

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6636 SENATE STATE AFFAIRS

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INVENTORY OF EXISTING SENIOR HOUSING IN ALASKA

CITY	PROJECT NAME OWNER/OPERATOR	UNITS/TYPE(S)	RESIDENT MANAGER	WAITING LIST	SENIOR CENTER	RENT
Seldovia	Lakeside Terrace, Cook Inlet Housing Authority	15 1-bdrs., 3 2-bdrs.	Yes	No; 5 vacancies	No	30% adj. income
Seward	Glacier View, Alaska State Housing Authority	30 1-bdrs.	No	Yes; 4 people	No	30% adj. income
Sitka	Swan Lake Terrace, Alaska State Housing Authority	20 1-bdrs.	No	Yes; no openings in two years	Next door	30% adj. income
Sitka	Monastery Street Apartments, transferred from HUD to Alaska State Housing Authority	24 1-bdrs.	No	Yes; 5 people	Next door	30% adj. income
Soldotna	Laurawood Arms private ownership	22 1-bdrs. in 5 buildings	Yes	Yes; 2 people	No	30% adj. income
Tanana	Tanana Elders Residence, owned by Indian Health Service, leased to tribal council, leased singles, to City of Tanana for operation	16 in shared rooms, with 6 5 doubles	Yes	No	Yes	45% of disposable income to maximum of \$540 a month
Tanana	Elders Cabins, City of Tanana (subsidized by city)	2 1-room cabins	No	No	No	\$50 a month
Valdez	Senior Citizens Housing Facility, owned by city, operated by Valdez Senior Citizens Center Inc.	15 1-bdrs.	No	Yes; 35 people	Yes	\$350 a month (built without debt)
Wasilla	Williwa Manor, Alaska State Housing Authority	32 1-bdrs., in 7 buildings	No	Yes; 20 people	Next door	30% adj. income
Wrangell	Senior Apartments, Wrangell Senior Citizens Inc.	23 1-bdrs.	Yes	Yes	No	30% adj. income
Yakutat	Senior Housing, Tlingit-Haida Central Council	6 1-bdrs.	No	Yes	No	30% adj. income

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SPECIAL NOTES ON INDIVIDUAL PROJECTS

Anchorage	Mary Conrad Center	<p>What started as an experiment in HUD-subsidized residential care mixed with nursing care beds has faced serious enough financial problems to force the owners to apply to the state for permission to convert the 30 residential beds to nursing care. This would significantly boost the facility's revenue. Because of its HUD financing, the residents must meet low-income guidelines which, the operators report, has resulted in some applicants being turned away. Several private-pay persons applied and were willing to pay the \$1,200 monthly rent, but were turned away by the HUD rules. Most of the tenants on the residential side are placed there by the state, as self-neglect or abuse cases, resulting in much of the facility's residential income coming from the Division of Family and Youth Services. Other unique aspects of the facility are its restaurant-style dining room and its extensive array of on-site support services, such as physical therapy and case management.</p>
Barrow	Senior Residential Center	<p>Subsidized rent includes homemaker and laundry services. The 60-year-old age limit is younger than most projects. The borough has had trouble attracting seniors to the project. One reason cited is the prohibition on children or grandchildren living at the project with the senior citizen, since many seniors live with relatives and would prefer to continue. The borough is planning a 12- to 14-bed skilled care center adjoining the senior apartments.</p>
Chugiak	Chugiak Senior Citizens Center	<p>Meals available on-site at extra cost. Chugiak also stands apart from other independent-living apartments in its strong use of residents as volunteer workers at the project. The non-profit that operates the center proposes the addition of a 20-bed special needs unit for those seniors who require personal care and some attention in their daily living.</p>
Copper River	Wrangell View Manor	<p>Seniors share the building with low-income, non-senior tenants.</p>
Dillingham	Herman Schroeder Senior Apts.	<p>Although seniors are allowed to have one person live with them at the apartment, the housing authority has had trouble filling the project (the senior's roommate may be a family member or a friend).</p>
Eagle River	Wood River Park	<p>Seniors share the building with low-income, non-senior tenants; two of the buildings are reserved for seniors. A small room and kitchen are set aside for use as a small senior activity center. Rents are set at fair market values, but many tenants qualify for federal Section 8 vouchers that allow them to pick their own rental housing and then receive HUD subsidies to cover the difference between their income and the full rent. The project was financed with a mix of state grants and private loans, with HUD mortgage insurance to cover the debt.</p>
Fort Yukon	Elderly Housing	<p>Homes are well-insulated log cabins. Seniors are allowed to have a family member share the cabin. Tenants pay all utilities, and their \$25 a month rent goes toward the city's maintenance expenses. The city wants to build four more units, but has no money.</p>
Homer	Kachemak Bay Senior Housing	<p>The non-profit community group received a 1984 state grant for land acquisition and planning for expansion, but has been unable to secure state funding for construction. Plans call for a 24-unit addition for residential care.</p>

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Kotzebue	Senior Citizens Cultural Center	A state-funded, 9-bed skilled nursing care addition opened in March 1989. Limited medical services already are provided to residents. The on-site senior center serves native foods and allows residents to stay at the center during winter months and then return to their villages in the summer.
Ninilchik	Ninilchik Elderly Housing Center	Because of long-term vacancies, HUD has approved non-seniors to rent apartments (limited to single persons).
Nome	Senior Apartments	Security problems led the regional housing authority to hire a live-in manager for the apartments.
Nulato	Senior Homes	Residents are allowed to move back to their village homes during the summer. The city used grant funds to build the units and subsidizes repairs/maintenance.
Saint Paul	John W. Misikin Senior Center	The housing authority is seeking HUD approval to lower the eligibility age to 45 years old in order to attract more tenants to fill the apartment project.
Seldovia	Lakeside Terrace	Because of long-term vacancies, HUD has approved non-seniors to rent apartments (limited to single persons).
Tanana	Elders Residence	Full-time or seasonal housing is offered, allowing tenants to return to their village homes in the summer. Some laundry and housekeeping help provided, and family-style meals provided with rent (some units have limited cooking facilities). Senior center is located on-site, and an adjacent health clinic provides medical services for residents. Resident advisor provided by two employees working 24-hour shifts (4 days on, 4 days off). Nighttime security guard used when needed.
Tanana	Elders Cabins	No water in units, and tenants must cut their own firewood.
Yakutat	Senior Apartments	Health clinic located in same building.

NURSING HOMES AND PIONEERS' HOMES

There are 14 facilities offering skilled nursing care in Alaska, with 712 licensed beds. That includes nursing homes and long-term care wings at several hospitals. State Pioneers' Homes offer another 660 beds, with slightly more than half in residential care and the rest in nursing care wings.

As of September 1988, there were 239 seniors on the waiting lists for Pioneers' Home admission, with two-thirds waiting for a nursing bed to become available. Although many private nursing homes have beds available, the state-subsidized Pioneers' Homes are more attractive to many seniors. The state charges seniors \$525 a month for nursing care at the Pioneers' Home, regardless of income, although it costs more than \$4,000 a month to provide the service. Seniors in residential care rooms are charged \$425; it costs the state more than \$1,200 a month.

The Governor's Interim Commission on Health Care has recommended an increase in the rates charged Pioneers' Home residents, however, the Older Alaskans Commission is not taking a position on this issue.

HOME AND COMMUNITY-BASED SENIOR SERVICES

Supportive services are the most essential part of the state's response to senior citizen housing needs. The services reach persons who live in their own homes, in senior apartments and at other residential facilities, and are designed to assist seniors to maintain independent or semi-independent living for as long as possible. Despite a sizable commitment of state and federal dollars to senior services, severe gaps remain -- some communities have no services, others cannot meet all the demands of a growing senior population.

In addition to a statewide survey done for this housing study, this report also incorporates comments, survey results, and resolutions by communities, senior services agencies and senior organizations. Specifically, Southeast Senior Services published "A Study of Senior Citizen needs in Southeast Alaska" in January, 1989. That study emphasized the desire of seniors for independent living and expressed the need to enhance supportive services, including home-repair. The Juneau Commission on Aging published a preliminary survey report on December 15, 1988, on "Senior Citizens of the City and Borough of Juneau Needs Assessment." That report indicates basic satisfaction with housing in Juneau with the need for middle-income and assisted housing. Juneau Igloo #6 and Auxiliary #6 proposed a resolution at the 72nd Grand Igloo Pioneers' of Alaska Convention in September 1988, supporting assisted living and middle-income housing.

Home repair, remodeling and weatherization

Senior housing managers statewide report that prominent among the reasons given by the elderly for leaving their homes and moving into senior housing is the problem of home maintenance and repair work. They no longer may be physically able to do the work, too frail to risk injury, or lack the skills to do it on their own or the money to pay someone for the job. Rather than continue living in a home they no longer can maintain, they often move to subsidized senior housing. Residents of senior apartments in Anchorage, Fairbanks and Wrangell interviewed for this report all cited the problem of home repair and maintenance as a major reason for their decision to move into the apartments.

The Older Alaskans Commission in fiscal year 1988 appropriated \$57,510 for home repair and renovation work, with the money able to reach only 163 clients. Funding is similar in fiscal 1989, distributed as grants to non-profit community organizations.

The federal Bureau of Indian Affairs operates a home improvement grant program and home ownership assistance program for Alaska Natives, with about \$2.7 million available in fiscal 1989. Most of the money is distributed as grants to tribal organizations. The programs are open to all low-income Natives, with elderly and handicapped persons getting first priority. "It targets the poorest of the poor," according to the BIA, with most of the money directed toward rural areas.

The North Slope Borough operates its own home repair program under the name RELI (Resident Employment and Living Improvement). In Barrow, seniors get priority; in the villages, there is no senior priority because the communities are small and most every home needs work. In addition to home repair, the program's other task is local employment. Work is scheduled as necessary to fill employment gaps in the borough, providing local

jobs when construction work is slow. This could be used successfully in other communities, where workers depend heavily on construction jobs and where there is a need for senior citizen home repair.

Home repair programs should be extended to cover home remodeling for the special access and safety needs of seniors, including door levers instead of knobs (levers are easier to operate for people with arthritis), grab bars in the bathroom (in the tub, shower and at the toilet), wider doorways and ramps (for access by wheelchair and walker), handrails along stairways and other minor items. Home visits to help a senior homeowner determine remodeling needs, reasonable costs for the work and technical assistance to contractors would be far less expensive than direct state grants for the work, but still would go a long way toward helping the elderly modify their homes to fit their needs. A state senior housing office could provide help by making available generic accessibility remodeling plans, cost estimates and advice for seniors who want to undertake such home modifications. Several states, such as Florida with its large senior population, are promoting Type A homes, designed for accessibility for seniors and other persons with special needs.

Home weatherization funding is administered through the Department of Community and Regional Affairs, with \$4.6 million available statewide for the fiscal 1988-89 contract year (ending March 31, 1989). Less than 10 percent of the money is from the state general fund; most is from the federal treasury and from federal distribution of an oil-price overcharge case against Exxon. The Exxon money will run out next year; it contributes almost half of the weatherization money available in Alaska. Unless the state or federal governments increase their funding to make up the difference, Alaska's program will be severely cut back.

This year's \$4.6 million will pay for weatherization for about 2,000 homes, with the department estimating 40,000 still in need of new windows, doors, insulation, caulking and other energy-saving improvements.

Seniors and the handicapped are to receive first prior-

ity for the work, which is limited to low-income households. The program is available to homeowners and renters, with landlords prohibited from raising the rent on units that benefit from the weatherization work (about 20 percent of the money goes to rental units).

Homemaker and chore services

More than \$1.6 million in state and federal dollars was appropriated last year by the OAC and Division of Family and Youth Services for homemaker and chore services to help seniors in need of assistance. Housecleaning, laundry, errands, meal preparation and other tasks are covered by the programs, which served about 2,000 seniors in more than 100 communities statewide (about 90 percent of the funding is through Family and Youth Services).

Despite the size of the effort, there are waiting lists

and a shortage of money to meet the growing needs of Alaska's aging population. The Northern region of the state, served by the Fairbanks DFYS office, had a waiting list for homemaker services of 20-30 persons in November, but one official said the list would be longer if the program received heavier publicity -- it isn't publicized because there's no money to accommodate the responses. An Anchorage homemaker provider gave the same report of no outreach or publicity because of no money to handle the demand.

Home Health Aides

About 400 seniors receive at-home visits from health aides, with a shortage of chronic health care in rural communities. The OAC covers about five percent of the seniors in the program, with the Division of Public Health spending about \$600,000 a year on health aide services (about three-quarters of the division's clients are seniors).

Home health aides assist with bathing, eating, exercise and other essential activities of a healthy life. They are supervised by registered or licensed practical nurses and are extremely important for those seniors who otherwise would be unable to provide their own personal care at home.

The OAC's 1989-1991 state plan lists as a priority expansion of the home health program to Nome, Barrow, Kotzebue and other rural communities, in addition to pointing out the shortage of trained aides and high turnover rate. More money for higher salaries, better training and more aides could help solve the problems.

The Division of Public Health also spends more than \$400,000 a year on at-home skilled nursing services, with seniors comprising about three-quarters of the almost 400 clients. The services are offered only in three cities, and even at the division's average annual cost per client of \$3,720 it is less expensive than one month of residential nursing care.

Case Management

Case management may sound technical, but what it does is relatively basic and direct: It matches seniors in need of help with those supportive services that can offer assistance. The OAC in fiscal 1988 had \$140,000 to spend on case management, which was awarded to programs serving only Anchorage, Ketchikan and Palmer/Wasilla.

By helping seniors to receive the supportive services they need, case management can go a long way toward keeping seniors in their homes or apartments and out of residential care facilities.

Home-Delivered Meals

The OAC spends more than \$800,000 a year in state and federal dollars to provide more than 120,000 home-delivered meals for about 2,500 home-bound seniors. The money is distributed in grants to municipalities and non-profit organizations.

Another \$2 million a year is distributed in grants to municipalities and non-profit organizations for group

meal programs, which usually are held at senior centers, community buildings or schools. More than 12,000 seniors participate in the program, which this fiscal year will serve about 300,000 meals.

There are some rural areas unserved and underserved by the meals programs. The programs offer a minimum of three meals a week.

ADULT FAMILY CARE HOMES, DAY CARE, RESPITE CARE

The demand for adult family care homes (also known as foster care homes and board and care homes) exceeds the supply. The pay is bad and the work extremely hard. It's difficult to get much time off from the job. It's expensive to start a new adult family care home. Other than dealing with those problems, adult family care homes are a good idea.

The name is another problem. Although most people, including state agencies, call such homes adult foster care, we propose changing the name to adult family care. In researching this report, we found a lot of misunderstanding over the role of adult foster homes, plus confusion with child foster care -- the more prevalent of the two foster care homes. Changing the name to adult family care won't solve all the problems, but it would help. If nothing else, family care sounds a lot warmer than foster care.

Adult family care (foster) homes are licensed by the Division of Family and Youth Services, which reports there were about 20 homes in operation in Alaska in the fall of 1988, licensed to accommodate about 60 persons (the homes are limited to five or fewer adults). DFYS is the largest single customer for adult family care. Seniors who are judged in need of protective care because of abuse, assault, economic neglect, self-neglect or other problems can be placed in a home by the division. Seniors also may select and pay for family care homes on their own, although few do so.

The state sets the adult care rate at about \$26 a day -- not enough to cover costs, say many home operators. A Juneau home operator says it costs her \$40 a day per person to operate the home, and that is what she charges private-pay residents. The operator of a new family care home in Sitka says she expects to charge her private-pay residents about \$35 a day to cover her costs.

