some remote areas of the state, the Regionals may have more difficult time recruiting qualified staff than an Anchorage based organization, however this is not the case for our Housing Authority.

Yes, resources become more diluted. Financial feasibility is more difficult.

Area not large or populated enough for two agencies.

The reality that local politicians influence the Regional Authority's decisions can be negative. Bush employers have less of an employee pool to hire from, but ASHA faces the same obstacles if they wish to establish regional offices.

Because of Reservation Status - can't get any help other than HUD.

10. In your opinion, are there advantages to having Regional Housing Authorities administer housing in urban areas as opposed to ASHA?

Housing authorities are always present to supervise and hear complaints of homeowners and tenants and can counsel them accordingly. ASHA builds a box, then the homeowner never sees them again.

In a limited area. Regional housing authorities which come under native political control can best meet needs of urban native family and native elderly.

I can only speak for our area. I would believe, yes, we can provide the necessary housing through our own programs, sponsored by HUD and possibly the State.

Yes, in our area. There shouldn't be separation between villages and city, since planning is comprehensive for the region. I suspect the same is true for other regions, e.g. Bethel, Dillingham, Kotzebue.

Able to serve natives with single family housing (Indian Mutual Help).

Yes. In many of the so-called "urban" areas of Alaska those characteristics which affect needs, the logistics and specifics of developing and operating housing with a limited budget, and decisions about such things as building design, all require a sympathy for local sentiment which is difficult to achieve on a statewide level.

Disadvantages?

Political control of regional housing authorities is vested in a relatively small minority group. Not politically feasible to serve large non-native urban groups.

Same potential disadvantages as in rural administration, but ASHA faces same.

One possible disadvantage is the acquisition by Regional Authorities of buildings in such need of repair that limits of overhead and available resources would be strained. This Authority would not support the dumping on local Authorities of buildings in need of extensive rehabilitation or repair.

11. Does your authority have a staff of adequate size and level of experience necessary to administer additional low and moderate-income housing programs if ASHA's role were reduced in Alaska? 6 Yes 5 No

If No, what resources are needed?

Money.

Training, experience and money.

We do not have ASHA here.

We need more units on this roll for administrative expenses.

The housing authority would hire additional staff as project dictates. The mechanism is there to facilitate increased responsibilities.

Staff configuration depends upon number of housing units managed, therefore, if regional authority increased units managed, funds would be available to increase the staff.

12. Does your Regional Housing Authority have methods available by which it could obtain owner financing of low and moderate-income subsidized housing? 6 Yes 4 No

If Yes, what financial resources are available to you?

The housing authority has worked extensively with a bank in financing the new construction end of both low, moderate and high income projects which were later provided long-term financing through HUD or AHFC.

HUD financing for moderate-income housing extremely limited.

HUD

Alaska Housing Finance Corporation Rural Housing Program.

Alaska Housing Finance Corp., Hud Native Mutual-Help Housing. We could use additional sources of finance.

Council would finance project.

13. Please add any additional comments you wish to make which you think will assist us in addressing any needed improvements in subsidized housing.

The whole ASHA program needs a face lift, e.g. new personnel and change of attitude. You are tackling a losing program.

Currently the state has developed several housing programs administered by various agencies which tend to overlap and compete, examples are Regional Housing Authorities, AHFC, Community and Regional Affairs Division of Housing Assistance and ASHA.

Support during the legislative session when the Association of Alaska Housing Authorities introduces a bill to improve the situation.

Community and Regional Affairs elderly program as administered is an excellent program. ASHA does a better job of meeting needs than is given credit for.

Association of Alaskan Housing Authority hopes to introduce legislation for state funded bond sales for Alaskan housing authorities.

Do not have any moderate housing - would like to have some made available - Tried to use Community Block Grants through HUD but failed. HUD only allocated 24 homes for Southeastern Alaska for this fiscal year. However, 60 low-income families were on a waiting list for housing. In addition, there are approximately 50 families doubled-up in housing who the Authority has been unable to provide housing because of their moderate income status.

Number of questionnaires mailed	<u>13</u>
Number of Responses	<u>10</u>
Response Rate	<u>77%</u>



RECEIVED

FEB 23 1981

LEGISLATIVE
AUDIT

February 20, 1981

Mr. Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
The Legislature, State of Alaska
Pouch WF
Juneau, Alaska 99811

Dear Mr. Wilkerson:

Thank you for your letter of February 17, 1981 with its enclosure, "A Performance Review of the Department of Commerce and Economic Development, Alaska State Housing Authority, December 12, 1980". The Alaska State Housing Authority (ASHA) has reviewed the above entitled document and within this letter provides the requested responses to the recommendations of the auditors. Those findings and recommendations of the audits performed by Peat, Marwick, Mitchell & Co. and the United States Department of Housing and Urban Development (with the exception of PMM Finding No. 3 which is separately addressed) have been cleared as evidenced by the attached letter from John Duffy, Area Manager, Anchorage Area Office, U.S. Department of Housing and Urban Development. Our response therefore will be limited to Legislative Budget and Audit recommendations number 1 through 4 and Peat, Marwick, Mitchell & Co. Finding No. 3.

It is certainly gratifying to me to note the very substantial difference in the above audits which contain no material findings and prior audits which have noted difficulties. It is also encouraging to me, as Chairman of the Board, to find that the recommendations of the Legislative Budget and Audit team are for positive action toward the production and management of housing. The management and staff of ASHA as attested to by the audits have the competency and capability to positively respond to the recommendations of Legislative Budget and Audit, of course after implementation of those suggestions by the Legislature.

Recommendation No. 1

ASHA should perform a statewide survey of low and moderate income housing needs in Alaska.



Mr. Gerald L. Wilkerson -2-

February 20, 1981

We agree with the need for housing surveys and the present inadequacy of existing information on housing needs. ASHA is presently working with the State Department of Labor and the Census Division to isolate the need for housing then prepare a prioritized five year construction allocation recommendation for HUD concurrence. Current data concentrates on available housing stock. In the event the capital construction funds are established and funded as per ASHA's proposed legislation in response to recommendation number 2, ASHA will be able to more aggressively perform a marketing plan statewide for the benefit of ASHA's program recipients and those program recipients of the regional housing authorities.

We agree with and have complied with the recommendation of a three year maintenance plan as evidenced by the letter from HUD clearing the findings.

Recommendation No. 2

ASHA should seek additional sources for funding of housing projects to ensure that federal allocations are not lost.

We agree with the recommendation to seek additional funding from sources other than the U.S. Department of Housing and Urban Development, particularly in view of the federal plans for budget cuts. In compliance with the recommendation, attached are two bills which would establish and fund the Senior Citizen Housing Development and Construction Fund and the Family and Handicapped Housing Development and Construction Fund. Creation and appropriation to these Funds will allow ASHA and the regional housing authorities to leverage federal funds in the construction of needed low and moderate income federally subsidized housing in Alaska.

Recommendation No. 3

The statutes governing ASHA should be revised.



Mr. Gerald L. Wilkerson

-3-

February 20, 1981

We agree with the recommendation that AS 18.55, ASHA's enabling legislation, should be revised. In compliance with the recommendation, attached is "An Act relating to housing authorities" which, if enacted, would accomplish the recommendation.

Recommendation No. 4

The Office of the Governor should appoint members to the board of directors of ASHA in accordance with statute and in a more timely manner.

The vacancy on the Board of Directors was filled October 13, 1980 by the appointment of Cynthia Aiken of Fairbanks.

Peat, Marwick, Mitchell & Co. Recommendation No. 3

ASHA should comply with HUD requirements to control land, structures and equipment.