For those seniors under protective care, the state will pay the bill beyond what seniors can afford from their own income, with seniors allowed to keep \$75 a month for personal expenses. Because just about all Alaska seniors

have income from the Longevity Bonus, Social Security, Old Age Assistance and/or retirement accounts, the Division of Family and Youth Services spends far less than \$26 a day in state money for each senior in a family care home -- and much less than the state pays to subsidize residential care at Pioneers' Homes.

Although increased availability of family care homes should be encouraged and assisted by the state as a less expensive alternative to Pioneers' Homes and as an option in lieu of senior apartments, there is the cost of increased DFYS oversight to consider. State licensing and oversight costs would increase if more seniors are added to the program, and the division's staffing needs should not be ignored.

An increase in the state rate for adult care would help attract more people to the business, as would an increase in adult day care and respite care services. Day care can provide regular daytime care at a community site for well foster home residents; respite care can provide occasional at-home relief for family care workers. Both are essential for the development of more adult family homes. Rather than invest state money directly in homes and salaries, the state could indirectly encourage and assist the homes through day care and respite services. A Juneau resident who owns adult foster homes in Idaho says a lot of the budget goes toward day care services, which are essential to give the live-in manager a break and to provide therapeutic and recreational activities for the residents. Increased state funding in Alaska for day care and respite care would aid family home residents and encourage the opening of more homes, without raising the philosophical and financial arguments of direct construction, remodeling or operating grants to family care home owners.

About \$450,000 in OAC grants were spent in fiscal 1988 to provide day care to 236 seniors in five cities. At-home respite care is offered in only two cities, with less than \$94,000 in OAC funding paying for service to 59 seniors last year. Both programs need to expand their hours and expand into more cities if they are to be an effective tool in family care home development. For

example, a five-person home in Fairbanks receives just 10 hours a week of respite care services from an OAC-funded program.

The Idaho foster home owner is also of the opinion that Alaska's current limit of five residents per home is too low. "We found at six you can't make any money," she said. DFYS is working toward revising its regulations to set up a new category of small group homes for between 6 and 12 residents. The new limit is intended to avoid the costly construction and operating requirements of adult residential facilities now defined as six or more residents -- which would change to 13 or more under the new rules. The proposed regulatory changes should be encouraged as part of the state's response to providing senior housing options.

Adult family care home operators and residents would not be the only persons to benefit from increased day care and respite care services. The Governor's Interim Commission on Health Care says in its report: "Families can provide a significant amount of care if they are supported through community-based services, such as respite care." Seniors who live at home with relatives certainly cost the

state a lot less than other housing options, and the quality of life would be higher at home with family. The benefits of making this housing option easier on seniors and their family should not be overlooked.

Another problem facing adult family care home operators is the cost of building or buying a home, or remodeling an existing home to meet their needs. If the homeowner cannot show a lender that the facility can run at a profit, there is little chance of getting a purchase or remodeling loan.

A Sitka woman who opened a new home last year was unable to get affordable financing to purchase and remodel an existing home in the community. She finally put together a private financing plan with the help of her family, and she says a loan program for acquisition and remodeling would be the best thing the state could do to help encourage more adult family care homes. A state-guaranteed loan program would be less costly to the general fund than a direct loan program, and a senior housing office could assist prospective home operators in preparing financial plans and operating budgets for presentation to lending institutions.

ROOM, BOARD AND LOTS OF TLC

By Lori Evans

The Juneau Empire

Wednesday, February 8, 1989

Most people would jump at the chance to have a landlady like Linda Smith.

Not only does she provide a room for her tenants, but she also cooks for them, cleans for them, does their laundry and takes them to doctor's appointments. She reminds them to take their medication. If necessary, she helps them bathe and dress.

She sleeps on the living room couch to be close by when one of them is ill.

She lends a supportive arm when one of them needs to walk down the hall.

She seems always present with a listening ear or an encouraging word.

In general, in addition to providing room and board, Smith also provides lots of tender loving care.

In the language of bureaucrats, Smith runs an "adult foster home."

That means her five tenants for one reason or another can no longer live in their own homes, but they do not need 24-hour nursing care. They do, however, require a helping hand on some things.

Some, for example, may no longer be able to prepare meals on their own. Others may need help bathing and dressing. Still others may just need someone to help them monitor their medication. While others need the protection afforded by having someone always around in case they fall.

Smith says her main job is making her home like home for all who live there.

The Smiths' Lemon Creek house is immaculate. Not a speck of dust or a pile of clutter can be found. Hardwood floors shine under freshly vacuumed rugs in the living room. Crisp, white curtains hang on the living room windows.

While the home is spotlessly clean, it isn't antiseptically sterile. It has a warm, lived-in feeling. It's how most people would want their house to appear when their in-laws visit.

A pot of coffee stays on in the kitchen, ready for anyone who wants a cup. Dinner smells waft from the oven in late afternoon. A parakeet named PJ sometimes chirps out from its cage near the kitchen door. An aquarium full of neons, black skirts and albino catfish greets visitors at the front door.

The living room is large, bright and comfortable. So is the kitchen. There are plenty of places to sit and chat. Or sit and watch TV. Or sit and read.

There are also five cozy, but not cramped, bedrooms on this main floor -- large enough for a bed, a chair or two, a bureau and sometimes a desk. Smith and her husband, Ken, have their bedroom and bathroom downstairs, along with a spare bedroom and a family room, but they spend most of their time upstairs with their tenants.

"This whole upstairs is theirs (the tenants) and they can do anything they want," says Smith. It's been full of tenants' grandchildren and adult friends. One couple who lived with the Smiths enjoyed entertaining and it wasn't uncommon for them to have six or seven people over at once for coffee and dessert.

That's fine with Smith, because she wants her tenants to do what makes them comfortable.

After all, "it's their home," she says.

Smith first started thinking about opening her home to elderly tenants about five years ago while working in a nursing home in Oregon.

"I saw a lot of people that needed an alternative. They didn't really need to be in a nursing home setting at that point in their lives. There were just so many that there was no alternative for. It was either a nursing home or being in danger living alone at home. ... There was no in-between place and ... I felt they needed it," she says.

"I just always wanted to take them home with me because I didn't feel like they needed to be there, but you can't go around snatching (people) out of nursing homes."

About three years ago with some encouragement from Pat Denny, Southeast regional adult services supervisor for the state's Division of Family and Youth Services, and Sister Patrick Mary, who used to work with Juneau's elderly, Smith opened her home as an adult foster home.

Getting started involved a lot of paperwork, a criminal records check and an inspection by DFYS, the state agency which licenses foster homes, she says. Since opening in May of 1986, Smith has had 27 tenants. Her home is licensed for five tenants at any one time and she maintains a waiting list for those wanting to get in. She fields at least one call a month from people who are interested in the kind of care she provides.

Smith isn't too fond of rules or schedules. She doesn't think most people are, so as much as possible she runs the household without a lot of do's and don'ts.

The one "do" is tenants are required to participate in The Bridge, the adult day care program at the Mountain View Senior Center. That requirement does set a sort of schedule for the house Monday through Friday in that the tenants leave for The Bridge about 9 each morning and return home about 2:45 each afternoon.

Participating in The Bridge helps keep tenants active, while it gives Smith time to clean, do laundry, plan meals, go shopping, cook, take someone to the doctor or do any of the other myriad of tasks that come with running a household of seven adults.

"I couldn't do it without them going to The Bridge," says Smith.

While The Bridge structures life on weekdays, on week-ends any semblance of a schedule is thrown out.

"I think if they want to sleep 'til 10 on Saturdays or Sundays, then I'm going to cook their breakfast at 10. We're a home, not an institution, and I want them to be able to have the schedule that they're comfortable with instead of what works for me," says Smith.

Not only is Smith willing to cook breakfast for her tenants when they want it, but she's also willing to cook what they want. That means virtually every day she fixes five different breakfasts, since all five tenants prefer something different.

Smith has a warm infectious laugh and an easygoing personality. She also has a real love for the elderly that shows in everything from the enthusiasm with which she greets her tenants each day to the gentle way she helps them down the hall.

She says her patience and sense of humor help equip her for her chosen work. It also doesn't hurt that she has a supportive husband, who not only lends encouragement but also a helping hand in getting things done.

Other than that, however, "I don't have anything else special or do anything else different from anybody else," she says.

Others, however, would disagree.

Sharon McMahon says Smith is the "closest thing to a saint" that she knows. "She gives 200 percent of herself. Nothing is too good for those people -- whatever they need or want, Linda tries to do it for them."

For the past two years, McMahon, activity coordinator for The Bridge, has given Smith a break about every other Saturday, taking over her chores at home while Smith goes to garage sales and out to lunch with her daughter. It's about the only break Smith gets.

While it sounds milder to those used to putting in a 37.5-hour work week and taking regular vacations, it's a big change from what Smith started out with. For the first year and two months after opening her home, she went without taking a single day off.

While few people can understand that kind of dedication, Smith explains it this way: "I like it better than anything else I've ever done."

Smith confesses to getting "really paranoid" when she hears horror stories of elderly abuse in the news -- like the one in November in which a California landlady was arrested in connection with the deaths of her elderly tenants. Police believe the woman killed her boarders for their Social Security benefits and then buried their bodies in the yard of her boardinghouse.

"I feel like that people tend to judge you by what they see or what they read, and that really makes me nervous," says Smith.

She'd like people to know that not everyone who houses the elderly is unscrupulous. There are homes for the elderly where the tenants are well cared for, properly fed and clean.

Hers is one of them.

There are, however, some built-in protections for Smith's tenants. One is an open-visitation policy which allows guests to stop by at any time. Another is The Bridge. Because tenants are required to participate in The Bridge "everyone in the home is seen almost on a daily basis by someone else, so if there was abuse or mistreatment at all, it would be picked up," says Sharon Scranton, director of the program.

The California incident did not go unnoticed by Smith's tenants and now is the basis of an on-going joke between one of them, Martin Ashba, and Smith.

"He tells me he brings his (rent) check before he sees me with a shovel," Smith laughs.

A lot of people have asked Smith why she chooses to do what she does. Smith says it's a hard question to answer. After all, the hours are long, the work is hard and the pay isn't great. Even something as simple as a short trip to the grocery store has to be planned.

"There's a lot of things that aren't wonderful about it, but there's so many more that are," she says. "I just feel like I've gained a lot more than I lost."

On the plus side of the ledger she puts "a tremendous amount of personal satisfaction" at the top of the list.

"To me, that's really important. I take a lot of pride in what I do," she says.

Add to that gain, a wealth of knowledge waiting to be tapped.

"These people know a whole lot of things. They have a store of knowledge that you would not believe. They can teach you a lot. Just by talking to them you can learn. That, I think, is the most fascinating thing. ... They've all led just really full, interesting lives and they have a lot to teach you about that," she says.

She does have one worry about her work: "If I get sick or have an accident ... what are they going to do?"

Like most people, Charles and Ruth Hobbs had expected to live in their own home until they died.

Life has a way, however, of scuttling the best-laid plans.

After 51½ years of marriage, Mrs. Hobbs died in 1986. Five months later, Mr. Hobbs, quite suddenly lost his sight. His blindness, coupled with a severe case of scoliosis, which prevents him from standing for any length of time or walking long distances, made it difficult for him to live independently.

In November 1987, Hobbs moved to Juneau from the California retirement complex where he and his wife had lived to be near his two daughters. It wasn't an unfamiliar place to him, since he and his wife had visited regularly since 1966.

For a while, Hobbs, who is 81, lived with his older daughter and her husband, but it isn't his nature to be dependent on other people, particularly his children. While they're more than willing to care for him, that isn't what he wants.

"It interferes with their regular lifestyle," he says. "I, of course, love them very much and they love me, too."

He knows, however, that it is often difficult for busy, working children to give the kind of care that an elderly parent needs.

For him, Smith's home proved to be the perfect solution to remaining close to his daughters so they could visit frequently and receiving the kind of attention that it's difficult for a working family to provide.

"I like this much better all the way around," he says. "It gives them some freedom and it gives me some freedom. ... I feel very secure this way, which is what I need. If I felt there would be someone here to help me.

"To me it's a real home. I ... enjoy it a great deal. As far as I'm concerned (Linda and Ken) do everything to make you feel at home. ... There's little doubt that all five of us feel very fortunate to have found them. I know I do."

With each new tenant, the house takes on a new personality.

Some tenants have enjoyed playing cards and working puzzles. The current group prefers visiting, reading and watching television.

Depending on their health, some tenants help with household chores.

She's had tenants who help her cook, make their own beds, fold laundry, plan meals and clear the table. One even taught her how to make bread.

"I had been struggling at making bread for years and it was awful until she lived here. It didn't take her anytime to get me in there and show me how to make bread," says Smith.

While Smith is more than willing to do whatever she can for all of her tenants, she also encourages them "to keep doing what they can do for as long as they can."

There are about 20 adult foster homes located throughout the state, most of them in southcentral Alaska, says Denny of DFYS.

While there is definitely a need in Juneau for more homes like Smith's -- Denny estimates three or four could be filled easily -- it is not a job that can be done by just anyone.

"We do need homes, but we need the right kind of homes," she says.

Providing foster-home care is a 24-hour-a-day, seven-day-a-week proposition that requires a commitment few people can muster.

On top of that, "you don't make any money," says Denny.

While the state will pay approximately \$26 a day for those unable to pay, that doesn't cover the cost of providing the care. Smith's tenants pay about \$45 a day, with the price depending somewhat on the amount of care they require and on their ability to pay.

By contrast, nursing home care in Alaska runs roughly \$120 a day, says Denny.

While Smith has a knack for caring for other people's parents, she confesses: "I couldn't take care of my mother - - even though I love her."

"I think there's a whole lot of different things involved. They (the tenants) become like my family. They seem like they belong to me, but there's no past history. I just enjoy them for today. I don't have to think of any argument 50 years ago or anything. I think it's a lot more difficult" for children to care for their parents.

Without Smith's home, Dr. Dean Tirador says it's likely he and his father, Pat, who lives at the home, would have moved to Seattle.

"There's just not a spectrum of services available in Juneau. Without Linda, you'd essentially be on your own or in a nursing home," he says.

While his father is unable to live independently, he doesn't require nursing home care.

For both father and son the arrangement with Smith has proven satisfactory.

"I do like it," says Dr. Pat Tirador, who at 94 leads the exercise program for The Bridge and gives Smith a helping hand whenever he can. "Linda is a very nice landlady and she accommodates you very well. I don't have any complaints."

Other tenants echo similar comments.

"It's a good home for everyone in our condition," says Agnes McClellan, 87, who gets around with the aid of a walker or wheelchair. "Linda is very nice to live with. She does everything for us, and she's very kind about it."

Perhaps one of the best tributes to Smith comes from Denny: "Those of us who know Linda think 'I want her to be around to take care of me when the time comes.'"

RESIDENTIAL CARE (ASSISTED LIVING)

This housing option goes by more names and is perhaps more confusing than any other living arrangement discussed in this report. Whether it's called assisted living, semi-dependent, semi-independent or residential care, it's the same -- private or semi-private rooms in a facility, usually a dozen beds or more, with on-site, 24-hour supportive services and medical supervision. For many seniors, the next step out of residential care is skilled nursing care.

There are very few facilities in Alaska that fit this definition of residential care. The Mary Conrad Center in Anchorage currently has 30 residential care beds, for which it charges about \$1,200 a month, but because of financial problems the owners are applying to the state for permission to convert the residential care beds to skilled nursing care. The facility already operates 60 nursing beds. Although its residential care rooms are full (with a waiting list) and its nursing units have empty beds, Mary Conrad's director, Bob Ogden, says he believes the facility eventually can fill the extra nursing beds. The decision to abandon residential care is "strictly financial," he says. Mary Conrad, which is owned by the Cook Inlet Housing Authority and operated under contract by the Sisters of Providence, charges \$275 a day for nursing care (\$260 for Medicaid patients), almost seven times the daily rate earned on residential care.