ASHA does comply with HUD requirements to control land, structures and equipment with the exception of a current inventory of the Remote 200 programs. The Remote 200 program is in 10 villages throughout the state and the cost to conduct an annual inventory would be excessive. The total acquisition cost of the inventory items including construction equipment, dwelling equipment and non dwelling equipment is \$179,769.88. These items were purchased seven to ten years ago and are given a useful life of seven to eight years. The value at this time is minimal. ASHA has not replaced any appliances in the Remote 200 program as that is the responsibility of the home purchaser. ASHA has recently come to an agreement with HUD for a resolution of the inventory problem in the Remote 200 program, i.e., write down of those physical inventory items which are beyond their useful life.

We believe that the enclosed drafts of legislation are consistent with the recommendations of the Legislative Budget and Audit Committee's auditors and that the legislation, if enacted, will be a positive step for the greater production of housing within Alaska. With both the Senior Citizen Housing Development and Construction Fund and the Family and Handicapped Housing Development and Construction Fund, it is our intention to coordinate grants or loans



Mr. Gerald L. Wilkerson -4-

February 20, 1981

from the Funds with ASHA bonding powers. Particularly in the face of a wildly fluctuating bond market, a gap between available construction dollars and actual construction costs can force the delay or even cancellation of needed housing projects. Nationally established construction maximums do not reflect Alaska's cost. Consequently, otherwise worthy projects may not be built. It is further our intention to work closely with the regional housing authorities to assist them in their needs in the rural areas of the state as well as providing for the urban needs of Alaska's seniors, family and handicapped.

Sincerely,

ALASKA STATE HOUSING AUTHORITY

Roger Lang
Roger Lang
Chairman

RL:JMC:mmm



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
 ANCHORAGE AREA OFFICE
 334 WEST FIFTH AVENUE
 ANCHORAGE, ALASKA 99501

RECEIVED
 ASHA

REGION X

December 8, 1980

DEC 12 '80

IN REPLY REFER TO
 10.1HMA

Mr. John B. Curtis
 Executive Director
 Alaska State Housing Authority
 P.O. Box 80
 Anchorage, Alaska 99510

Route	EA CC
Route	HM CC
Route	HC CC
File	TER21

Dear Mr. Curtis:

Thank you for your November 7, 1980 letter in response to the findings contained in the Report on Audit for the period which ended March 31, 1980. Based on the corrective actions planned and taken, we have requested the concurrence of the Regional Office of Audit, to clear all findings with the exception of Finding No. 3.

Finding No. 3 concerns the physical inventory of nonexpendable equipment in the Remote 200 program. We recognize that making a special trip to each village to complete a physical inventory would not be cost beneficial. However, as long as the value of this equipment remains on your equipment ledger, ASHA does have an interest in the equipment and an inventory and reconciliation is required. Other Regional Housing Authorities have found implementing a cyclic inventory method a more economical way to complete a physical inventory in remote areas. Under a cyclic system, equipment is inventoried throughout the year as annual inspections are completed and reconciliation completed at fiscal yearend based on the accumulated inventory information. We request you submit a plan to complete a physical inventory in conjunction with annual inspections on a cyclic basis.

Please call LaVerne Thacker or Donna Czech if you have any questions.

Sincerely,

John G. Duffy
 John G. Duffy
 Area Manager

Introduced:

Referred

BY RULES COMMITTEE BY
REQUEST OF LEGISLATIVE
BUDGET AND AUDIT COMMITTEE

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IN THE SENATE

SENATE BILL NO. _____

IN THE LEGISLATURE OF THE STATE OF ALASKA

12th LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act Relating to Housing Authorities."

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

Section 1. AS 18.55.110 is amended to read:

.Sec. 18.55.110. COOPERATION WITH AND AID OF FEDERAL GOVERNMENT. (a) The authority may do all things necessary or desirable to cooperate with or act as agent for the federal government, or to secure financial aid for housing projects for veterans of World War II and other citizens of the state. However, [PROVIDED THAT] those projects may not be undertaken unless an acute shortage of housing exists.

(b) With respect to [THOSE] projects described in (a) of this section, the authority is not [MAY NOT BE] subject to

(1) AS 44.62, except AS 44.62.310 and 44.62.312;

(2) AS 36; or

(3) Any other limitations, procedures, restrictions or requirements of other laws [EXCEPT THOSE RELATING TO LAND ACQUISITION] prescribing or limiting the procedure or action to be taken in the development or administration of any buildings, property, public works, undertakings or projects of municipal or public corporations or agencies of the state except those relating to land acquisition.

Section 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

1 time at its discretion for any of its corporate purposes and
2 may issue refunding bonds for the purpose of paying or
3 retiring bonds previously issued by it.

4 Section 3. AS 18.55.180 is amended to read:

5 Sec. 18.55.180. ISSUANCE AND SALE OF BONDS AND NOTES.

6 Bonds and notes of the authority are authorized by adop-
7 tion of a resolution prescribing the date of issuance and
8 maturity, interest rate, denomination, form, conversion pri-
9 vilege, rank or priority, execution, terms of redemption,
10 medium and place of payment. Bonds and notes may be sold in
11 the manner, on the terms and at the price the authority
12 determines. [BONDS MAY BE SOLD AT PUBLIC OR PRIVATE SALE AT
13 NOT LESS THAN PAR]. Each bond and note is negotiable. The
14 signature of a member or an officer upon a bond or note or
15 coupon is not invalidated by his ceasing to hold office
16 before the delivery of the bond or note. The recitation of a
17 bond or note that it has been issued in the financing of a
18 housing or public building project under §§10-290 of this
19 chapter is conclusive as to the issuance of the bond or note
20 and the character of the project in a challenge of the vali-
21 dity of the bond or note or the security for it.

22 Section 4. AS 18.55.185 is amended to read:

23 Sec. 18.55.185. INDEPENDENT FINANCIAL ADVISOR.

24 [PROHIBITED BIDDING OF BONDS AND NOTES.] In negotiating
25 the private sale of bonds or bond anticipation notes to an
26 underwriter, the corporation shall retain a financial
27 advisor who is independent from the underwriter. [(a) NO
28 PERSON WHO PROVIDES FINANCIAL PROGRAMMING OR MARKETING
29 ASSISTANCE TO THE AUTHORITY IN CONNECTION WITH THE ISSUANCE
30 OR SALE OF BONDS OR BOND ANTICIPATION NOTES OF THE AUTHORITY

1 UNDER ANY SECTION OF THIS CHAPTER MAY BID ON THE BONDS OR
2 NOTES IF OFFERED AT PUBLIC SALE, OR NEGOTIATE FOR THEIR
3 PURCHASE, IF SOLD AT A PRIVATE SALE.

4 (b) THE SALE OF BONDS OR NOTES OF THE AUTHORITY TO A
5 PERSON WHO IS PROHIBITED FROM BIDDING ON THE BONDS OR NOTES
6 UNDER (a) OF THIS SECTION IS AGAINST PUBLIC POLICY AND THE
7 SALE IS VOID.

8 (c) IN THIS SECTION "PERSON" MEANS AN INDIVIDUAL, FIRM
9 AGENT, FACTOR, INTERMEDIARY, PARTNERSHIP, CORPORATION,
10 ASSOCIATION, BOND HOUSE, STOCKBROKER OR BOND BROKER.]

11 Section 5. AS 18.55.570 is amended to read:

12 Sec. 18.55.570. ISSUANCE OF BONDS AND NOTES. (a) The
13 authority may issue bonds and notes from time to time for any
14 of its corporate purposes including the payment of principal
15 and interest upon advances for surveys and plans for redeve-
16 lopment projects. The authority may issue refunding bonds
17 for the purpose of the payment or retirement or in exchange
18 for bonds previously issued by it. The authority may issue
19 the types of bonds and notes it determines, including bonds
20 and notes on which the principle and interest are payable
21 (1) exclusively from the income, proceeds and revenues of the
22 redevelopment project financed with the proceeds of the bonds
23 or notes, or (2) exclusively from the income, proceeds and
24 revenues of any of its redevelopment projects whether or not
25 they are financed in whole or in part with the proceeds of
26 the bonds or notes, or (3) in whole or in part from taxes
27 allocated to, and paid into a special fund by a city,
28 borough, or other taxing agency under the provisions of
29 §§695-700 of this chapter. The bonds or notes may be further
30 secured by a pledge of all or any part of a loan, grant or
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1 contribution from the federal government or from another
2 source, or by a mortgage of a redevelopment project of the
3 authority.