Ogden says expensive construction requirements -- more restrictive than required for senior apartments -- added to the new facility's debt and contributed to the downfall of its residential care units. For example, he says, the requirement of non-combustible building materials (metal studs and concrete floors) is excessive. Another problem came with the HUD financing secured for the project. Because of the HUD money, Mary Conrad residents must meet federal low-income guidelines, blocking many middle-income seniors from moving into the facility and paying the full cost for their room and care. Ogden says the owners are looking at ways to get out from under the HUD rules.

Because of the financial problems faced by Mary Conrad with its residential care beds, Ogden says, "No one will build Residential Level II in Alaska after this ex-

perience." Level II is for non-ambulatory persons.

Still, the need exists. A Northern region DFYS worker says she could fill a 40-bed residential care facility in Fairbanks -- if one existed. Senior apartment managers say many of their tenants leave for nursing homes because they no longer can take care of themselves, but what they really need is an assisted-living facility and not an expensive nursing home.

The only other residential care institutions are the Senior Citizens Cultural Center in Kotzebue (20 beds) and the Tanana Elders Residence (16 beds). The Kotzebue facility was built by the state, leased to Maniilaq (a local, non-profit Native corporation) and operated with a state grant. This allows a very low subsidized rent of \$250 a month. The Tanana facility is owned by the U.S. Indian Health Service, leased to the tribal council, which then leases it to the city of Tanana -- which operates the project. Rent is set as a percentage of income, with a maximum of \$540 a month. State grant funds subsidize the facility's operating costs. Perhaps if Mary Conrad had state operating subsidies similar to Kotzebue and Tanana, it wouldn't be bailing out of the residential care business.

Acknowledging that some state involvement will be necessary to promote and maintain residential care facilities in Alaska, and accepting that such a level of care is needed by many seniors who have needs between independent living and nursing care, the legislature and administration need to find an appropriate avenue for state participation. Similar to middle-income housing, perhaps the best alternative is to avoid ongoing operating subsidies, which carry with them cost-control problems and the annual fear of budget cuts. Instead, loan programs to reduce debt service on projects without the tight income limits imposed by federal agencies would be better.

The below-market sale or lease of state lands for residential care projects is another option for helping to reduce development costs while avoiding state operating subsidies. State lands may be sold or leased at below-market rates for public purposes, of which senior housing should qualify.

WHY SENIORS CHOOSE INDEPENDENT APARTMENTS

Visits to senior apartments in Anchorage, Fairbanks and Wrangell, and interviews with more than 40 senior apartment managers statewide, produced some very clear indications of what seniors like and dislike about existing apartments and the reasons for why they move into the buildings.

The most common reasons for moving out of their own homes and into senior apartments are better housing, including full utilities (the attraction of utilities seemed more common among rural Alaskans). Many cited the problem of home repair and maintenance as a factor that drove them to move into a senior apartment. Location

(near a hospital, health clinic or doctors offices and shopping) and the availability of transportation (near a bus stop) were mentioned as important criteria for a good senior apartment, as was security. A live-in manager, or at least night-time security guards, ranked high on the list of many residents, as did the need for emergency call buttons in each apartment. Some projects operated by regional or community housing agencies have live-in managers or pay for evening security staff, but the Alaska State Housing Authority does not provide either because of the added cost. Money was the other major reason cited by seniors for choosing senior apartments. Most units are subsidized, and although some residents complained about federal income rules, most said they moved into the apartments because the rent was affordable and because there was nothing as safe and well-built available for the same rent on the private market.

Loss of independence was most often cited as the reason for not moving into a senior housing project. Staying in their own home is an option for seniors who can maintain the home, and for others moving in with family may be a preferred alternative to a senior apartment. As much as many seniors select the apartments for the low rent, a few reject the option because they say it costs too much. This reply comes mostly from those seniors who have paid off their mortgage and are paying only the cost of utilities for their current housing. The small size of senior apartments was a frequent complaint, as was the federal rule that requires housing authorities to admit handicapped persons to senior housing projects. HUD requires that the projects be open to seniors and handicapped persons regardless of age. Many seniors object to sharing the apartment buildings with young people with emotional or mental handicaps, saying they are scared of these people and that they can be disruptive. Although housing managers screen all applicants for possible problem tenants and those who need specialized care, some seniors just aren't comfortable with sharing their apartment buildings with the handicapped.

In considering new construction of additional senior

apartments, the following senior citizen comments should be considered:

- Laundry rooms are needed on each floor. Although the buildings have elevators, it is hard for seniors to carry their laundry back and forth down the hall to the elevator and then down another hall to a laundry area, and then make repeated trips to check on the washer or dryer.
- Some seniors say coin-operated laundry machines are better than free-use machines, which can be abused by residents' friends and relatives who take advantage of the free machines by bringing over their own laundry.
- Several projects lack heat in the bathrooms, and seniors complained of cold floors and rules against individual space heaters in the bathrooms. Although there are heat lamps in the ceilings of some bathrooms, seniors said they would prefer a built-in heating unit in the room.
- Some projects were built without overhead lights in each room, and some seniors said it adds to the cost of furnishing if they do not have enough table or floor lamps. Also, they said, overhead light fixtures with wall switches are easier to use when they enter a dark room.
- Larger apartments with more storage space was a frequent request, as were windowsills for plants, more overhead lights in the kitchen for food preparation, and locked, dry storage rooms or pens in the basement so that residents could store large items they do not need for frequent use (such as luggage, seasonal clothes and personal belongings).
- In addition to a meeting room, seniors said the buildings need a craft room for woodworking or other hobbies that would make a mess in the social or meeting room.

MIDDLE-INCOME HOUSING

The state has built subsidized housing for low-income seniors, but many elderly Alaskans ask: "What about the forgotten middle-income seniors?" An Anchorage senior housing advocate challenges: "You haven't built for these types of people at all."

That is not entirely true. Chugiak and Homer senior apartments were built with state grant funds, and there is no income limit for tenants of those projects. The legislature funds property tax and renter rebates for

senior citizens, and the \$250 a month Alaska Longevity Bonus -- distributed regardless of financial need -- cannot be discounted as an aid to middle-income seniors who may use the money to upgrade their housing.

Still, the vast majority of senior apartments are limited to low-income tenants. Just how many seniors are over-income for the subsidized apartments is uncertain; no one keeps track of applicants denied because their income exceeds federal limits. Senior housing managers

surveyed for this report say some applicants are denied due to their income levels, but it appears to be a problem only in urban areas.

The least expensive way to build senior apartments is with HUD or Farmers Home federal loans and operating subsidies, but the money is attached to a string of income limits. The Alaska State Housing Authority could construct non-subsidized, middle-income housing, but the agency has never looked in great detail at that option, says its executive director. A major question would be whether or not seniors are willing to pay the fair market rents that would be required to cover debt service, operating, maintenance and reserve expenses on such a project. Many seniors may have difficulty in accepting market value rents of the 1980s, because they have grown accustomed to the low mortgage payments of their older homes. Although mortgage payments of \$1,000 a month or more are not a price shock to many young, middle-income Alaskans, housing costs at today's market rates are far in excess of what many seniors are used to paying for their homes.

It doesn't seem smart for the state to take the risk of building a middle-income project and then, if the market cannot sustain it and seniors cannot afford or are not willing to pay the actual costs, have the vacant units become a drain on the state treasury. It makes more sense for the state to encourage private development, such as through loans from AIDEA or ASHA. Both agencies could raise money through bond sales, with the money then available to help private developers and non-profits build middle-income housing. AIDEA does not provide direct loans, but instead may purchase up to 80 percent of a loan

financed through a lending institution, relieving the institution of much of the risk on large loans. Entry into multi-unit housing loans would require a change in AIDEA's lending authority. HUD also has loan guarantee programs that could assist a developer of middle-income housing secure financing.

The state also could assist by filling the gaps in its system of home-based and community based supportive services, such as group and home-delivered meals, homemaker and health aide services and other assistance. Supportive services can be more responsive to the changing needs of individual seniors and seem a better use of state money than direct operating subsidies for middle-income housing. If a middle-income senior housing project can't make it, the owner could change course and market to families or single persons to fill the units and pay the bills. The state's supportive services could continue to stay with the seniors who need the help.

Another advantage of additional supportive services is that they can meet the needs of those seniors who are able to find affordable housing on the open market, but in lieu of a group-living arrangement require at-home services to maintain their independent lifestyle.

It is the support that comes from community- and home-based services and is offered by other seniors living in the same building that many middle-income elderly want, just as low-income seniors share similar benefits in their housing projects. Avoiding the worries of home repair, maintenance, transportation and safety are just as strong incentives for middle-income seniors to seek out apartment life as they are for low-income seniors.

CONVERSION OF FORECLOSED PROPERTIES

Few people interviewed for this report advocated a return to the cash-grant days of the late 1970s and early 1980s, when millions of dollars were distributed for senior housing projects statewide. The money just isn't there any more. Dick Pryor, who served as housing grants administrator at Community and Regional Affairs from 1982-85, says the lack of sufficient middle-income housing is a gap in Alaska's response to senior housing needs. Incentives to encourage private development is a possible answer, Pryor says. However, he also warns that any program must be administered fairly and without political interference. While the state was passing out money for housing projects in the early 1980s, the department attempted through regulations to require partial loan funding as a match for state grants. The idea was to secure as much federal loan money as possible, and stretch state grant funds to build more units, Pryor says. Some people did not like the loan requirement, and

because of legislative action some cities, such as Homer, built their projects entirely with state grants, while others, such as Wrangell, used a combination of state grants and federal loans.

One last middle-income (and upper-income) housing option posed by several people is the possibility of several seniors pooling their resources to build or buy a multi-unit retirement home or complex of housing units. It doesn't appear to be a matter of money with these people as much as they need financial planning assistance, help with development questions, and possibly a go-between to connect them with seniors of similar interests. These jobs could be performed by a state Senior Housing Office. Information and technical assistance would be sufficient state involvement, considering the more pressing needs of low-income seniors.

Can Alaska solve two housing problems with one answer? Can the abandoned condos, duplexes, zero-lot lines and other foreclosed housing units of the state's real estate collapse find new life as senior housing? Yes, no, probably for some and doubtful for others. Yes, some may be suitable, affordable and attractive to private individuals, investors and non-profit groups for adult family care homes, group homes and rentals. No, some are in need of so much repair, so much renovation to make them livable for seniors and so much money to pay the bills that they are not suitable for conversion to senior housing.

"You're overbuilt in the wrong kind of stuff," says a senior housing advocate, unimpressed with the possibility of converting surplus condos to senior housing. Seniors don't want to live in small, poorly built, multi-level condos any more than anyone else, she says.

Not all is hopeless. Duplexes or zero-lot lines can work well for remodeling into adult family care or group-living arrangements, says a family care home owner, because the middle wall can be removed to open a large living area and the extra kitchen can be used for crafts and activities. Remodeling the central garage that separates a duplex -- turning it into a manager's apartment for group housing that uses both sides of the duplex -- also received high marks on the scale of possibilities. The Alaska Housing Finance Corp. will include remodeling work in the sale and financing of its foreclosed units. "Don't let the repairs stand in your way" of making an offer on a foreclosed unit, says AHFC's property disposition officer. The location of foreclosed properties is another plus. Many seniors would prefer to live in a neighborhood with other single-family and small multi-family homes instead of in a large apartment project.

AHFC officials, senior housing advocates, financial planners and state officials say conversion could work in some cases, as long as buyers do a good job of picking and choosing their units, and financing is available for purchasing and remodeling the units. A state Senior Housing Office could assist in making sure remodeling work results in handicapped accessible housing.

AHFC's policy of contracting for remodeling and repair work and then including those costs in the purchase price and mortgage on a foreclosed home should be used to the advantage of those individuals and groups looking for senior group housing. It avoids the need for secondary financing of remodeling costs, resulting in overall lower monthly payments. If there is a duplex or other unit that needs ramps, wider doorways, interior walls removed, grab bars, lower countertops or other remodeling, AHFC will consider offers based on the work as part of the purchase price. Nola Ceder Green, the agency's property disposition officer, says AHFC will get bids for the work, judge them against the offered price and the value of the building with the remodeling in place, and then deter-

mine if it is a fair price for the agency and a good loan for the buyer.

AHFC held more than 4,200 foreclosed properties as of September 1988, with about 1,400 condos, 1,200 single-family homes, almost 400 zero-lot lines, 100 duplexes and almost 1,000 mobile homes. Almost 3,000 of the units were in the Anchorage area, with another 500 in Mat-Su, 350 in Fairbanks, more than 200 in Juneau and almost 150 on the Kenai Peninsula. Any real estate agent in the state can show prospective buyers a list of foreclosed property in their area, Green says. More than 2,000 additional housing units are held by banks, federal agencies (HUD being the largest) and mortgage insurance companies, according to the Alaska Housing Market Council.

There is nothing in AHFC's lending rules to prohibit loans for owner-occupied adult family care homes, group homes or co-op living, as long as the loan meets the normal lending criteria of income versus debt, says Ron Lehr, AHFC Director. Non-owner occupied housing does not qualify for AHFC loans, which would block loans to non-profit groups or developers who want to operate senior group housing or rental units. That is where a loan or loan guarantee program through ASHA, AIDEA or possibly Community and Regional Affairs might be appropriate.

Realtors interviewed for this report say that lack of financing is the single biggest roadblock to private acquisition and management of foreclosed housing. The Alaska housing market has not been blessed with the confidence of lenders and mortgage insurers during the past few years, and many appear reluctant to get involved in untested housing loans, says a former banking official. "It makes it doubly hard for anybody to get anything out of the ordinary," he says. That's where a loan guarantee program for group homes could help relieve much of the risk from lenders, and strong use of AHFC-financed remodeling could help reduce annual debt service payments -- making the loans more manageable for borrowers.

It's always easier to learn from actual experience, and proponents of converting foreclosed property for senior housing should learn a lot from a pilot project that will use the same housing for chronically mentally ill persons. The legislature last year appropriated about \$2.5 million for the pilot project, with the first group homes scheduled to open in February 1989. The money was appropriated to the Division of Mental Health and Developmental Disabilities, which will transfer funds to the Alaska State Housing Authority, which will search for appropriate foreclosed properties in each community. As explained by mental health officials, the division will select grantees to operate the non-profit group homes. The grantees will work with ASHA to select properties for conversion and the housing authority then will offer grantees several properties for consideration. In addition to paying for the

properties, the legislative funding will be used for remodeling expenses. The properties will be deeded to the grantees for their use, as long as they remain in the program. Operating funds for the group homes will be handled separately, with the division expecting to pay about \$1,400 per month per bed (much more than the state is willing to pay for adult foster care beds).

The division expects the \$2.5 million will pay for housing acquisition, remodeling expenses and operating funds for about 75 chronically mentally ill persons. The statewide need is estimated by the division at between 1,000 and 2,000 persons.

The pilot program is moving ahead with its review of foreclosed properties. Large single-family homes, condos, zero-lot lines and multi-family dwellings are on the shopping list, according to mental health officials. The legislative intent was to look at taking foreclosed properties off the market, relieving some of the downward pressure on real estate prices. "That's what we intend to do," says Gary Mandzik, who is working on the project for mental health. The ASHA employee assigned to help select properties for the project is not convinced that condos are such a good idea. She says the long-term commitments of condo ownership, including monthly fees, homeowners association membership rules and owner/occupancy limitations, make condos unsuitable for conversion to group housing.

AHFC and federal housing loan agencies generally require that owners occupy at least 70 percent of the units at a condo project, and if the project falls below that percentage it is no longer eligible for state or federal housing loans. Too many renters is a bad sign for a condo project, the agencies say, and they don't want to make

loans on a project that may be failing or dropping in value. Alaska Permanent Fund Executive Director Dave Rose believes it would be in the best interest of government agencies that hold a lot of foreclosed condos, such as AHFC, to waive the 70 percent owner/occupancy rule to exempt senior housing from the total. Such an exemption would make it more feasible for block ownership of condo units, Rose says, and some projects may be suitable for public-use housing.

Officials of National Partnership Management, a Washington state developer of low-income and senior housing projects nationwide, express similar reservations about condo conversions. Unless the company were able to buy an entire condo project, it might face objections and conflicts from neighboring unit owners. Patricia Carow, of National Partnership, also cited the owner/occupancy rules as a limitation on condo conversion. The company's preference, she says, would be to find a small condo project of about 16-20 units and take over the entire operation, thereby eliminating many of the problems of shared ownership with other individuals at the project.

As for converting several duplexes or other housing units for senior housing, National Partnership believes the units would have to be located close together for the projects to be feasible. Any senior housing project needs an on-site manager and regular maintenance, Carow says, and if the units are spread out the management work becomes "a real headache." The company sees the best possibility as several multi-family buildings clustered together, such as several fourplexes next door. National Partnership owns or manages 5,400 low-income and senior housing units in the Lower 48 and Alaska (Kodiak, Palmer, North Pole, Ketchikan, Homer, Cordova and Kenai).

COMMUNITY NEEDS

Should money become available, several communities already are waiting in line for new senior housing. More than \$23 million in applications are on file at Community and Regional Affairs, says housing section grants administrator Kay Graham. Although the senior housing grant program ran out of money in 1985, communities that have filed applications in hope of future funding include:

- Anchorage; Cook Inlet Housing Authority, 45 units; \$4.5 million.
- Anchorage; Meridian Living (community non-profit organization), 35 units; \$3.5 million.
- Haines; City of Haines, 18 units; \$1.5 million.
- Homer; Homer Senior Citizens Inc., 24 units, \$2.062 million.
- Kake; Tlingit-Haida Housing Authority, 12 units; \$1.2 million.
- Nenana; Interior Regional Housing Authority, 15 units; \$750,000 in state funding to accompany \$1.583 million already approved from HUD.
- Palmer; Alaska State Housing Authority, 45 units (later reduced to 30 units); \$2.7 million.
- St. Mary's; City of St. Mary's, 8 units; \$800,000.
- Stebbins; City of Stebbins, 15 units; \$1.5 million.

- Yakutat; Tlingit-Haida Housing Authority, 14 units; \$1.4 million.

Although no state grant or senior-citizen-only loan funds are available, there may be \$1.2 million in unused grant money that could be reallocated to a new project, Graham says. \$1.2 million in construction grant funds was previously allocated for a Tlingit and Haida Housing Authority project in Angoon. The project called for the city of Angoon to lease land to Tlingit and Haida for the building on a 50-year term, but the city balked at the lease terms as required by HUD (the federal agency was to have assisted in financing the project and paying rental subsidies). The Angoon project apparently is at a standstill, Graham says, and Community and Regional Affairs could take back the \$1.2 million by administrative action and award it to another project or projects by competitive selection.

Just as senior housing advocates are hoping for state financial assistance, they also are looking toward the federal government for help. HUD has been contacted by several communities and private developers looking for funding and operating subsidies for senior housing projects in Alaska, says Anchorage HUD official Arlene Patton. In addition to the Alaska Housing Authority's Palmer application and the Interior Housing Authority's proposal for Nenana, Patton says the Bristol Bay and Aleutian housing authorities have asked about HUD financing.

As part of this report, the Older Alaskans Commission wrote every city and regional housing authority in the state, asking for information on community needs assessments. Based on the replies to that request and information from HUD and Community and Regional Affairs, we prepared the following list.

Aleutian Housing Authority

The housing authority already operates a 14-unit senior apartment building at St. Paul and wants to build a 20-unit project at Sand Point. Looking for HUD financing, the authority originally requested money through the public housing authority program, but this year is changing its request to the Indian housing program. The Sand Point project is estimated at \$2.5 million to \$3 million. Officials say the primary reason for going after HUD financing is the accompanying operating subsidy that the federal agency provides. "The project would not operate on its own. They are traditionally low-income families out here." Sand Point was selected for its central location to several Aleutian villages.

Bristol Bay Housing Authority

The authority currently operates a senior project at Dillingham, and two years ago submitted an application to HUD for funding for Naknek. The Naknek application was rejected due to lack of funding. The village of Tbgiaik recently approached the authority for assistance in developing senior housing for that community.

Homer

The non-profit community group that operates the existing 24-unit senior apartment building in town is seeking funding for a 24-bed addition for residential care. The group received a 1984 state grant for land acquisition and planning for the addition, but has been unable since then to obtain state funding for construction.

Interior

There has been a lot of recent activity among proponents of senior housing for Interior villages. A 1987 report was prepared for Denakkanaaga Inc., which was established in 1983 to serve as the elders' organization for Athabascan Indians. The 1987 report reviewed health care needs of village elders and found "that both homemaker/chore services and home health care services were not available in sufficient quantity to meet the needs of the rural elderly population." The report recommends increased funding for these supportive services because they meet the day-to-day needs of the elderly living in their home villages, and "because the absence of such services can be very costly." In addition to recommending increases in training and funding for supportive services, the report found that demand on the Tanana Elders Residence facility soon will exceed its ability to house village elders and planning should begin for additional residential care beds to serve the Interior. One suggestion is the opening of small "personal care homes" located in regional centers. The homes, as recommended, would accommodate three to five seniors, and are proposed for Fort Yukon, Tok and Galena.

The Tanana Chiefs Conference in June 1988 proposed several recommendations dealing with long-term, non-institutional care for village elders. Among the recommendations were:

- Repairing and upgrading seniors' homes to reasonable standards. Quality housing is essential if seniors are to remain in their villages, the report says.
- Increased homemaker and health aide services in villages.
- Development of small, personal care group homes for each region's seniors in Fort Yukon, Galena and Tok, where regional health clinics already are located. It is estimated that each home for four or five seniors would cost \$200,000 to construct or purchase and renovate, with operating expenses at \$25,000 per year per resident.

The Denakkanaaga board of directors in June 1988 adopted several resolutions on senior housing, including recommending construction of a community residence for elders in Kaltag and support for the regional personal care homes as proposed by the Tanana Chiefs Conference.

Interior Regional Housing Authority

The authority does not currently operate any senior housing, but is getting close. It has purchased land, done soil tests and hired an architect for a 15-unit senior apartment building at Nenana. HUD has reserved \$1.383 million in construction money, and federal rental subsidies would be included if the authority can find the \$750,000 in additional construction funds it needs to complete its budget. Nenana does not have any low-income senior housing. The Upper Tanana Development Corp. of Tok has asked the regional authority for help in planning a senior housing project for that community, and the authority last year submitted an application to HUD for senior housing at North Pole. The application was rejected due to a lack of proven need, and the authority now is gathering more housing applications and letters of cooperation from the city and borough to support a new request to HUD.

Juneau

A survey conducted by the Juneau Commission on Aging in December 1988 showed that the most desirable housing option for seniors who no longer could live at home would be an independent-living apartment building, similar to the existing state housing authority project in town. However, unlike the state-operated apartments, seniors said they would prefer housing without any income restrictions -- which means no federal operating subsidies to hold down costs. Middle-income housing also showed up as a common request, for those who could not qualify for low-income housing, as did the need for nurses and a cafeteria on site. Second to independent living was the option of residency at the new Pioneers' Home.

Kenai

An April 1988 feasibility study and schematic design for the city of Kenai recommended construction of a 40-unit senior apartment building, at an estimated cost of \$6.364 million. The facility, as proposed, would offer more services than independent apartments, but less than residential care. The report stated: "There is a strong need for housing which offers services beyond independent living. Several seniors who do not qualify for subsidized housing desire affordable living arrangements." The report also noted that many seniors responding to the needs assessment survey said "they do not want this project to be a subsidized housing project with governmental financial restrictions for occupancy." The report's draft budget for the 40-person residential center assumes full grant funding for construction costs; there is no debt service in the budget. Rents would vary from \$400 a month for an efficiency apartment to \$525 for a two-bedroom unit. The proposal includes a six-person residential care unit, at the rate of \$1,200 per month per person.

Palmer

A June 1988 elderly housing needs assessment study for the city of Palmer says 44 senior housing units could be used immediately in the Matanuska-Susitna Borough. That number was based on survey results that showed 44 seniors (8.7 percent of survey respondents) "would seriously consider senior housing." Seniors responding to the

survey said they would prefer two-bedroom units, along with single-family homes or small, multi-unit buildings. The survey results placed "affordable" rent for senior housing in the range of \$200 to \$400 a month.

Pilot Station

The community of 450 wants a senior housing project to keep its elders in town, instead of making them leave for senior housing in urban areas. Mayor Richard Oney says there are 15-20 seniors in town, with at least half a dozen willing to move into senior housing. Oney says the housing also is needed for women who are abused or thrown out of their house when their husbands drink too much. Because of the low-income status of Pilot Station residents, the housing would have to be subsidized, he says. Oney adds that if more supportive services were available, such as cutting firewood and carrying water, more seniors would be able to stay in their own homes longer.

St. Mary's

The community of 500 people in the Lower Yukon area has been working for the past four years to obtain state funding for a 15-bed senior housing/nursing home/health clinic. It would be operated by the city, working with Sisters of Providence of Anchorage, says St. Mary's Mayor Frances Thompson.

WHAT PRIVATE DEVELOPERS ARE DOING

Federal loan programs are available for private developers to build and operate low-income housing, and although most public housing in Alaska is operated by public authorities and non-profits, there are several real estate partnerships in the market. A few operate senior low-income housing.

The four local real estate partnerships that operate senior housing in Alaska (as listed in the existing housing section of this report) are small and operate only the one senior project in their home community.

Among larger low-income housing developers, Frantz Development Co., of Hayden Lake, Idaho, already operates half a dozen low-income housing projects in Alaska (subsidized by the Farmers Home Administration), and is looking to expand its presence in the state. The real estate partnership is considering new low-income housing projects in Sitka and Seward. Marty Frantz says the applications for Farmers Home loan and operating subsidy money will be for a mix of senior and family housing. "I know there's a demand for senior housing up there," Frantz said, "but trying to get those seniors to talk is tough." It is essential to prove a need for new housing to secure federal financing, and Frantz has found Alaska seniors

reluctant to sign survey forms indicating a need for senior housing. The company expects to submit an application soon to Farmers Home for its proposed Sitka project. None of its existing Alaska projects are senior-only.

National Partnership Management, of Bellevue, Wa., also operates low-income housing in Alaska (10 projects here and about 5,400 units nationwide). The company is looking to expand in Alaska and is collecting letters of interest from Ketchikan area seniors to support its application for a federally-financed senior housing project in that Southeast community. Patricia Carow, of National Partnership, says the company wants letters from 50 seniors before it will apply for financing for a 25-unit project. The project would offer independent apartments, with no support services. Carow says the company believes senior housing is not financially feasible in Alaska without government rent subsidies, such as offered by HUD and Farmers Home. Private financing is hard to get without at least a government guarantee on the loan, she says. National Partnership believes a live-in manager and regular maintenance are essential, and any project must be large enough to support the expense of such full-time staff. None of the company's 10 Alaska projects are seniors-only.

At the higher-income range of senior housing, "continuum of care" is commonly used these days by private developers active in the middle- and upper-income senior housing markets. The idea is to offer seniors a living situation where they can remain as they get older and need more care. They can start in semi-independent living, with meals, housekeeping and occasional personal care assistance, and then gradually, as needed, receive more services through full, 24-hour personal attendant care with intensive medical supervision (skilled nursing or hospice care can be brought in by the residents at their own cost). These residential care centers do not come cheap, especially when compared to the subsidized rates of Alaska's Pioneers' Homes.

Such a facility is Regency Park in Portland, Ore. Opened in 1987, Regency Park was built by private developers -- with an attractive public bond loan -- and offers 127 apartments for seniors. After more than a year, the project is about 85 percent full. Rents range from \$1,375 a month for the least intensive level of care in a studio apartment to \$2,434 a month for the highest level of care in a one-bedroom apartment with a den. Health care is not

included in these fees.

Marriott Corp. recently announced plans to open six "catered living" communities within the next two years, at sites across the country. The projects will cater to seniors who want independent living, but need medical supervision. Each center will have about 100 suites, ranging in rent from \$1,200 to \$3,000 a month. A significant one-time deposit also will be required.

Nationwide, there are financing and marketing problems with life-care communities and other such large-scale, multi-service retirement centers. Realistically, those problems make it unlikely that such a facility would ever be constructed in Alaska. The huge capital cost of such facilities dictates that they be large -- the average size is in excess of 300 residents, says the American Association of Homes for the Aging. Alaska just isn't big enough to fill a 300-bed facility. Health care and personal care costs are high, limiting the centers to high-income seniors. A New Jersey facility reports its medical and nursing care costs exceed Medicare coverage by about \$6,000 a resident per year.

PRIVATE FOUNDATIONS

There are several private foundations involved in senior housing issues nationwide, with grants funds available for pilot projects and start-up funding for new programs. Although we did not find any Alaska groups to have received such grants in recent years, the work that is funded by these foundations can benefit Alaska's senior housing programs. And, Alaskan organizations are eligible to apply for direct funding from the programs. A sampling of private foundations that fund senior programs includes:

Robert Wood Johnson Foundation

The Robert Wood Johnson Foundation has funded a \$4 million initiative designed to help senior housing agencies get past the "bricks and mortar" stage of subsidized housing. Selected state housing finance agencies this year will begin a three-year effort to design and implement supportive service programs for seniors living in subsidized housing projects, using the foundation's \$4 million in grant funds as seed money. The pilot projects will concentrate on assisting elderly persons who have aged in place and require more support to remain in their independent living apartment. The foundation expects that after its grant money runs out in three years, the extra cost of the new supportive services will be paid by the state housing agencies or other housing offices. The programs will include more training of housing managers and staff to help them cope with the needs of elderly residents. Tenants also may be asked to pay fees for some services, based on their income, to help meet expenses not covered by the grants.

Fred Meyer Charitable Trust

The Fred Meyer Charitable Trust offers grants under its Aging and Independence program, designed to promote the well-being of seniors and helping them live outside institutions. Although no Alaska agencies have received grants in the first four years of the program, Alaskans are eligible to apply under the program's guidelines that provide funding for projects that:

- Support the family as the primary provider of care for the elderly.
- Demonstrate new ways to provide services that enable elderly persons to remain in their own homes.
- Promote easier and fuller access for seniors to existing services.
- Harness volunteer and para-professional talents for senior services.
- Address the special needs of isolated seniors and minority elders.

Kaplan Cooperative Development Fund

The Kaplan Cooperative Development Fund (based in Washington, D.C.) offers pre-development loans "to support housing cooperatives and related services for older persons." The fund is part of the National Cooperative Business Foundation, and its loans are available for low- and moderate-income senior housing projects. Applicants

must show that other matching funds have been or will be received for the project in order to qualify for the loans. The Kaplan Fund describes eligible cooperative housing projects as those owned by the residents of the units.