4 (b) The members of the authority or a person executing
5 the bonds or notes shall not be liable personally on the
6 bonds or notes by reason of the issuance of them. The bonds,
7 notes and other obligations of the authority are not a debt
8 of the municipality, the state or the United States, and
9 neither the municipality, the state nor the United States is
10 liable on them, nor are the bonds or obligations payable out
11 of funds or properties other than those of the authority
12 acquired for the purposes of §§480-960 of this chapter and
13 each bond and note shall state this on its face. A bond or
14 note does not constitute an indebtedness within the meaning
15 of any constitutional or statutory debt limitation or
16 restriction. Bonds and notes of the authority issued under
17 §480-960 of this chapter are declared to be issued for an
18 essential public and governmental purpose and, together with
19 interest on them and income from them shall be exempt from
20 all taxes.

21 (c) Bonds and notes of the authority issued under
22 §§480-960 of this chapter shall be authorized by its resolu-
23 tion and may be issued in one or more series and shall bear
24 the date or dates, be payable upon demand or mature at the
25 time or times, bear interest at the rate or rates provided
26 for bonds and notes of the authority under §190 of this
27 chapter, be in the denomination or denominations, be in the
28 form either coupon or registered, carry the conversion or
29 registration privileges, have the rank or priority, be exe-
30 cuted in the manner, be payable in the medium of payment, at
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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, or 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 a bond 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 pursuant to §§480-960 of this chapter are negotiable.

(f) If an action or proceeding involving the validity or enforceability of a bond or note or security for a bond or note issued under §§480-960 of this chapter, 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 §§480-960 of this chapter.

Introduced:

Referred

BY RULES COMMITTEE BY
REQUEST OF LEGISLATIVE
BUDGET AND AUDIT COMMITTEE

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IN THE HOUSE

HOUSE BILL NO. _____

IN THE LEGISLATURE OF THE STATE OF ALASKA

12th LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act Relating to Housing Authorities."

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

Section 1. AS 18.55.110 is amended to read:

Sec. 18.55.110. COOPERATION WITH AND AID OF FEDERAL GOVERNMENT. (a) The authority may do all things necessary or desirable to cooperate with or act as agent for the federal government, or to secure financial aid for housing projects for veterans of World War II and other citizens of the state. However, [PROVIDED THAT] those projects may not be undertaken unless an acute shortage of housing exists.

(b) With respect to [THOSE] projects described in (a) of this section, the authority is not [MAY NOT BE] subject to

(1) AS 44.62, except AS 44.62.310 and 44.62.312;

(2) AS 36; or

(3) Any other limitations, procedures, restrictions or requirements of other laws [EXCEPT THOSE RELATING TO LAND ACQUISITION] prescribing or limiting the procedure or action to be taken in the development or administration of any buildings, property, public works, undertakings or projects of municipal or public corporations or agencies of the state except those relating to land acquisition.

Section 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

1 time at its discretion for any of its corporate purposes and
2 may issue refunding bonds for the purpose of paying or
3 retiring bonds previously issued by it.

4 Section 3. AS 18.55.180 is amended to read:

5 Sec. 18.55.180. ISSUANCE AND SALE OF BONDS AND NOTES.

6 Bonds and notes of the authority are authorized by adop-
7 tion of a resolution prescribing the date of issuance and
8 maturity, interest rate, denomination, form, conversion pri-
9 vilege, rank or priority, execution, terms of redemption,
10 medium and place of payment. Bonds and notes may be sold in
11 the manner, on the terms and at the price the authority
12 determines. [BONDS MAY BE SOLD AT PUBLIC OR PRIVATE SALE AT
13 NOT LESS THAN PAR]. Each bond and note is negotiable. The
14 signature of a member or an officer upon a bond or note or
15 coupon is not invalidated by his ceasing to hold office
16 before the delivery of the bond or note. The recitation of a
17 bond or note that it has been issued in the financing of a
18 housing or public building project under §§10-290 of this
19 chapter is conclusive as to the issuance of the bond or note
20 and the character of the project in a challenge of the vali-
21 dity of the bond or note or the security for it.

22 Section 4. AS 18.55.185 is amended to read:

23 Sec. 18.55.185. INDEPENDENT FINANCIAL ADVISOR.

24 [PROHIBITED BIDDING ON BONDS AND NOTES.] In negotiating
25 the private sale of bonds or bond anticipation notes to an
26 underwriter, the corporation shall retain a financial
27 advisor who is independent from the underwriter. [(a) NO
28 PERSON WHO PROVIDES FINANCIAL PROGRAMMING OR MARKETING
29 ASSISTANCE TO THE AUTHORITY IN CONNECTION WITH THE ISSUANCE
30 OR SALE OF BONDS OR BOND ANTICIPATION NOTES OF THE AUTHORITY

1 UNDER ANY SECTION OF THIS CHAPTER MAY BID ON THE BONDS OR
2 NOTES IF OFFERED AT PUBLIC SALE, OR NEGOTIATE FOR THEIR
3 PURCHASE, IF SOLD AT A PRIVATE SALE.

4 (b) THE SALE OF BONDS OR NOTES OF THE AUTHORITY TO A
5 PERSON WHO IS PROHIBITED FROM BIDDING ON THE BONDS OR NOTES
6 UNDER (a) OF THIS SECTION IS AGAINST PUBLIC POLICY AND THE
7 SALE IS VOID.

8 (c) IN THIS SECTION "PERSON" MEANS AN INDIVIDUAL, FIRM,
9 AGENT, FACTOR, INTERMEDIARY, PARTNERSHIP, CORPORATION,
10 ASSOCIATION, BOND HOUSE, STOCKBROKER OR BOND BROKER.]

11 Section 5. AS 18.55.570 is amended to read:

12 Sec. 18.55.570. ISSUANCE OF BONDS AND NOTES. (a) The
13 authority may issue bonds and notes from time to time for any
14 of its corporate purposes including the payment of principal
15 and interest upon advances for surveys and plans for redevelop-
16 ment projects. The authority may issue refunding bonds
17 for the purpose of the payment or retirement or in exchange
18 for bonds previously issued by it. The authority may issue
19 the types of bonds and notes it determines, including bonds
20 and notes on which the principle and interest are payable
21 (1) exclusively from the income, proceeds and revenues of the
22 redevelopment project financed with the proceeds of the bonds
23 or notes, or (2) exclusively from the income, proceeds and
24 revenues of any of its redevelopment projects whether or not
25 they are financed in whole or in part with the proceeds of
26 the bonds or notes, or (3) in whole or in part from taxes
27 allocated to, and paid into a special fund by a city,
28 borough, or other taxing agency under the provisions of
29 §§695-700 of this chapter. The bonds or notes may be further
30 secured by a pledge of all or any part of a loan, grant or
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1 contribution from the federal government or from another
2 source, or by a mortgage of a redevelopment project of the
3 authority.

4 (b) The members of the authority or a person executing
5 the bonds or notes shall not be liable personally on the
6 bonds or notes by reason of the issuance of them. The bonds,
7 notes and other obligations of the authority are not a debt
8 of the municipality, the state or the United States, and
9 neither the municipality, the state nor the United States is
10 liable on them, nor are the bonds or obligations payable out
11 of funds or properties other than those of the authority
12 acquired for the purposes of §§480-960 of this chapter and
13 each bond and note shall state this on its face. A bond or
14 note does not constitute an indebtedness within the meaning
15 of any constitutional or statutory debt limitation or
16 restriction. Bonds and notes of the authority issued under
17 §§480-960 of this chapter are declared to be issued for an
18 essential public and governmental purpose and, together with
19 interest on them and income from them shall be exempt from
20 all taxes.

21 (c) Bonds and notes of the authority issued under
22 §§480-960 of this chapter shall be authorized by its resolu-
23 tion and may be issued in one or more series and shall bear
24 the date or dates, be payable upon demand or mature at the
25 time or times, bear interest at the rate or rates provided
26 for bonds and notes of the authority under §190 of this
27 chapter, be in the denomination or denominations, be in the
28 form either coupon or registered, carry the conversion or
29 registration privileges, have the rank or priority, be exe-
30 cuted in the manner, be payable in the medium of payment, at
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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, or 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 a bond 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 pursuant to §§480-960 of this chapter are negotiable.

(f) If an action or proceeding involving the validity or enforceability of a bond or note or security for a bond or note issued under §§480-960 of this chapter, 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 §§480-960 of this chapter.

1 Funding Information
2 General Fund \$15,000,000
3 -0-
4 \$15,000,000

Introduced:
Referred:

5 IN THE SENATE

BY RULES BY REQUEST OF
LEGISLATIVE BUDGET AND
AUDIT COMMITTEE

6 SENATE BILL NO. _____

7 IN THE LEGISLATURE OF THE STATE OF ALASKA

8 TWELFTH LEGISLATURE - FIRST SESSION

9 A BILL

10 For an Act entitled: "An Act providing for the appropriation
11 of \$15,000,000 for the purpose of
12 planning, developing, financing and
13 constructing senior citizen housing;
14 and providing for an effective date."

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

16 * Section 1. The sum of \$15,000,000.00 is appropriated from
17 the general fund to the Alaska State Housing Authority for the
18 creation of a Senior Citizen Housing Development and Construction
19 Fund. The fund shall be used for the planning, development,
20 financing, and construction of federally assisted senior citizen
21 housing projects.

22 * Sec. 2. The Authority may make grants or loans from the
23 fund to municipalities or public corporations for the purposes
24 described in Section 1 of this Act.

25 * Sec. 3. The monies appropriated by this Act shall be dis-
26 bursed to the Authority by July 31, 1981.

27 * Sec. 4. This Act takes effect immediately in accordance
28 with AS 01.10.070(c).
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1 Funding Information
2 General Fund \$15,000,000
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4 \$15,000,000

Introduced:
Referred:

5 IN THE HOUSE

BY RULES BY REQUEST OF
LEGISLATIVE BUDGET AND
AUDIT COMMITTEE

6 HOUSE BILL NO. _____

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BY RULES BY REQUEST OF
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AUDIT COMMITTEE

5 SENATE BILL NO. _____

6 IN THE LEGISLATURE OF THE STATE OF ALASKA

7 TWELFTH LEGISLATURE - FIRST SESSION

8 A BILL

9 For an Act entitled: "An Act providing for the appropriation
10 of \$15,000,000 for the purpose of
11 planning, developing, financing and
constructing family and handicapped;
and providing for an effective date."

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

13 * Section 1. The sum of \$15,000,000.00 is appropriated from
14 the general fund to the Alaska State Housing Authority for the
15 creation of a Family and Handicapped Housing Development and
16 Construction Fund. The fund shall be used for the planning,
17 development, financing, and construction of federally assisted
18 family and handicapped citizen housing projects.

19 * Sec. 2. The Authority may make grants or loans from the
20 fund to municipalities or public corporations for the purposes
21 described in Section 1 of this Act.

22 * Sec. 3. The monies appropriated by this Act shall be dis-
23 bursed to the Authority by July 31, 1981.

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STATE OF ALASKA

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

THE LEGISLATURE

FINANCE DIVISION
POUCH WF—STATE CAPITOL

BUDGET AND AUDIT COMMITTEE

JUNEAU, ALASKA 99811

February 23, 1981

Members of the
Legislative Budget and Audit Committee:

We have reviewed the Alaska State Housing Authority's response to our preliminary report. Our comments follow:

ASHA has proposed legislation providing for a \$15 million construction fund for family and handicapped housing as well as \$15 million for senior citizen housing. The funds would be for grants or loans to municipalities or non-profit housing corporations to assist in financing the projects. As justification for creation of the two funds, ASHA cites our recent audit report where we stated:

ASHA should seek additional funding to allow utilization of all federal allocations for low or moderate income housing in Alaska.

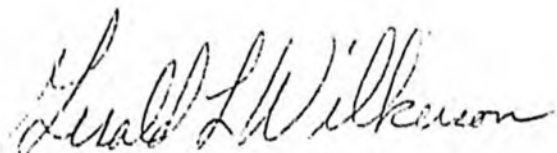
This recommendation was directed at a situation in which ASHA had lost two federal allocations (HUD) in 1977, totalling \$3.5 million, because of a shortage of funds to cover the difference between federal allowable costs and actual construction costs of two projects. Our recommendation suggested ASHA obtain funds to cover these types of situations through:

1. Direct State appropriations
2. Sale of general obligation bonds
3. State grants (In two instances a project was saved through grants from the Department of Community and Regional Affairs' Senior Citizen Housing Program.

Each of these three alternatives would provide for legislative scrutiny of any proposed subsidy. The first and second alternatives would require ASHA to include the details of any project needing a subsidy in their budget request, and the Legislature would then have the opportunity to review each project and either approve or disapprove. The third

alternative would also receive legislative review since any grant funds would be part of the affected department's budget submission. A \$30 million appropriation to ASHA, however, would allow ASHA to directly subsidize any project without legislative approval. Federal funds allocated to ASHA need not be committed immediately. There is sufficient time during each grant period, or through grant extensions, to permit subsidy requests to go through the legislative review process. If a project were disapproved, that would be merely an expression of legislative intent that it not be built. The two funds would unnecessarily remove from legislative control the power to commit State funds for specific projects. For this reason, we recommend ASHA seek subsidy appropriations, where needed, on a case by case basis through the normal budget process.

The Authority's proposed legislation regarding the sale of bonds and notes is in accordance with recommendations contained in the audit report.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

A STUDY OF ALASKA'S HOUSING PROGRAMS

Prepared for

**LEGISLATIVE BUDGET AND AUDIT COMMITTEE
ALASKA STATE LEGISLATURE**

Prepared by

**INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH
UNIVERSITY OF ALASKA**

**Lee Huskey
Lee Gorsuch
Phillip Rowe
Karen White
Theodore Lane
C.K. Thomas and Associates**

March 1982

UNIVERSITY OF ALASKA

Senator Arliss Sturgulewski

Page 2

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



UNIVERSITY OF ALASKA
Institute of Social and Economic Research
707 "A" St., Suite 206
Anchorage, Alaska 99501
Phone (907) 278-4621

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.