Housing Assistance Council

The Housing Assistance Council is a national non-profit corporation funded by federal grants to assist in the development of housing for rural low-income people. The

council provides seed money loans for new projects, technical assistance, research, training and information services to public, private and non-profit housing agencies. Applications may be made to the Washington, D.C. council for help in land acquisition, zoning, water and sewage systems and engineering matters connected with rural housing development. Assistance in applying for federal loans and operating subsidies is available, as is training in federal housing programs.

STATE AND FEDERAL AGENCIES

U.S. Department of Housing and Urban Development

HUD is the largest player in government financing of senior housing. It provides direct cash funding, loans, loan guarantees and operating (rental) subsidies under several different programs aimed at low-income tenants, nursing homes, private developers and public and Indian housing authorities. Subsidy money, however, does not come without strings. Senior housing built with HUD money must adhere to federal income guidelines. In Alaska, that means a single person's annual earnings may not exceed \$24,150 for a low-income project. For those projects classified for the very low-income, the maximum allowable annual income is \$15,500 to \$21,750, depending on the community. If seniors earn above those figures, they are ineligible for the housing. Rent is set at 30 percent of a tenant's adjusted gross income.

The largest senior housing program operated by HUD is Section 202, offering direct loans for housing of the elderly and handicapped. Non-profit organizations may apply for long-term, low-interest loans, with operating subsidies available to allow rents tied to tenants' income. Projects financed under this section are open to seniors at least 62 years old and handicapped persons between 18 and 62 years of age.

Arlene Patton, of HUD's Anchorage office, says Section 202 loans will not pay for some of the amenities desired by many senior housing advocates, but non-HUD money may be combined with federal financing to cover those portions of the project. Patton says the program should be considered particularly attractive for senior housing proponents because of its direct loans instead of loan guarantees; because of the operating subsidies that accompany Section 202 senior housing; and because non-HUD money can be used to pay for supportive services not covered by the HUD money. Residents could pay the HUD-prescribed percentage of their income as rent, and then pay separately for additional supportive services.

In addition to offering operating subsidies for low-income projects, HUD also offers mortgage insurance for middle-income housing. The concept behind the insurance is that the federal guarantee can be used to encourage private lenders to participate in moderate-income

housing development, without taking all of the risk of an uninsured loan.

In addition to the direct aid of Section 202 loans, other HUD programs offering senior housing assistance include:

- Federal mortgage insurance for cooperative housing (Section 213). HUD insures mortgages made by private lending institutions for cooperative housing projects of five or more units to be occupied by members of a non-profit, cooperative housing corporation. New construction, purchases of existing units and rehabilitation costs may be covered under the program.
- Federal mortgage insurance for multi-family housing (Section 207). HUD insures mortgages made by private lending institutions for the construction or rehabilitation of multi-family rental housing by private or public developers. Housing financed under this program must offer "reasonable rents." The program is open to investors, builders and developers.
- Federal mortgage insurance for multi-family rental housing for moderate-income households (Section 221(d)(3) and (4)). Public agencies, non-profits, cooperatives, private developers and investors are eligible for this program, which uses federal mortgage insurance to encourage private lenders to finance construction or rehabilitation of rental and cooperative housing for moderate-income tenants.
- Technical assistance and seed money loans to non-profit sponsors of low- and moderate-income housing (Section 106). In addition to technical advice, HUD offers start-up loans to cover 80 percent of preliminary development costs. Current regulations limit this program to those non-profits sponsoring housing for the elderly and handicapped.
- Rental assistance payments (Section 8) are available to low-income and very low-income households. Under the program, HUD makes up the difference between what a low-income household can afford to pay for rent and the actual fair market rent for the housing unit. The program allows tenants to choose their own

housing on the private market from among those rental units approved for the program by HUD. Many senior housing projects funded under the Section 202 loan program are included in the Section 8 rental assistance program.

- Mortgage insurance for all income levels of housing for seniors and handicapped people (Section 231) allows HUD to back loans made by private lending institutions. HUD may insure up to 100 percent of project costs for non-profits and public agencies, and up to 90 percent for private developers. Investors, developers, public agencies and non-profits are eligible for the program, which covers new construction and rehabilitation of existing units.
- Mortgage insurance for nursing homes, board and care homes and intermediate care homes (Section 232) is offered to private developers, public agencies and non-profits. Loan support is limited to nursing homes of 20 or more beds, or board and care homes of at least five beds. Equipment needed to operate the homes may be included in the loan package. Adult family care homes (foster care) may qualify under this program.
- Several other programs are aimed specifically at public housing authorities and Indian housing authorities. Technical assistance, operating subsidies and construction money are offered under the programs.

Patton says HUD funding is based on need, not just want. "Applicants must show a need for new housing," she says. "Where there is such a glut of housing, need becomes an important factor," she says of those areas in Alaska with hundreds of vacant housing units. She says the agency is reluctant to fund new construction in those areas and instead would prefer to spend its money financing acquisition and remodeling of existing housing. The reluctance to fund new construction does not apply to rural areas of the state with a shortage of decent housing, Patton says.

U.S. Farmers Home Administration

Farmers Home operates a loan and rental subsidy program (Section 515), which assigns senior housing as its top priority. The program is offered only in rural cities (under 20,000 population), eliminating Anchorage, Fairbanks and Juneau from the program. Still, the rest of the state can participate in the 50-year, low-interest loans and rental assistance that sets rents for low-income seniors at 30 percent of their income.

Although the program is open to private developers, government agencies and non-profit organizations, developers usually do not enter the program because of limited return on their investments and tight federal controls, said Ron Abbott, of Farmers Home Alaska office in Palmer. Just as with HUD financing, a big hurdle in obtaining Farmers Home money is proving that the new housing is needed, says Abbott.

Senior housing projects have been built in Wrangell, Petersburg and Kenai under the program, which has about \$2 million in loans available in fiscal 1989 for Alaska, plus matching rental assistance for 30 units of new construction, Abbott says. Farmers Home had a similar \$2 million appropriation available for Alaska last year, but it went unclaimed. There was no need for new housing due to the glut of units already available on the depressed market, Abbott says. No one even bothered to apply for the fiscal 1988 funding, he says, adding that there were no serious inquiries into last year's money because no applicant could justify the need for new construction and apparently no one was willing to take the risk.

Just as with HUD, Farmers Home funding is subject to congressional appropriation, so there is no guarantee that Alaska will be allocated \$2 million annually in subsequent years. "The rental assistance is what we're really short of," Abbott says, noting that a senior housing project may be constructed with Farmers Home loan money and then subsidized with HUD rental assistance. Or, project developers may charge full rent to pay their operating expenses if federal rental assistance is not available.

In past years, Abbott says, there appeared to be little interest in the loan program because of the easier availability of state grant funding -- which comes without the income limits imposed on tenants of federally financed projects. He expects that will change, now that state funding is much tighter. State funding may be combined with Farmers Home loan funds, he says, which is what happened with the Wrangell senior project built by a local non-profit organization.

Private developers are looking at possible projects in Sitka, Seward and Ketchikan for fiscal 1989 funding, Abbott says. Seward would be the most likely to get in its application this year, because it already is in the agency's pre-application stage for a 24-unit, low-income project (split evenly between one-bedroom and two-bedroom units). The project would not be limited to seniors, but they would be eligible if they met the income guidelines.

Alaska Housing Finance Corporation

AHFC's role in home loan financing is mostly limited to owner-occupied dwellings, taking it out of the running for many senior housing projects. Still, adult family care (foster care) homes and cooperative group homes where the owner lives on the premises could qualify for AHFC loans. The agency's main role would be that of a supplier and seller of foreclosed properties for use as small senior housing projects.

The agency will consider making repairs or remodeling its properties and then rolling those costs into the final purchase price, allowing buyers to pay back the costs as part of the long-term mortgage instead of a separate, short-term secondary loan on the property. This could be helpful to adult family care and group home operators

who face the high cost of remodeling foreclosed properties to meet senior living needs.

Alaska State Housing Authority

ASHA uses HUD money to subsidize the rents at its low-income housing projects, and adds to that federal funding the option of state bond sales to finance new construction. ASHA operates 16 senior housing projects statewide, with more than 670 apartments for independent living. It does not provide supportive services or operate residential care facilities -- its job is low-income, independent housing. In addition to senior housing, ASHA operates dozens of low-income family housing projects across the state.

The agency could sell bonds to build non-subsidized, middle-income senior housing, says Ray Price, ASHA executive director, but he questions if the elderly would be willing or could afford to pay the high rents required to pay the mortgage on new construction. He also says it's difficult to consider any new middle-income construction at this time, looking at the over-supply of housing already on the market.

ASHA's other role in senior housing could come from helping non-profits finance their own, local projects. The state agency could sell revenue bonds and then loan the bond proceeds to a non-profit for financing of senior housing. Rental receipts earned by the non-profit would be used to repay the ASHA loan, with the agency then using the income to pay off the bonds. This arrangement was put together for financing a low-income housing project at Eagle River, Price says, but it is feasible only if the non-profit organization is able to secure HUD loan guarantees for the project. "We wouldn't do that unless there was a guarantee," he says.

Alaska Department of Community and Regional Affairs

DCRA operated a cash grant program for senior housing, but legislative funding ran out in 1985. Despite the four-year drought, 11 applications are on file from communities hoping for state grants for senior housing projects. The department could possibly take back \$1.2 million in unused grant funds from a proposed Angoon project that has stalled over a land lease dispute. If the money is retrieved, says Kay Graham, of the department's housing section, it could be awarded by a competitive proposal process to other cities ready to build senior housing construction.

The department's Rural Development Division administers a HUD-financed rental rehabilitation program for Juneau and Fairbanks that could be used by senior housing landlords. HUD limits the program only to those communities ineligible for Farmers Home funding, meaning Anchorage, Fairbanks and Juneau. Since the Municipality of Anchorage receives HUD rental rehab loan money directly, the state has just Fairbanks and Juneau to administer. Funds are very limited, with about \$81,000 a year available at 3 percent interest for rental rehab projects in the two cities. Property owners must match the loan money 50-50 with other funds to qualify for the assistance, and their units must be rented to low-income tenants. DCRA has asked HUD to expand the program to other cities in the state.

DCRA also administers the state's housing weatherization program. About \$4.6 million is available for the 1988-89 contract year (ending March 31) from federal and state sources. The demand for weatherization work far exceeds funding, says Toy Owen, of the department's Rural Development Division. "We could probably run a \$10 million a year program," he says. This year's \$4.6 million will pay for work on about 2,000 units. Seniors (age 60 and older) and the handicapped receive first priority for the funding, Owen says. The department contracts with the Municipality of Anchorage, Tanana Chiefs Conference, RuralCAP and other non-profits to do the work, with assistance limited to those persons who meet federal income limits. Work is limited to \$1,600 per housing unit. The biggest problem facing the popular program is the reality of losing its largest single contributor. Almost half of this year's money comes from Alaska's share of a federal settlement of a national oil price overcharge case against Exxon. That money will end next year, and unless replacement funds are forthcoming from state or federal treasuries, the weatherization program will have to severely cut back its annual workload, Owen says.

Alaska Industrial Development and Export Authority

AIDEA cannot handle housing loans; commercial loans are its only business. In the senior housing market, nursing homes, semi-independent care facilities and other commercial ventures could be eligible for AIDEA loans, says Executive Director Burt Wagnon. The agency does not make direct loans; instead, prospective borrowers first must sell their proposal to a private lending institution and then AIDEA may purchase up to 80 percent of the loan from the lender. This reduces the risk to the lender and makes the loan more attractive, Wagnon says.

WHAT OTHER STATES ARE DOING

Many aspects of other states' senior housing programs would not apply to Alaska, because of the limited population and small market here. Still, many ideas are worth considering, even if they have to be "Alaskanized" to fit the 49th state.

Joint state and federal funding for mixed-income housing

The New Jersey Housing and Mortgage Finance Agency sold \$5.5 million in tax-exempt bonds to help finance construction of a large housing project that will include some senior housing units. In addition to providing loan money, the housing agency gave the developers a \$1 million Affordable Housing Program grant, securing a promise that 160 of the 162 units would be reserved for low- to moderate-income households, including seniors and handicapped persons. In return for the grant and low-interest financing, the developers had to promise to keep the low- and moderate-income units for at least 25 years, rather than raise the rents and earn more from high-income tenants. The combined \$6.5 million in state loan and grant money helped the developers win more than \$4.2 million in federal housing development funds to complete financing for construction of the project.

Renovation of unused buildings for senior housing

A former convent in Maryland was remodeled to provide 24-hour supervised living for 15 frail seniors, avoiding the problems of moving the people to an expensive nursing home away from their neighborhood. The city provided \$26,000 for planning, made zoning changes and provided bus service; the county gave \$250,000 for remodeling, with another \$20,000 from private donations. The church donated the building.

A 55-year-old grand hotel in downtown Dayton, Ohio, was purchased by a private developer after it had been closed for 10 years. The developers remodeled the building into 230 units of federally subsidized independent housing for low- and moderate-income seniors. In addition to using the old hotel rooms, the developer had a lot of surplus space available from the old ballroom areas.

Working with the city and local seniors, the developers donated 12,000 square feet to the Downtown Senior Citizens Center on a 20-year agreement for use as a central kitchen for federally-funded senior meals, offices and health screening facilities. Clinic space was donated free of charge to a hospital, which agreed to provide health services.

A combination housing project, senior center and commercial development grew out of a failing shopping center in Colorado Springs, Colorado, in the mid-1980s. Owners of the shopping center donated the property to the city in 1984 and the city responded by putting \$400,000 of federal grant funds into the facility, along with \$400,000 raised by local seniors from private sources. The large grocery store was converted to a senior center and the smaller stores were filled up with vendors supplying goods and services of primary benefit to seniors. The city then assisted a non-profit organization in securing a HUD loan to construct a senior apartment building in the shopping center's former parking lot.

Financing options

Colorado provides financing for senior housing projects through the sale of bonds by the state's housing finance agency, but the agency's attention to the aging-in-place needs of seniors makes it unusual in its lending practices for independent apartments. The agency's loan program takes special care to allow for larger apartments and facilities for group meal service and supportive services, so that residents are not forced out of the housing as their health needs change and they require more services.

The North Carolina housing finance agency offers qualifying non-profit organizations help in the form of up-front appropriations for land, architectural and engineering fees and the use of a reserve fund for construction cost and operating overruns on senior housing projects.

Connecticut offers developers an incentive to obtain federal aid; state money is available to reduce construction costs for each low-income unit built in a project that includes federal dollars.

SENIOR HOUSING SURVEY

SENIOR HOUSING AND SUPPORT SERVICES: AN ASSESSMENT

Alaska's senior population - age 65 and older - is one of the fastest growing age groups in this state although these seniors represent the smallest senior group in the nation. As a result Alaska has the distinction of having both the smallest and the fastest growing elderly population of any state.

Current estimates by the Alaska Department of Labor place Alaska's 1987 senior population at 19,194 (Table 1). That means Alaska's senior population has grown by 66

percent since 1980. If Alaska's population continues to age as projected, it is possible Alaska's age 65 and older could double in the next 15 years.

As Alaska's overall population ages or "grays" several questions come to mind. How satisfied are seniors with their current housing? What support services/programs allow seniors to remain in their own homes? If seniors decide to move, does adequate housing exist to accommodate their needs?

Research Design

To help answer these and other questions regarding senior housing, a questionnaire was developed by the Older Alaskans Commission (OAC) and mailed to a random selection of 2,018 seniors throughout Alaska who receive the Alaska Longevity Bonus. This sample population was selected from 17,743 who received the Longevity Bonus in October of 1988. Longevity Bonus recipients were selected as the sample population because these seniors represent roughly 94 percent of the estimated senior population in Alaska.