TABLE OF CONTENTS

INTRODUCTION AND OVERVIEW	1
 PART 1. ASSESSING THE EFFECTIVENESS OF STATE HOUSING PROGRAMS . .	 7
Chapter One. Alaska Housing Finance Corporation	9
History	10
AHFC Programs	16
AHFC Operations	30
AHFC Program Activity	34
Program Results	40
Program Financing and Costs	55
Summary	66
Chapter Two. Alaska State Housing Authority	69
Federal Housing Programs	71
ASHA and Federal Programs	74
Regional Housing Authorities	87
State-Funded Housing	90
Summary: Program Effectiveness	104
Chapter Three. Department of Community and Regional Affairs	107
The Nonconforming Housing Loan Program	108
Senior Citizens Housing Development Program	126
 PART 2. ASSESSING HOUSING MARKET IMPACTS	 131
Chapter Four. Direct Housing Market Impacts	133
Price Impacts	150
Effect of State Loan Programs on the Quality and the Mix of Housing	160
Rental Housing	165
Effect on Rural Housing Markets of State Mortgage Loan Programs	166
Chapter Five. Indirect Impacts	171

PART 3. FINANCIAL IMPACTS	178
Chapter Six. Impact on Sources of Mortgage Funds in Alaska	180
Chapter Seven. Costs to State Government	193
PART 4. FUTURE FISCAL IMPACTS	203
Chapter Eight. The Fiscal Impact of Alaska's Housing Programs	205
Introduction	205
Methodology	206
PART 5. EXECUTIVE SUMMARY AND CONCLUSIONS	239
Chapter Nine. An Executive Summary	241
Effectiveness of State Housing Programs	243
Direct Impacts on State Housing Markets	251
Impacts on Sources of Housing Funds	253
Indirect Impacts on State Housing Markets	255
Cost of State Housing Programs	256
Future Fiscal Impacts of State Housing Programs	259
APPENDIX A: ASSUMPTIONS USED IN 1981 ALASKA HOUSING PROGRAM STUDY	263
APPENDIX B: HUD BASE ALLOCATION SYSTEM	265
APPENDIX C: EARLY HOUSING PROGRAMS OF THE ALASKA STATE HOUSING AUTHORITY	267
APPENDIX D: STATE HOUSING RELATED PROGRAMS	275
APPENDIX E: INFORMATION NEEDS FOR HOUSING PROGRAM EVALUATION	281
REFERENCES	287

LIST OF TABLES

1.	Loan Characteristics	18
2.	AHFC Interest Rates and Source of Funds, October 31, 1981	20
3.	Income Limits for Homeownership Program	25
4.	Example of Homeownership Assistance Program Subsidy Calculation	27
5.	AHFC Mortgage Commitments and Purchases by Calendar Year	36
6.	AHFC Applications by Program	37
7.	AHFC Denials, July 1, 1980, to June 30, 1981	39
8.	Interest Rates	42
9.	Distribution of Household Incomes for Borrowers Using AHFC Programs	45
10.	Distribution of Household Income in Anchorage	46
11.	Geographic Distribution of AHFC Loans	49
12.	Geographic Distribution of Rural Loans	52
13.	Characteristics of Properties Financed Through AHFC Programs	53
14.	Sources and Uses of AHFC Capital Funds, Fiscal Years 1978-1981	56
15.	State of Alaska Contributions to AHFC, 1972-1982	60
16.	Use of State Appropriation by Bond Issue, Special Mortgage Purchase Program	62
17.	AHFC Operating Revenues and Expenses, Fiscal Years 1978-1981	65
18.	Federal Housing Programs in Alaska	72
19.	Anchorage Income Limits, Public Housing, and Section 8 New Construction and Existing Housing	73

20.	Conventional Public Housing	76
21.	Fair Market Rents for Section 8 New Construction	82
22.	Section 8 New Construction	83
23.	Private Section 8 New Construction Housing in Alaska	83
24.	Fair Market Rents for Section 8 Existing Housing	85
25.	Section 8 Existing Housing	86
26.	Mutual Help Housing Production	89
27.	Geographic Distribution of Subsidized Households	93
28.	Very Low Income Households in ASHA Housing	94
29.	Elderly Households in ASHA Housing	95
30.	Alaska Native Households in ASHA Housing	96
31.	Black Households in ASHA Housing	97
32.	State Funding for ASHA Projects	99
33.	Income and Cost of Operation for 1980-1981, Public Housing - 797 Units	100
34.	Income and Cost of Operation for 1980-1981, Section 8 New Construction Projects - 285 Units	101
35.	Income and Cost of Operation for 1980-1981, Section 8 Existing Program - 935 Certificates for Anchorage Allocation Area Only	103
36.	HUD Commitments for Mutual Help Housing, 1976-1981	103
37.	Nonconforming Housing Mortgage Purchase Loan Terms as of February 1, 1982	114
38.	Loan Applications Received in 1981 for the Nonconforming Housing Loan Program	116
39.	Distribution of Household Income for Nonconforming Housing Loans	118
40.	Nonconforming Housing Loans Made in Urban Areas as of December 14, 1981	120
41.	Geographic Distribution of Rural, Nonconforming Housing Loans as of December 14, 1981	122

42.	First-Time Homebuyers by Type of Housing Purchases	144
43.	House Prices in Anchorage	155
44.	Change in Distribution of Prices of Single-Family Homes in Anchorage	157
45.	Distribution by Price of New and Existing Homes Financed by AHFC During Period July 1980 - October 1981	161
46.	Maximum Affordable House at Varying Interest Rates	163
47.	Rural Housing Markets	168
48.	Volume of Alaskan Residential Mortgages Held in the Portfolios of Primary and Secondary Lenders, 1976-1981	181
49.	Sources of Funds for Homeownership in State of Alaska, 1976-1981	183
50.	Number of Residential Mortgages Purchased by Secondary Lenders	188
51.	State of Alaska Funds and Bond Sales for Owner-Occupied Residential Mortgages, 1976-1982	190
52.	Alaska State Government Appropriations in Support of Mortgage Loan Programs, July 1980-October 1981	193
53.	State Assisted Mortgage Program Cost Under Different Interest Rates	195
54.	Cost of Mortgage Purchase Programs to State of Alaska, July 1980 - October 1981	198
55.	Present Value of Interest Subsidy to Homebuyer	200
56.	Projections of Alaska's Population and Number of Households, 1980-1990	209
57.	Projected Numbers of Alaska Household Heads by Age, 1980-1990	213
58.	Estimated Rates of Annual Out-Migration for Alaska and the United States by Age of Household Head	214
59.	Estimates of the Total Number of Households Migrating to Alaska by Age of the Household Head, 1981-1990	216

60.	An Estimate of the Incidence of Homeownership in Alaska by Length of Residency	217
61.	Projected Increases in the Number of Homeowners and First-Time Homeowners, 1981-1990	219
62.	An Estimate of the Potential Number of Homebuyers Who Are New to the Alaska Market, 1981-1990	220
63.	Homeownership Equations	222
64.	The Distribution of First-Time Homeowner's Income by Type of Program	223
65.	The Distribution of Housing Prices in Alaska by Type of Housing, 1981	225
66.	Three Alternative Scenarios of Changes in Mortgage Rates, Personal Incomes, and Home Sales Prices	226
67.	Projections of Incomes Required to Purchase Minimum Priced Homes	227
68.	Comparative Projections of Total Housing Sales in Alaska, Under Alternative Economic Development Cases and Alternative Changes in the Bond Market Interest Rates, 1981-1990	229
69.	Sales Multiplier (Sales/New Entrants)	230
70.	Fiscal Impacts of State Housing Programs	233
71.	The Income Distribution of First-Time Homebuyers and the Minimum Incomes Required to Buy a Home in 1986.	236
72.	Percent of Potential First-Time Homebuyers Excluded Because Incomes Fall Below Threshold Requirements . . .	236

LIST OF FIGURES

1.	Study Design	2
2.	Determining the Amount of Subsidy Under Section 8 Programs	80
3.	Housing Supply and Demand	138
4.	Sales Units	138
5.	Rental Units	138
6.	A Method of Projecting Mortgage Demand	207
7.	A Comparison of the Rate of Change in Population, Number of Households, and Average Household Size, 1970-80 and 1980-90	211
8.	A Comparison of Annual Urban Housing Sales in Alaska Under Alternative Development Cases and Interest Rates, 1981-1990	231
9.	The Role of AHFC in Alaska's Housing Market	244