Special assistance by OAC staff, OAC Project Directors and city officials was provided to those seniors with questions or required help in completing the questionnaire. In addition,

the questionnaire was translated into Yupik by OAC Project Directors in specific areas. Other assistance was provided by the Senior Voice and city/village newspapers which ran special articles describing the project and encouraging seniors to complete and return the questionnaire.

Of the 2,000 questionnaires mailed, 36 percent or 720 questionnaires have been returned to date. It should be noted that the response rate for each question varies; consequently missing data (where seniors chose not to answer a question) reduced that number (N = 720) for different questions.

Table 1
ALASKA'S SENIOR POPULATION

Borough and Census Areas	1987 Age 65+ ¹ Population Estimates		Questionnaires Mailed	
	Seniors	Percent	Number	Percent ²
Anchorage Borough	6,782	35.3	661	33
Fairbanks North Star Borough	2,208	11.5	244	12.1
Kenai Peninsula Borough	1,654	8.6	152	7.5
Matanuska-Susitna Borough	1,488	7.8	160	7.9
Juneau Borough	1,233	6.4	126	6.2
Ketchikan Gateway Borough	782	4.1	86	4.3
Bethel Census Area	611	3.2	63	3.1
Wrangell-Petersburg Census Area	474	2.5	44	2.2
Sitka Borough	473	2.5	41	2
Yukon Koyukuk Census Area	436	2.3	42	2.1
Kodiak Island Borough	405	2.1	41	2
Valdez-Cordova Census Area	395	2	46	2.3
Nome Census Area	375	1.9	58	2.9
Dillingham Census Area	261	1.4	49	2.4
Northwest Arctic Borough	256	1.3	40	2
Skagway-Yakutat-Angoon Census Area	227	1.2	29	1.4
Wade Hampton Census Area	230	1.2	30	1.5
Southeast Fairbanks Census Area	212	1.1	21	1
Prince of Wales-Outer Ketchikan Census Area	198	1	28	1.4
North Slope Borough	190	1	19	.9
Haines Borough	150	.8	19	.9
Aleutian Islands Census Area	116	.6	14	.7
Bristol Bay Borough	37	.2	5	.2
Total Number (N) of Seniors	= 19,194		N = 2,018	

1 Source: Alaska Dept. of Labor, Research and Analysis

2 Percent of total number of questionnaires mailed (N = 2,018).

Questionnaire recipients selected from ALB list for October 1988 (N = 17,743).

Summary of Senior Housing Survey

The senior housing questionnaires returned to date have provided the Older Alaskans Commission a beginning point in understanding senior housing in Alaska - where seniors live; how they feel about their present housing; what community support services are important; and what housing alternatives they would choose. While caution should be used in generalizing the results of this study to Alaska's overall senior population, the OAC's findings provide a beginning point in understanding housing needs which ultimately should lead to the formation and development of sensible housing policy for our seniors.

The findings of this study are presented below:

- Almost 50 percent of the seniors in this study fall within the 65 to 69 age range;
- Forty-seven percent are male and 52 percent are female;
- The greatest percentage of seniors reported personal income between \$10,001 and \$20,000; Social Security, savings/investments and retirement benefits are the chief sources of income for these seniors;
- Sixty-five percent of the seniors in this study live in single-family homes;
- Those seniors who live in single-family homes generally have lived in those homes for more than 10 years and have lived in their respective communities for much longer (over 20 years);
- Seniors who reside in housing other than single family homes (e.g., apartments, mobile homes) generally have lived in their homes for less than 10 years -- however, like those seniors who live in single family homes, these seniors have lived in their communities for a much longer period of time;
- Over 70 percent of the seniors in this study were found to own their homes, 20 percent pay rent and 1.7 live with children or relatives;
- As would be expected housing costs vary across different Alaskan communities, but those costs appear to be within seniors present means;
- Seniors present housing costs may affect their perception of housing costs in general; that is, seniors may experience "price shock" when considering housing alternatives;
- Seventy-seven percent rated their present housing as either "excellent" or "good";
- Those seniors who appear most dissatisfied with their housing live in single-family homes in small, rural villages (Level I communities);
- Factors which result in a high degree of housing satisfaction are: privacy, rooms with many windows, enough living space for needs, close to people, housing costs, security, recreational facilities nearby, well insulated homes, little yard maintenance and, where applicable, building managers;
- The single most important housing factor, however, is privacy;
- Community supportive services play an important role in helping seniors remain in their homes; the top five services are: doctors services, property tax relief, senior citizen centers, public health clinics and public/senior transportation;
- Loan programs for home modification and equity conversion generally do not have wide appeal among persons answering the survey; seniors living in villages (Level I communities) and small towns (Level II communities) did show interest in weatherization programs;
- For the most part, seniors do not "plan" to move from their present housing; when presented with housing alternatives, however, seniors (with the exception of those living in Level I communities) generally chose "independent senior apartments," "ECHO Homes" and "Congregate Living Facilities (residential care)" in that order;
- Seniors living in Level I communities chose "ECHO Homes" as the most preferred housing alternative;
- Factors such as income, sex and health do not appear to change the housing choices of seniors.

The above results show that Alaska's seniors are generally very satisfied with their housing, and, for the most part, "plan" to live in their homes as long as possible. These seniors generally prefer private, independent living situations regardless of age, sex, income and health. When asked to select among different housing alternatives most seniors predictably chose those options which allowed them the most privacy and independence.

Findings

Age and Sex

Combined data for age and sex is presented in Table 2 for those seniors who have returned questionnaires to date. A comparison of this data with current Alaska

Department of Labor census information indicates that, overall, this sample (N = 720) is fairly representative of seniors in Alaska with the exception of those aged 80+.

	1988 OAC SENIOR HOUSING STUDY Percent	ALASKA DEPT. OF LABOR 1987 CENSUS ESTIMATES Percent
Age		
65 to 69	49.4	43.3
70 to 74	29.2	26.2
75 to 79	15.1	16.7
80+	6.3	13.8
Sex		
Male	47.3	45.9
Female	52.7	54.5

This may be explained, in part, by the finding that seniors in the 80+ group were more likely to return the questionnaire unanswered. These seniors gave their age

and indicated the questions were neither applicable to their situation nor were they willing to move from their present housing.

Ethnic Background

The ethnic backgrounds of seniors in this study are shown in Figure 1 and are proportionately similar to that found in a previous study conducted in 1984 by the OAC. In that study, Longevity Bonus recipients (total sample

= 9,897) were asked similar questions regarding housing, community support services and personal information about themselves.

Marital Status

More than 50 percent of the seniors in this study reported they were married (58.4), 27.4 were widowed, 8.8 percent were divorced, 3.7 never married and 1.7 were separated. This compares to the 1984 OAC study

which found that 55 percent were married, 30 percent were widowed, 9 percent were divorced, 4 percent never married and 2 percent were separated.

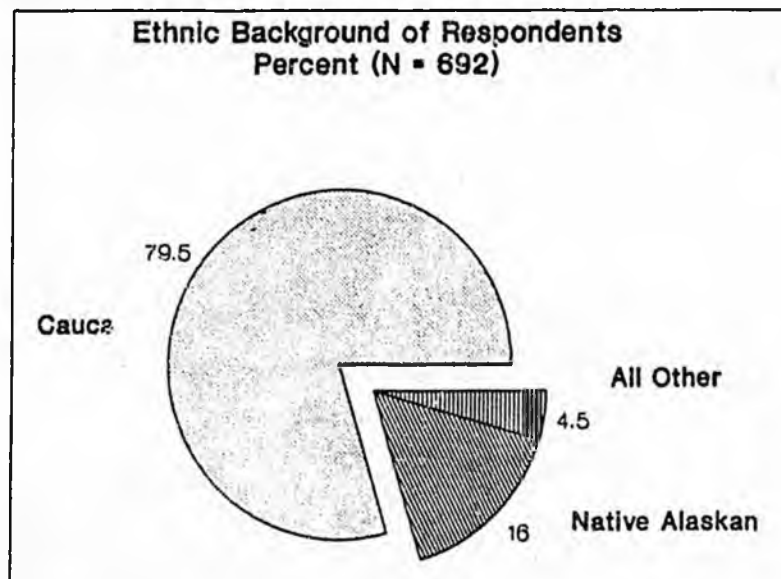


Fig. 1

Income and Income Sources

Figure 2 shows personal income and Table 3 shows the sources of that income for seniors participating in this study. While income here refers only to personal income (does not include all sources such as a spouse), the income reported is comparable to the total income (all sources)

reported in the 1984 OAC study described above. As can be seen in Figure 2, the greatest percentage (32.3) of seniors fall within the \$10,001 to \$20,000 range while about 25 percent of the seniors in this study fall between the \$5,000 to \$10,000 range.

Table 3	
Income Source	Percent
Social Security	89
Savings/Investments	51.4
Retirement Benefits	50.7
Spouse	21.2
Work	15.7
Adult Public Assistance	11.4
Other Family Members	3.2

Community Levels

The OAC's approach to long-term planning relies on the ability to identify communities by "levels" - these levels are defined by certain characteristics (e.g., population, government, economic development, transportation). The following analysis of senior housing utilizes

both the OAC's planning approach to identifying communities by levels and summary data. Levels, community type and number of questionnaires returned from each level is shown in Table 4.

Table 4		
Level	Community	Questionnaires Returned
Level I	Village	87
Level II	Small Town	43
Level III	Sub-Regional Center	70
Level IV	Regional Center	134
Level V	Urban Center	386
		N = 720

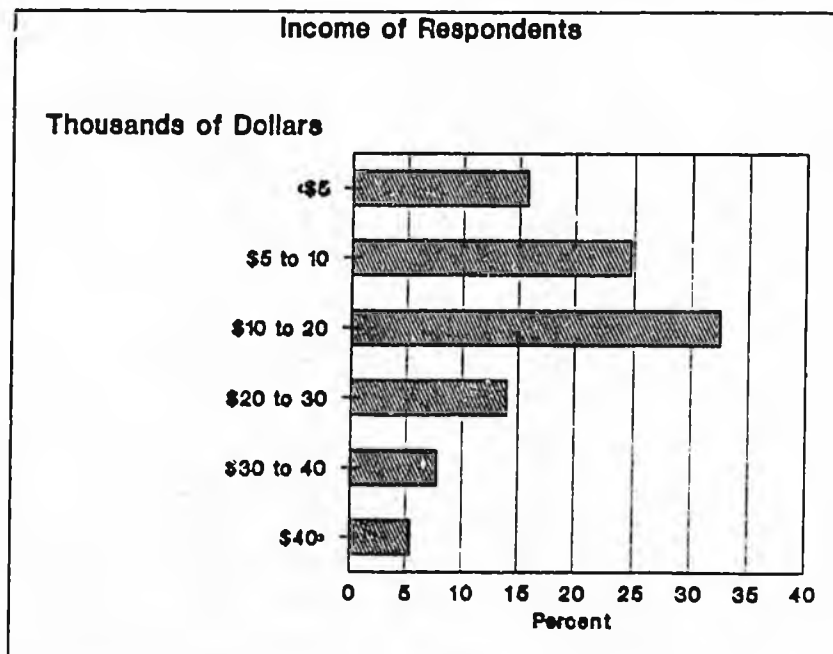


Fig. 2

A description of each level can be found in the Commission's State Plan For Services To Older Alaskans (1988), and examples of communities that fall under each level are shown below.

- Level I: Anaktuvuk Pass, Eagle, Hydaburg, Tanacross, Whittier, Pedro Bay, Ruby, St. Paul, King Salmon
- Level II: Angoon, Naknek, Fort Yukon, Haines, Skagway
- Level III: Cordova, Homer, Petersburg, Wrangell, Dillingham
- Level IV: Barrow, Bethel, Kenai/Soldotna, Nome, Ketchikan, Palmer/Wasilla, Kodiak, Kotzebue
- Level V: Anchorage, Fairbanks, Juneau

Housing

Sixty-five percent (N = 468) of the 720 seniors who participated in this study to date reported they live in single-family homes (Figure 3). This finding is fairly typical of senior housing patterns. A 1986 study by American Association of Retired Persons (AARP) for example, showed that of 1,500 seniors surveyed nationwide in 1986, 70 percent lived in single-family homes.

Of the 468 seniors who live in single-family homes, 45 percent reported they had lived in their homes over 10 years and 38 percent reported having lived in their homes over 20 years. These seniors also reported they have remained in the communities where they presently reside for many years as well. Only 2.3 percent of these seniors reported living in their community for less than one year compared to more than 50 percent who reported residing 20 years or more in their community.

Sixty-nine percent of those seniors who live in apartments, mobile homes, townhouses, duplexes and multiple unit buildings have resided less than 10 years in their homes. Like seniors who live in single-family homes, however, these seniors reported an attachment to their community. Over half of these seniors reported living in their communities 20 years or more.

Written comments by seniors suggests that children and relatives play an important role in keeping seniors in their communities. Fifty percent reported children lived nearby and 58 percent indicated relatives lived nearby.

Overall, 78.3 percent own (or are buying) their homes. Twenty percent rent, and 1.7% do not pay rent. Those seniors who do not pay rent live with their children or relatives.

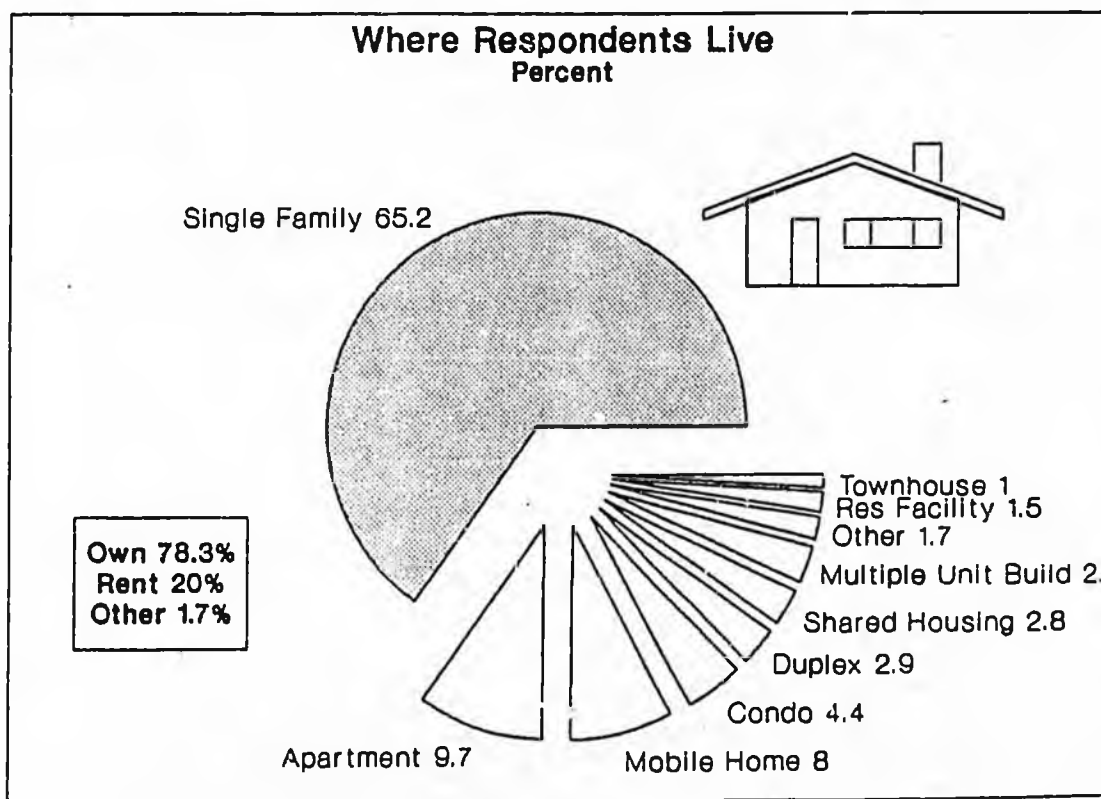


Fig. 3

Housing Costs

Figure 4 shows monthly housing costs across different Community Levels (I to V). Table 5 shows the percentage of seniors who fall within each income level,

and Figure 6 shows seniors' satisfaction with their housing costs; that is, whether they feel their housing costs are affordable.