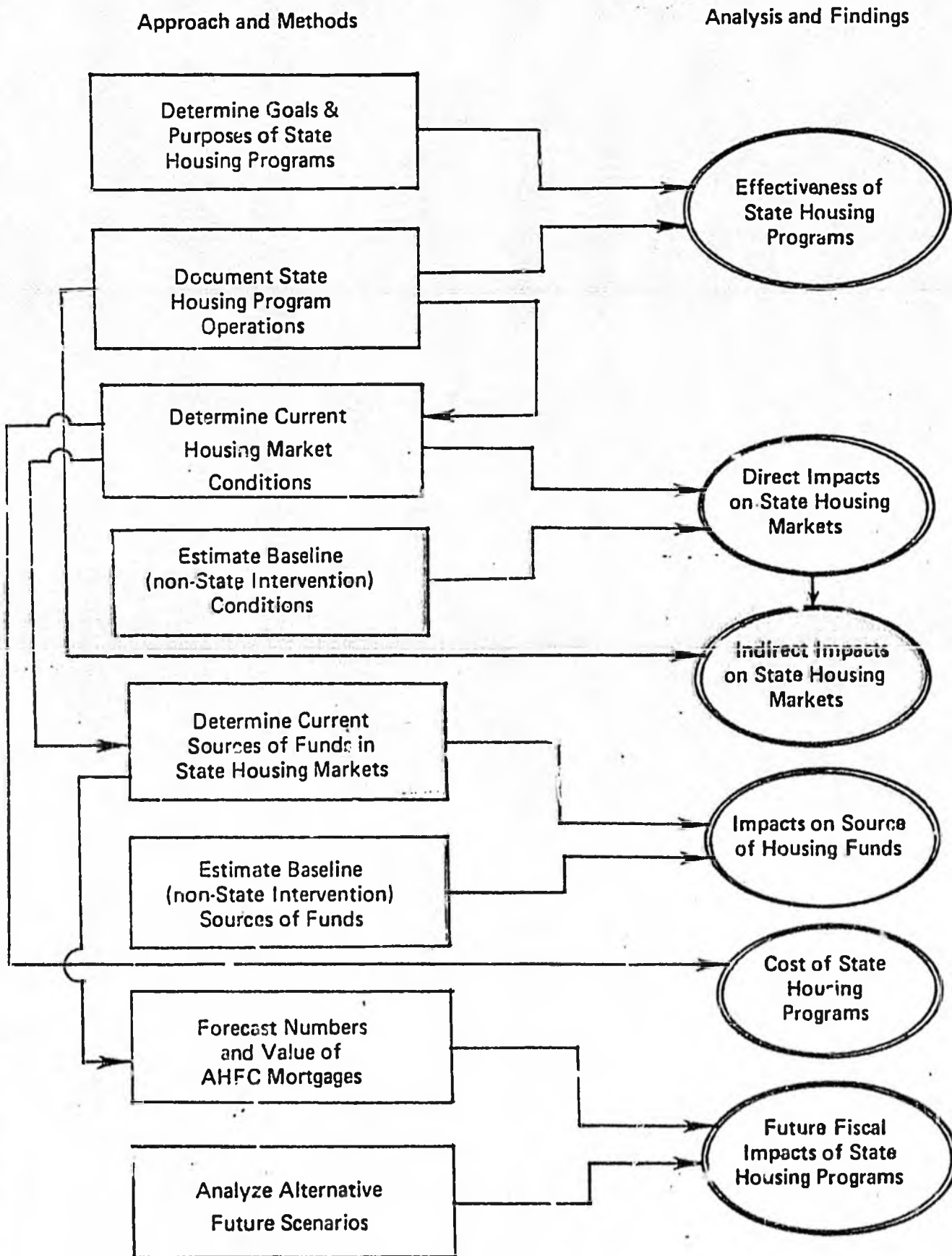
INTRODUCTION AND OVERVIEW

The State of Alaska's Legislative Budget and Audit Committee requested the Institute of Social and Economic Research (ISER) to perform a study of the State of Alaska's housing investment and lending activities. The purpose of the study was to (a) assess housing programs with respect to their economic, social, fiscal, and financial impacts and (b) evaluate housing program agencies by such criteria as their consistency with legislative intent, cost effectiveness, procedural consistency, and effects on the quality of the housing stock.

To accomplish this purpose, ISER developed a study design involving five separate, but interrelated, research efforts. The approaches and methods of these various study parts are illustrated in Figure 1, Study Design.

Part 1 of the study, Existing Program Analysis, involves the top two boxes in Figure 1. The goals and purposes of Alaska's housing programs were determined by a review of state and appropriate federal legislation, program guidelines, and state agency documents. These were supplemented by interviews with directors and staffs of state program agencies, the Federal Department of Housing and Urban Development, and the state's regional housing agencies. At the same time, state housing program operations were documented from computer tapes and printouts obtained from state agencies. This information was supplemented by samples from the file records of the Department of Community and Regional Affairs' (DCRA) Nonconforming Loan Program, the Alaska Housing Finance Corporation, and the Anchorage Multiple Listing Service for information not contained in any of the computerized data bases. Each program's operations were compared to its goals and objectives to obtain findings on the effectiveness of state housing programs. The findings and analyses from this part of the study were organized into separate chapters, each dealing with the group of housing programs the agency administers. Chapter One covers the

Figure 1. STUDY DESIGN



Alaska Housing Finance Corporation (AHFC); Chapter Two, the Alaska State Housing Agency (ASHA); and Chapter Three, the Department of Community and Regional Affairs (DCRA).

Part 2 of the study, Housing Market Impacts, addresses the impact of state interventions in Alaska's housing market. It is illustrated by the third and fourth boxes from the top of Figure 1. Current housing market conditions were determined from economic and population trends, new construction cost trends, and trends in the price, quality, and mix of the housing stock. The demand and supply conditions indicated by these trends were compared with those actually observed in Alaska housing markets during 1980 and 1981, and the differences were attributed to the state housing program interventions identified in Part 1. The direct housing market impacts were then used to assess such indirect impacts as program-induced purchases of construction labor and materials, real estate commissions earned, and fees paid to financial institutions. Direct Housing Market Impacts are discussed (and findings presented) in Chapter Four; Indirect Impacts, in Chapter Five.

Part 3 of the study, Financial Impacts, is concerned with the financial impacts of Alaska's housing programs. This involves both changes in the sources of funds flowing into Alaska's housing markets and an estimate of the budgetary costs of housing programs to the state. These are illustrated in the fifth and sixth boxes from the top in Figure 1. The budgetary costs were estimated from the value of state appropriations and loans to housing programs and the costs of meeting federal matching requirements for housing programs. In addition, a special analysis was conducted of the costs to the state of operating the below-market interest loan program. The assessment of changes in the sources of funds to Alaska housing markets involved analyzing portfolio trends among both primary and secondary lenders. This analysis included a discussion of both in-state and out-of-state secondary lender activity in Alaska. These analyses and findings are

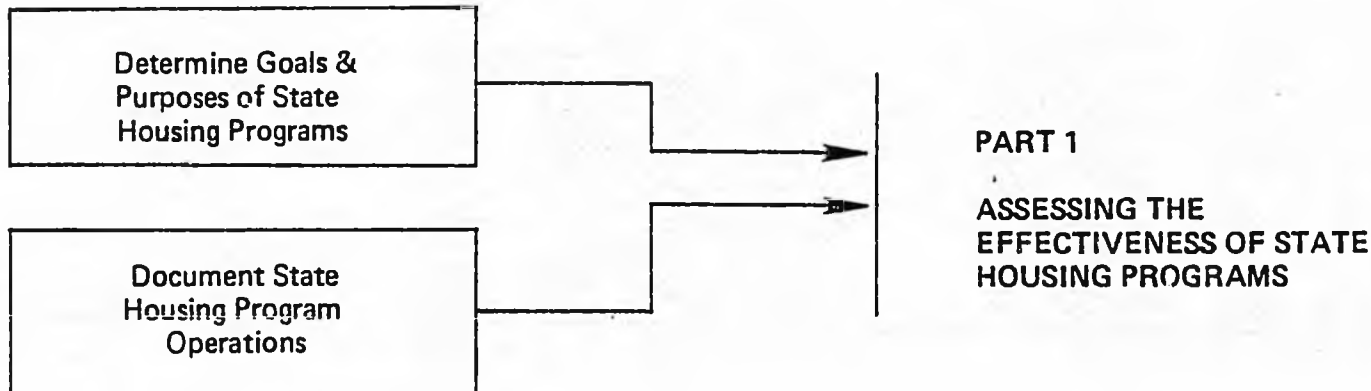
presented in Chapters Six and Seven, which discuss source of funds impacts and cost impacts, respectively.