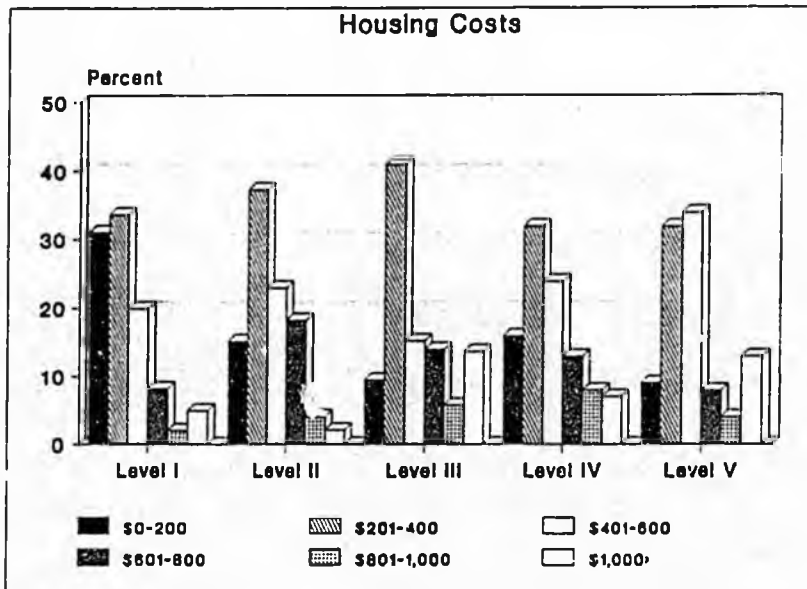


Fig. 4

Income Level	I	II	III	IV	V
<\$ 5,000	37.9	20	6.1	4.8	9.7
\$ 5,001 - 10,000	18.4	32.5	24.5	28.2	19.8
\$10,001 - 20,000	31.1	23	30.7	43.8	33.5
\$20,001 - 30,000	3.4	15	24.5	9.6	17.4
\$30,001 - 40,000	6.9	7	8.1	7.2	9.7
\$40,001+	2.5	2.5	6.1	6.4	9.9

Housing costs (Figure 4) vary across different community levels. For example, a majority of Level I seniors pay between \$0 and \$400 compared to over 60 percent of Level V seniors who pay between \$201 to \$600 per month. Figure 5 suggests these seniors feel their housing costs are within their means. Although further research is

necessary, housing costs/income ratios for seniors in this study may be proportionately smaller than housing cost/income ratio paid by seniors who have not lived in their own homes for many years. This could mean that some seniors may face "price shock" once they decide to seek alternative living situations.

Housing Satisfaction

Overall seniors are satisfied with their housing. Thirty-four percent rated their housing as "Excellent" and 42.7 percent rated their housing as "Good" (Table 6). In regards to different communities, Levels I through IV generally reflect this overall satisfaction although a

small percentage of seniors reported some dissatisfaction at all levels (Figure 6). Level I seniors, however, reported the highest percentage of housing as either poor or bad - those seniors were found to live in single family homes.

Excellent, Very Satisfied	34.3
Good, Satisfied	42.7
Fair, Somewhat Satisfied	16.3
Poor, Not Very Satisfied	3.9
Bad, Not Satisfied At All	2.8

Seniors appear satisfied with their homes based on certain housing characteristics. As can be seen in Table 7 satisfaction ranges from a low of 76 percent for "Extra

Shelves" to 96 percent for "Privacy" suggesting these seniors are generally content.

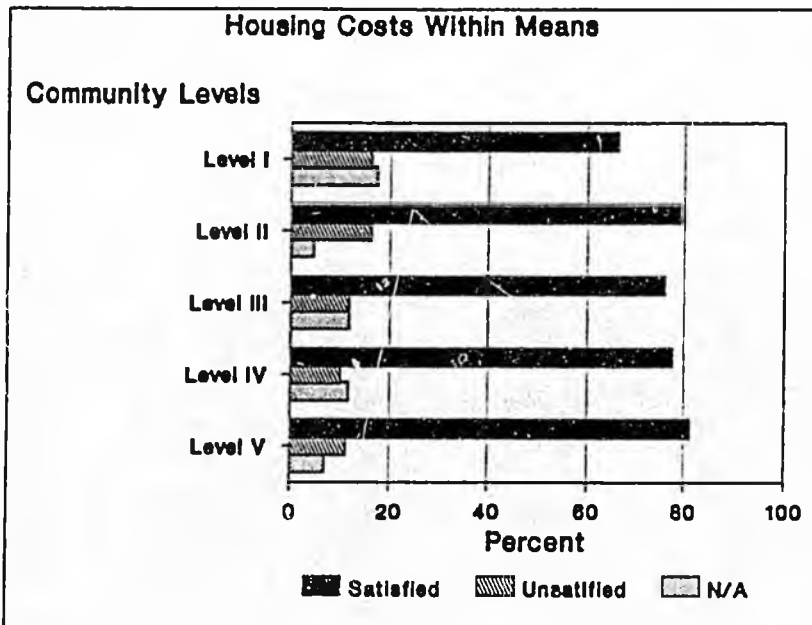


Fig. 5

Housing Factors	Percent Satisfied
Privacy	96
Many Windows	92
Enough Living Space For Needs	89
Close To People	88
Housing Costs Within Means	86
Security	85
Enough Kitchen Space	85
Recreational Facilities Nearby	82
Well Insulated Home	82
Storage	80
Yard Requires Little Maintenance	77
Extra Shelves	76
Building Manager Does Good Job	76

Importance of Community Support Services

Seniors rated 20 community services ranging from property tax relief to information/referral services as either "Not Important," "Somewhat Important," "Important," "Very Important" or "N/A" (not applicable). For the purposes of this analysis, responses were combined for three categories ("Somewhat Important," "Important" and "Very Important") and compared against whether they were "Not Important" or "N/A." Table 8 summarizes this comparison.

Doctor's services, property tax relief, senior citizens centers and public health clinics appear to top of the list of important community support services. Seniors also rated senior and public transportation, information referral, adult protective services, hospital outreach, legal assistance, shopping assistance, group meals, home health aide/nurse and homemaker/chore service as important although a greater proportion of seniors rated these services as not applicable (N/A) to their situation.

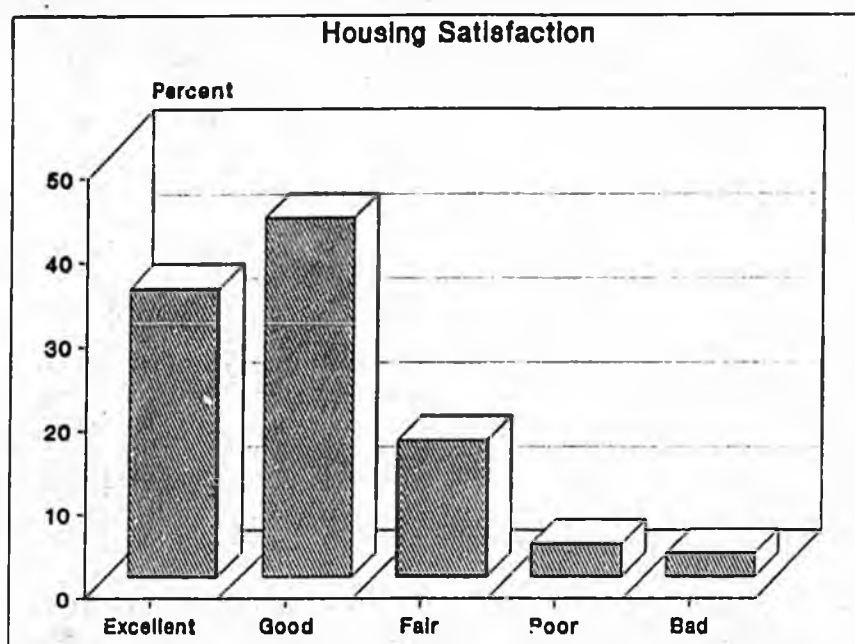


Fig. 6

Table 8

Importance of Community Services (Percent)

Service	Important	Not Important	N/A
Doctor's Services	69.5	8.2	22.3
Property Tax Relief	67	8	25
Senior Citizen Center	53.4	14.6	32.1
Public Health Clinic	49.6	13.8	36.6
Senior Transportation	38	18	44
Public Transportation	37.9	16.8	45.3
Legal Assistance	34.3	18.4	47.3
Hospital Outreach	34.5	15.6	49.9
Information/Referral	36.1	13	50.9
Adult Protective Services	32.3	15.1	53.5
Shopping Assistance	27.9	21.1	51
Group Meals Program	27.1	22.3	50.6
Home Health Aide/Nurse	25.1	21.3	53.6
Homemaker/Chore Services	23.5	22.1	54.4
Home-Delivered Meals	20	23.5	56.5
Personal Care Attendant	17.8	22.6	59.6
Renters Rebate	14	10	76
Adult Day Care	14	22.1	63.9
Respite Care Service	13.1	21.3	65.6
Alcohol/Drug Treatment	11.9	23.1	65

Loan and Weatherization Programs

Seniors were asked whether they would or would not consider using different loan and weatherization programs to help them remain in their homes. Of the four programs described in the questionnaire (Low Interest Loans, Equity Conversion, Modification Loans, and Weatherization), a weatherization program appeared to have

the greatest appeal. Thirty-two percent indicated they would consider using such a program. Those seniors who indicated the greatest interest were found to reside in Level I (56 percent) and Level II (65 percent) communities.

Housing Choice

If seniors were to move, what housing alternative(s) would they choose, and what housing factors would affect their choice?

Seniors were presented with six different housing alternatives and asked to decide whether they would or would not consider moving to them. These housing alternatives were:

Independent Senior Apartments: A building complex which houses seniors in independent apartments. There are no social or health supportive services provided by the building management.

Congregate Living Facility: A larger (10 to 50 units) social residential facility where seniors pay rent for a private efficiency apartment. Seniors would be able to receive some support services as part of their monthly rent, such as meals and housekeeping. Seniors could also receive different levels of personal and health care as needed (but not skilled nursing home-type care).

ECHO Homes: A separate, self-contained house near the home of your adult children or other relatives or friends.

Shared Housing: Two Options

1. Sharing your home with one or more persons who are

not relatives and who pay you rent.

2. Moving into a home shared by one or more unrelated persons where you pay rent.

Adult Home Care: A private home, other than with a relative, where you live with a family and/or other seniors, have a private room and are provided meals and personal care assistance for a monthly fee.

Senior Group Home/Cooperative: A home operated by a non-profit organization or by a private individual for up to six seniors who require some minimal assistance with daily living activities, but who do not require nursing home care. Each resident has their own room; each resident pays a monthly fee; and each resident may contribute time toward joint household chores.

Figure 8 summarizes seniors interest in the above housing alternatives. As can be seen, Independent Senior Apartments, Echo Homes and Congregate Living Facilities are the most popular with more than 60 percent indicating they would consider these options. Seniors were less likely to chose Adult Home Care and Senior Group Homes. Almost 70 percent indicated they would not consider Adult Home Care, and 65 percent would not consider Senior Group Homes. Not shown in Figure 7 is data for Shared Housing since only a few indicated they would consider this alternative.

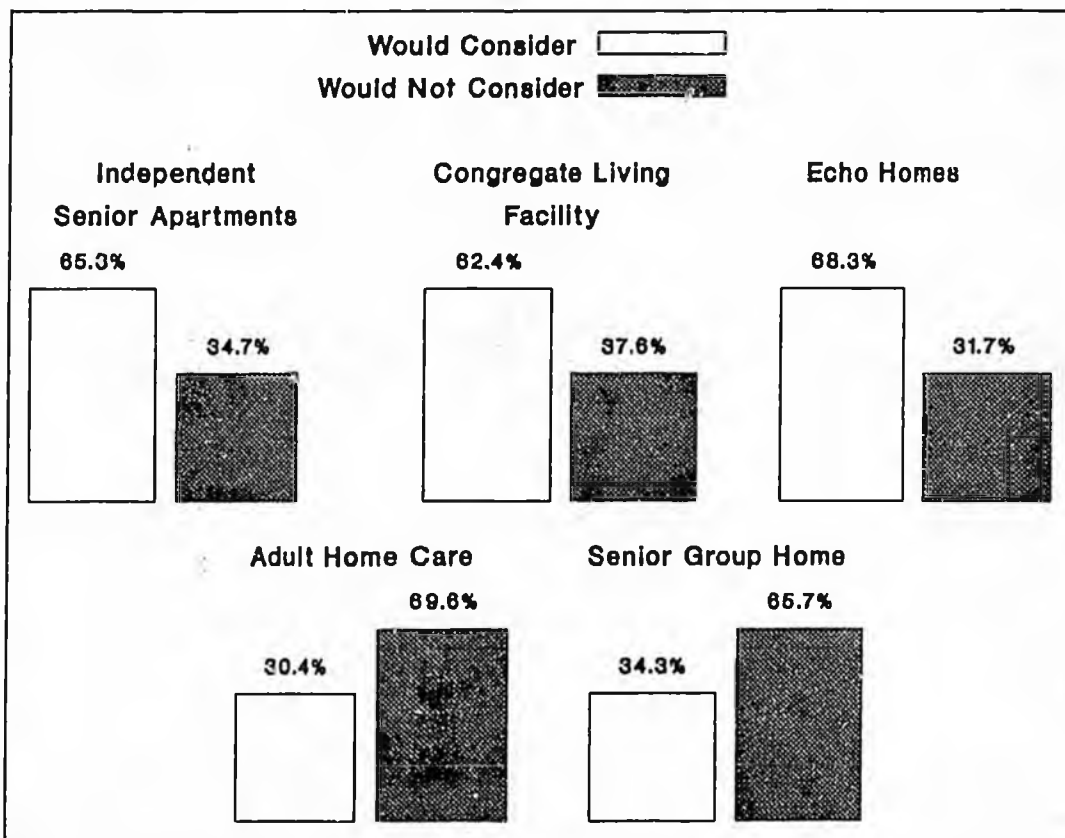


Fig. 7

Seniors were also asked to describe housing alternatives they would choose different from those presented. Generally, seniors indicated they would prefer to remain in their own homes or move to smaller, detached homes near community services, family and friends.

Which of the six housing alternatives (Independent Senior Apartments, Congregate Living Facility, Echo Homes, Adult Home Care, Senior Group Home, and Shared Housing) would seniors most likely choose if they were to move?

ferred by seniors across different community levels. Seniors were found to prefer Independent Senior Apartments, ECHO Homes and Congregate Living Facilities in that order for Levels II through V. A greater percentage of Level I seniors prefer ECHO Homes over Independent Senior Apartments and Congregate Living Facilities. The small percentage of seniors selecting Shared Housing, Senior Group Homes and Adult Home Care suggest these alternatives are least preferred as a first option. Table 9 shows the percentage of seniors falling within different age groups under each of the five community levels shown in Figure 8.