Part 4 of the study uses the research findings of the other parts to forecast the future fiscal impacts of housing programs on state budgets. This is illustrated by the bottom two boxes in Figure 1. Using the population, income, and interest trends from Part 2, Chapter Four, projections of housing sales in Alaska through 1990 are developed. This is done for both a high development and a low development scenario. Using the findings from Part 3, Financial Analysis, the state government's share of Alaska's primary and secondary mortgage markets are estimated, and future fiscal impacts are assessed. These analyses and findings are contained in Chapter Eight.

Finally, Part 5 completes the report with an Executive Summary of our findings and conclusions.

Housing studies are both difficult and complex. Complexity comes from the fact that virtually all of our economic, demographic, social, and community institutions either impact or are impacted by housing. A comprehensive approach to housing would involve a study of almost every aspect of how Alaskans live, work, and interact in their communities. Within this "global" view, this study's purpose was (a) an assessment of impacts produced by state housing programs on housing markets, financial markets, and future state government fiscal requirements and (b) an evaluation of the effectiveness of state housing programs. Even with this narrower focus, analytical complexity abounds. The definition of program costs for an interest subsidy program which sells bonds at varying market rates is not a simple task. Neither is the identification of the relationship between land values, construction costs, and changing house prices. The methods and approaches used to address complex issues such as these are presented and discussed in the subsequent chapters of this report.

A major difficulty in performing this study was the lack of reliable housing market or financial market data. The state does not have a housing information data base, and important information was only partially available from a variety of private and public sources. In addressing this problem, we received the full cooperation of ASHA, AHFA, DCRA, and all other involved state agencies. We also benefited from the cooperation of the two major secondary mortgage institutions in the country: the Federal National Mortgage Association (FNMAE) and the Federal Home Loan Mortgage Corporation (FHLMC). Access to unpublished data and other information was provided by Alaska Valuation Service, Multiple Listing Service, Inc., and United Builders Supply. Finally, Al Robinson (Housing and Urban Development), Rod Gamel (Gamel Homes, Inc.), Bob Bannon (PMI), Lucille Stietz (National Bank of Alaska), and Jim Rhodes (Alaska Permanent Fund) deserve special mention for their generous assistance. A full list of organizations and individuals contacted as part of this study is contained in the references to this report. To all of them, we express our appreciation.



The purpose of Part 1 is to assess the effectiveness of Alaska's housing programs in meeting their economic, social, and financial goals and objectives. Goals and objectives were derived from appropriate federal and state legislation, guidelines, and other official documents, supplemented by interviews with state agency directors and their staffs. Program operations data came from computer tables and printouts provided by the program agencies and several special surveys of noncomputer records. The assessment attempted to provide an objective comparison between goals and objectives on one hand and operating performance on the other. Normative judgments were avoided to the maximum extent possible. The analysis and findings are organized by agency in the following chapters:

- Chapter 1: Alaska Housing Finance Corporation
- Chapter 2: Alaska State Housing Authority
- Chapter 3: Department of Community and Regional Affairs

CHAPTER ONE
ALASKA HOUSING FINANCE CORPORATION

Since the passage of Senate Bill 1 in June 1980, the Alaska Housing Finance Corporation (AHFC) has emerged as the primary source of mortgage funds for owner-occupied housing in Alaska. This dominant role is the result of historically high mortgage interest rates from the traditional sources of mortgage funds and the implementation of a housing program which provides below-market interest rates. Between July 1980 and November 1981, AHFC received 17,656 applications requesting approval of approximately \$1.45 billion in mortgage funds. In response to these applications, AHFC approved the property and credit for \$1.21 billion in loans. AHFC projects that volume for fiscal year 1982 will be close to and could exceed \$1.0 billion (Goldbar, January 8, 1982).

AHFC currently administers four major programs. These include the Special Mortgage Loan Purchase, the Mobile Home Purchase, the Rural Housing Mortgage, and the Rural Nonowner-occupied programs. These current programs are designed to make housing in Alaska more affordable by providing mortgage funds at below-market interest rates. For the largest program, the Special Mortgage Loan Purchase Program, AHFC uses state appropriations to supplement funds raised in the bond market. The State of Alaska appropriates all the funds used in the mobile home and rural programs.

AHFC is a secondary purchaser of mortgages, not a direct lender. A secondary purchaser buys the mortgage loan after it has been originated and closed by the direct lender, usually a financial institution or mortgage company. This distinction is often not clear to the public since AHFC plays an active role in application approval before it commits to purchase each loan.

In this chapter, we examine the current status of AHFC, its programs and operations. This discussion includes a brief program history to place our discussion of current programs in perspective; a description of AHFC's current programs and operations, including the terms of AHFC loans, the eligibility requirements for borrowers, and the role of financial institutions in AHFC's operations; an analysis of program outputs and the characteristics of borrowers using AHFC financing; and an analysis of AHFC's source of funds and cost of programs.

History

AHFC was established by the Alaska Legislature in 1971 as a public corporation and government instrumentality of the State of Alaska. The corporation was created to assist in alleviating a shortage of affordable housing for low-income residents. The Alaska Legislature determined that private enterprise and federal government programs had proved inadequate in providing affordable housing to low-income residents (Chapter 107 SLA 1971).

The enabling legislation allowed AHFC to make or participate in the making of construction loans, to make or participate in the making of mortgage loans, to purchase mortgage loans on the secondary market, to make partial rental or mortgage interest payments, to provide technical and advisory services, and to promote research and development in scientific methods of constructing low-cost residential housing (Chapter 107, SLA 1971). The responsibility for selecting the actual scope of activities was left to the Corporation.

Two factors influenced the initial design of programs. First, AHFC was established to complement, not compete with, the private sector. In formulating its original programs, AHFC officials limited activity to secondary mortgage market purchases. Construction and direct mortgage lending were viewed as being in direct competition

with the private sector. Similarly, AHFC did not consider providing rental subsidies since the Alaska State Housing Authority (ASHA) provided rental subsidy programs (Kennedy, October 30, 1981).

The second factor which affected the scope of operations is financing. There were two major sources of funds available to AHFC: the bond markets and state appropriations. The enabling legislation authorized AHFC to issue bonds as a means of financing programs. The use of bond funds, however, places restrictions on the types of programs which can be offered since repayment of bonds is required. While the enabling legislation made provision for the State of Alaska's participation in AHFC through the purchase of corporate bonds, it did not provide specific funds to finance programs.

The original program established by AHFC was the secondary purchase of federally insured mortgage loans for qualified low-income buyers. AHFC financed this program through the sale of tax-exempt bonds. The interest rate on these mortgages was set at AHFC's borrowing cost (including an administrative charge). The AHFC interest rates were below market interest rates, however, because of the advantageous interest rate obtained through tax-exempt financing. AHFC issued its first \$13.5 million of bonds in October 1972.

Program Changes, 1972-1979

Since 1971, there have been several changes in AHFC programs and administrative structure. A review of program changes shows, however, that AHFC has not changed the type of activities in which it participates, but rather has expanded the segment of the market it serves. First, in 1972, prior to the first bond sale, legislation authorized AHFC to expand its programs to include moderate-income persons as well as persons living in remote, underdeveloped, or blighted areas (Chapter 81 SLA 1972). The determination of what constituted low and moderate income and remote, underdeveloped, or blighted areas was left to AHFC.

In 1975, the program was expanded to include a higher percentage of conventional loans. In the early years (1972-1975), most of the loans AHFC purchased were federally insured loans: loans with FHA insurance or Veterans Administration guarantee. The reason for purchase of insured loans was to provide security to AHFC's bond investors. The expansion into the conventional loan market allowed AHFC to provide mortgage funds to borrowers who did not participate in FHA or VA programs--the majority of buyers. In order to lessen the risk to investors and aid in the marketability of the bonds used to fund the program, an insurance fund was established (Chapter 151, SLA 1975). The insurance fund was financed by contributions from AHFC and the State of Alaska. The insurance fund further expanded the segment of the market served by AHFC. As of November 30, 1975, AHFC held \$100.3 million in mortgages under the original Mortgage Program (AHFC, 1976 Annual Report). Under the Insured Mortgage Program, the \$22.9 million invested in the insurance fund as of June 30, 1981, acted as security for \$957 million in mortgage loans made between 1975 and 1981 (AHFC). Of this total, approximately \$550 million loans were made for the low and moderate income program. The remainder was used to fund the Special Mortgage Loan Purchase Program, which was started in 1980.

During 1978 and 1979, AHFC developed a rural housing program. Although AHFC's insured mortgage program authorized loan purchases in rural areas with no upper income limitations on borrowers, the legislature requested special consideration of rural housing problems (AHFC, February 1980). Initially, AHFC structured the financing of the program in a manner similar to its insured mortgage program. A rural insurance fund was established as well as hazard and title insurance funds when private insurance was not available (Chapter 167, SLA 1978; Chapter 72, SLA 1979). Rural housing bonds, totaling \$10 million, were sold to the Alaska Department of Revenue. Currently, the rural housing program is funded by state appropriations.

In 1979 and 1980, AHFC developed a mobile home program at the request of the state legislature. Mobile homes were viewed as a less expensive housing alternative, sorely needed in a time of population growth and general housing price inflation. Financing options for mobile homes, however, were limited. Financial institutions generally classified mobile homes as personal, not real, property. The terms on mobile home loans, where available, closely resembled consumer loans; they were much shorter than real estate loans. This provided problems for the low- and moderate-income buyers, a potentially large segment of the market. This program is funded through state appropriations.

Program Changes, 1980-1981

In 1980, the Alaska Legislature made major changes in both AHFC's administrative structure and programs. The major administrative changes included placement of the AHFC budget under the Executive Budget Act, placement of a ceiling on AHFC bonding authority, and a reshuffling of the AHFC board of directors to include a majority of state departmental commissioners. The budgetary provisions brought AHFC under direct state financial controls. Under the Executive Budget Act, AHFC's budget must be approved by the legislature and governor. The state can affect AHFC's level of operations more directly by specifying the maximum levels of AHFC activity.

On the program side, the major change was the creation of several related programs collectively known as the Special Mortgage Loan Purchase Program (SMLPP). Under these programs, the state became an active partner with AHFC in providing funds for mortgage loans by providing a subsidy which enables AHFC to purchase mortgage loans at a rate less than AHFC's borrowing costs. Furthermore, the SMLPP differed from the previous Insured Mortgage Program in that it was open to all owner-occupying purchasers, regardless of income and it established maximum allowable loan limits above the existing limits.

The purpose of the Special Mortgage Loan Purchase Program was to provide mortgage financing at interest rates deemed affordable to persons of most income limits. This rationale is an extension of the rationales expressed in prior program expansions; that private sector and the federal government had failed to provide for the housing needs of a segment of the housing market. The failure of private markets and federal government programs, coupled with the importance of housing to state economic development, has been the justification for AHFC programs.

After establishment of the SMLPP, AHFC's volume of mortgage purchases increased dramatically. In November 1979, AHFC purchased \$23.5 million in mortgage loans through its insured mortgage program. In November 1980, AHFC volume more than doubled to \$61.9 million in loans; in November 1981, AHFC purchases reached \$96.4 million, a one-month record.

Since creation of the SMLPP in June 1980, two factors have affected AHFC's operations and led to the most recent legislative changes in 1981. First, the federal government limited AHFC's ability to issue tax-exempt bonds to finance single-family residences through passage of the Mortgage Subsidy Bond Tax Act of 1980, the "Ullman Bill." This change in federal law forced AHFC to issue taxable bonds for the majority of new bond funds. This raised AHFC's borrowing costs. The difference between taxable and tax-exempt interest rates for bonds sold by AHFC in November 1981 was 5.625 percent.¹ Second, interest rates on national bond markets soared to record levels during 1981. AHFC's borrowing cost for taxable bonds during 1981 reached 19.4 percent (State Assisted Mortgage Bonds, Series D and E).

¹This figure is based on the difference in interest rates for the twenty-year term bonds of State Assisted Mortgage Bond Series E and the tax-exempt twenty-year term bonds of home mortgage bonds, 1981 First Series.

As a result of these two factors, the state appropriation required to provide the below-market interest rates dramatically increased. To limit the state appropriation required, legislation in 1981 authorized a mechanism to tie mortgage interest rates on the subsidized portion of mortgage loans to AHFC's cost of funds (Chapter 115, SLA 1981). The mechanism, referred to as the "Rogers Ratchet," is designed to bring the mortgage loan rate to three percentage points less than AHFC's borrowing costs. Since its passage, the interest rate on the first \$90,000 of loan balance has increased from 10 percent to 12.375 percent.

Summary

In reviewing the AHFC program history, we find four themes consistent throughout AHFC's history. First, AHFC operates as a secondary purchaser of mortgage loans. It has concentrated on the purchase of loans made for owner occupied housing.

Second, AHFC program expansions have responded to perceived problems or failures in the housing market. Market failure is defined to include the issue of home ownership affordability. The availability of reasonably priced housing is considered essential to the stable economic growth of Alaska.

Third, the major tool used by AHFC is the below-market interest rate mortgage. Prior to 1981, these mortgages were financed with tax-exempt bonds. Since 1980, the State of Alaska has supplemented bond funds with state appropriations to provide below-market rate mortgages.

Fourth, AHFC has used the national bond markets, where possible, to import the capital funds required by AHFC. This method of financing reduces the level of state appropriation required to operate a program at a specified level.

AHFC Programs

Since the 1980 legislative changes, AHFC has administered four programs: the Special Mortgage Purchase Program, the Mobile Home Loan Purchase Program, the Rural Housing Purchase Program, and the Rural Nonowner-occupied Program. The term "Special Mortgage Loan Purchase Program" as used in this chapter is actually a broad term used to describe four related programs: the State Assisted Mortgage Program (SAM), the Homeownership Assistance Program (HOF), the Pledged Account Mortgage Program (PAM), and the Mortgage Bond Subsidy Tax Act Loan Program.^{2,3} Since these program titles are cited extensively within the chapter, a brief description of each program is provided:

- o The State-Assisted Mortgage (SAM) program uses bond proceeds and state appropriations to purchase owner-occupied residential mortgage loans on the secondary market at below-market interest rates.
- o The Home Ownership Assistance (HOF) program provides monthly subsidy payments to qualified low- and moderate-income borrowers who purchase properties under the SAM program.
- o The Pledged Account Mortgage (PAM) program provides SAM borrowers with a mechanism to structure a graduated payment mortgage.
- o The Mortgage Bond Subsidy Tax Act Loan Program uses bond proceeds from tax exempt bond sales to purchase mortgage loans which qualify under the Mortgage Bond Subsidy Tax Act of 1980.
- o The Mobile Home Loan Purchase (MHLPP) Program uses state funds appropriated to the Homeownership Fund for the purchase of mobile home loans.

²The 1980 legislation authorized a Rehabilitation and Home Improvement Program. This authority was eliminated in 1981.

³The abbreviations used in this report are those used by AHFC. The abbreviation for the Home Ownership Assistance Program--HOF--stands for the Home Ownership Fund, which was established to finance the Home Ownership Assistance Program.