Figure 8 shows those housing alternatives most pre-

Age	I	II	III	IV	V
65-69	45.5	56.5	56.2	47.4	51.2
70-74	25	21.7	37.5	30.3	31.7
75-79	20.5	8.7	5.7	15.7	15.1
80+	9	13.1	.6	6.6	2

It should be noted that the housing preference found in this study is fairly representative of seniors choices regardless of such factors as income, sex and perceived health. For example, when housing choice was compared

by income and age, seniors housing preference across Levels I to V did not vary appreciably when compared to the choice data shown in Figure 7.

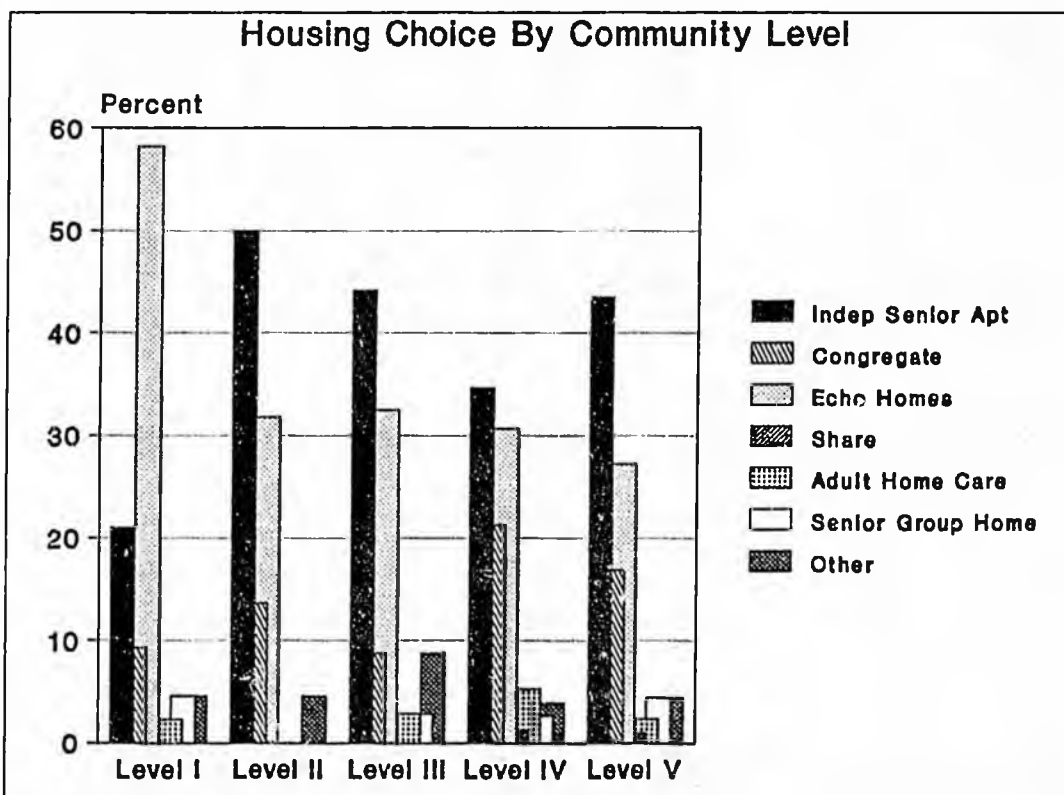


Fig. 8

METHODOLOGY AND SOURCES

This report is based on more than 1,200 hours of staff time at the Older Alaskans Commission; computer analysis of more than 700 responses to a statewide survey of senior citizens; interviews with more than 60 senior housing managers, state and federal officials and senior housing advocates; and visits to half a dozen senior housing projects across Alaska, including in-person interviews with the tenants.

Included in the research material reviewed for this report were the following articles, booklets, government and private-sector reports, surveys and community assessments on senior citizen housing needs and alternatives:

"A Home Away from Home: Consumer Information on Board and Care Homes;" a 1986 report of the Consumer Affairs Department of the American Association of Retired Persons.

"A Tale of Two Cities: An AARP Investigation on How Two States Regulate Board and Care Homes;" from the Consumer Affairs Department of the American Association of Retired Persons.

"Alaskans Statewide Housing Needs Study;" a March 1983 report prepared for the Alaska Department of Community and Regional Affairs.

"Almost 30 Years Old, Section 202 (HUD) Presses On;" from the July/August 1988 issue of Perspective on Aging magazine of The National Council on the Aging.

"Can States Rescue Housing for Older Americans;" from the July/August 1988 issue of Perspective on Aging magazine of The National Council on Aging.

"Chronic Health Care Needs of Native Village Elders in Interior Alaska;" a 1987 report for Denakkanaaga Inc. and Tanana Chiefs Conference.

City of Kenai feasibility study and schematic design for a congregate housing facility in Kenai; April 1988.

"ECHO Housing: Recommended Construction and Installation Standards;" a 1984 report from the American Association of Retired Persons.

"Elderly Housing Needs Assessment Study;" a June 1988 report for the City of Palmer, by the Matanuska-Susitna Borough Planning Department.

Fred Meyer Charitable Trust; 1987-88 annual report.

Governor's Housing Conference papers from a September 1988 Alaska Housing Market Council conference.

Governor's Interim Commission on Health Care; 1988 report to Gov. Steve Cowper.

Housing Assistance Council, Housing Programs for Rural America; 1986 report of the Washington, D.C. organization.

Housing for the Elderly Seminar; held in March 1988 and sponsored by The American Society on Aging.

Housing Report; published monthly by the American Association of Retired Persons; articles included ECHO homes, independent apartments, home modification and conversion, and private foundation grants.

"Housing Task Force Report: Stabilization of the Housing Market;" a March 1988 report from the Alaska Housing Market Council.

Housing the Elderly Report; published monthly by CD Publications, Silver Spring, Maryland.

Keynotes; the fall 1988 issue of the New Jersey Housing and Mortgage Finance Agency's public report.

Senior Assisted Group Environment (SAGE) Homes; a February 1988 model prepared by the Older Alaskans Commission.

Senior Housing News; a regular publication from the National Institute of Senior Housing.

"The Adaptable Home: Design and Cost Considerations;" a 1987 publication from the University of Florida Department of Architecture.

"The Doble Renewable Home: Making Your Home Fit Your Needs;" a 1985 publication from the American Association of Retired Persons.

Transamerica Life Companies Retirement Report; November 1988.

United States Conference of Mayors; 1988 report on senior housing.

APPENDIX

BY DUNCAN, KERTTULA, FAHRENKAMP,
ZHAROFF, RODEY, SZYMANSKI, AND
STURGULEWSKI

1 IN THE SENATE

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 150

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a senior housing office and loan
7 program in the Department of Community and Regional
8 Affairs; and authorizing the issuance of bonds for
9 senior housing."

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

11 * Section 1. AS 18.55 is amended by adding a new section to read:

12 ARTICLE 2A. SENIOR HOUSING BONDS.

13 Sec. 18.55.475. BONDS FOR SENIOR HOUSING. Under the procedures
14 of AS 18.55.140 - 18.55.200, the authority may issue bonds the pro-
15 ceeds of which shall be deposited in the senior housing revolving loan
16 fund administered by the senior housing office under AS 44.47.585 -
17 44.47.609.

18 * Sec. 2. AS 44.47 is amended by adding new sections to read:

19 ARTICLE 9A. SENIOR HOUSING OFFICE.

20 Sec. 44.47.585. SENIOR HOUSING OFFICE. There is established in
21 the department a senior housing office. The office shall promote a
22 comprehensive response to the needs of senior citizens for adequate,
23 accessible, secure, and affordable housing in the state. In order to
24 fulfill this purpose, the office may

25 (1) study the needs of senior citizens in the state for
26 housing to meet their needs;

27 (2) seek funding from appropriate sources for the develop-
28 ment of housing alternatives for senior citizens;

29 (3) administer the senior housing loan program;

1 (4) cooperate and coordinate with other public and private
2 agencies, including the Older Alaskans Commission and the Alaska State
3 Housing Authority, to respond to the housing needs of senior citizens;

4 (5) offer public education programs to increase the aware-
5 ness of alternatives to large residential facilities for senior citi-
6 zens;

7 (6) provide information to senior citizens to help them
8 understand their financial alternatives related to homes they might
9 already own and to help them coordinate with other senior citizens in
10 finding housing alternatives, including information and coordination
11 on home equity conversion and home sharing; and

12 (7) disseminate information to construction contractors to
13 educate them about remodeling projects that would meet the needs of
14 many senior citizens for accessible and secure housing.

15 Sec. 44.47.587. SENIOR HOUSING REVOLVING FUND. The senior
16 housing revolving fund is established in the department. The revolv-
17 ing fund consists of appropriations made to the revolving fund by the
18 legislature, the proceeds of bonds sold under AS 18.55.475, money or
19 other assets transferred to the revolving fund by the department, and
20 unrestricted payments on loans made or purchased by the department.
21 Amounts deposited in the revolving fund may be pledged to the payment
22 of bonds for senior housing or used for making, purchasing, or partic-
23 ipating in

24 (1) senior housing mortgage loans;

25 (2) loans made for building materials for senior housing;

26 (3) loans made for renovation or improvement of or for
27 senior housing;

28 (4) loans under AS 44.47.605; and

29 (5) loans made for the construction of senior housing.

1 Sec. 44.47.589. OPERATING LOSS RESERVE ACCOUNT. (a) There is
2 established an operating loss reserve account for the purpose of
3 meeting legal expenses incurred through the foreclosure of senior
4 housing properties acquired by the commissioner under AS 44.47.370(6)
5 and making repairs to these properties so that they may be sold to new
6 buyers.

7 (b) The operating reserve loss account consists of money appro-
8 priated by the legislature. To the extent that money is paid out of
9 the operating loss reserve account for the purposes stated in this
10 section, this money shall be replaced with money received as interest
11 on loans authorized by AS 44.47.587.

12 Sec. 44.47.591. SECURITY FOR LOANS. The commissioner shall
13 adopt regulations in accordance with the Administrative Procedure Act
14 (AS 44.62) establishing acceptable security for loans originated or
15 purchased in whole or in part under AS 44.47.587.

16 Sec. 44.47.595. FIRE INSURANCE. Before purchasing or partic-
17 ipating in the purchase of a senior housing mortgage loan, the office
18 may require the borrower to agree to purchase and maintain fire insur-
19 ance for the real property for which the loan is made in an amount not
20 less than the outstanding principal balance of the loan.

21 Sec. 44.47.597. LOAN ORIGINATION AND SERVICING. (a) Before
22 purchasing or participating in the purchase of a senior housing loan,
23 the office shall enter into a loan servicing agreement with the pri-
24 vate financial institution from which the loan is to be purchased.

25 (b) The office may execute service agreements with private
26 lending institutions or with regional native housing authorities
27 established under AS 18.55.996 to service loans originated by the
28 office.

29 (c) Under the servicing agreement, the private financial

1 institution or the regional native housing authority shall administer
2 the loan and may charge the office a negotiated origination or
3 servicing fee on the office's share of the loan. When appropriate, the
4 private financial institution or the regional native housing authority
5 may also charge the borrower a reasonable origination fee not to
6 exceed one percent.

7 Sec. 44.47.599. APPRAISALS. Before originating or purchasing or
8 participating in the purchase of a senior housing mortgage loan, the
9 office may have or may require the borrower to have an appraisal made
10 of the fair market value of the real property, including structures on
11 the real property, for which the loan is made. In conducting an
12 appraisal under this section, the appraiser shall give full value to
13 insulation and other features of construction in structures on the
14 real property that add to the energy efficiency of the structures.

15 Sec. 44.47.601. TOLL-FREE TELEPHONE NUMBER. The office shall
16 arrange for and maintain a toll-free telephone number for the office
17 so that private financial institutions and their borrowers may contact
18 the office from any location in the state by telephone without a toll
19 charge.

20 Sec. 44.47.603. ASSISTANCE BY OFFICE PERSONNEL. (a) The office
21 may establish field offices under this chapter, may hire one or more
22 lending officers, and, under AS 36.30 (State Procurement Code), may
23 contract for the services of

24 (1) real property appraisers who are familiar with con-
25 struction of senior housing; and

26 (2) engineers who are familiar with engineering problems in
27 arctic and subarctic regions.

28 (b) The personnel described in (a) of this section may make
29 visits to provide preconstruction and post-construction inspections of

1 real property for which loans are originated or purchased by the
2 office in whole or in part under AS 44.47.587 and to provide assis-
3 tance to private financial institutions and their borrowers. Author-
4 ity for final approval of loans may not be exercised by the personnel
5 described in this section.

6 Sec. 44.47.605. COOPERATIVES. The funds appropriated or made
7 available under AS 44.47.585 - 44.47.609 may be used by the office to
8 make

9 (1) character loans, not exceeding \$2,000 for each
10 dwelling, to residents or cooperatives for the improvement,
11 conversion, or construction of dwellings for occupancy by the
12 residents or members of the cooperatives who are senior citizens;

13 (2) loans for moderate-cost or rental senior housing facil-
14 ities and senior housing projects to public agencies, or private
15 nonprofit or limited dividend corporations, or private corporations or
16 cooperatives organized under AS 10.15 that are regulated or restricted
17 by the office (until the termination of all loan obligations to it) as
18 to rents or sales, charges, capital structure, rate of return, and
19 methods of operation to the extent and in the manner that provides
20 reasonable rentals to tenants and a reasonable return on the invest-
21 ment; loans to cooperatives may be made for up to 85 percent of the
22 appraised value of the housing facility but may not exceed the
23 replacement cost of the facility.

24 Sec. 44.47.609. DEFINITIONS. In AS 44.47.585 - 44.47.609,

25 (1) "office" means the senior housing office established
26 under AS 44.47.585;

27 (2) "senior housing" has the meaning given "senior citizen
28 housing" in AS 44.47.620(e).

1 IN THE HOUSE

BY ULMER AND HUDSON

2

HOUSE BILL NO. 218

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act extending the authority of the Alaska Housing
7 Finance Corporation to assist in the development of
8 senior citizens' housing; and providing for an effective date."
9

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

11 * Section 1. AS 18.56.100(b) is amended to read:

12 (b) Consistent with AS 18.56.090, the corporation may make
13 temporary and permanent loans from the housing development fund, at an
14 interest rate or rates determined by the corporation, and with the
15 security for repayment that is necessary and practicable, to purchase,
16 make, or participate in the making of mortgage loans

17 (1) to borrowers for loans to develop, build, repair,
18 remodel, or rehabilitate residential housing for senior citizens and
19 their spouses that is used and occupied as congregate housing; or

20 (2) that are not federally insured or guaranteed for res-
21 idential housing, if the corporation determines that the loans are not
22 otherwise available, wholly or in part, from private lenders upon
23 reasonably equivalent terms and conditions.

24 * Sec. 2. AS 18.56.100 is amended by adding new subsections to read:

25 (1) The corporation shall use money in the housing development
26 fund to reduce the interest payable by borrowers who develop housing
27 for senior citizens and their spouses under (b)(1) of this section.
28 The corporation may reduce the interest rate on a loan entered into
29 under (b)(1) of this section and this subsection to one percent less

1 than the interest rate payable on the corporation's bonds issued under
2 AS 18.56.110 - 18.56.170 for development of the project. If a project
3 developed by a borrower with a reduced interest subsidy made under
4 this subsection ceases to be used for senior citizen congregate hous-
5 ing, the corporation shall adjust the interest rate payable on the
6 unpaid balance of the loan to the prevailing rate of interest charged
7 by the corporation on loans made for other residential purposes; but
8 may not reduce the interest rate payable below the subsidized rate.

9 (m) The corporation shall adopt regulations to implement (b)(1)
10 and (1) of this section that

11 (1) determine borrower eligibility;

12 (2) define procedures for the application, review, and
13 approval of authorized loans;

14 (3) establish loan guidelines, loan terms, and acceptable
15 security for loans; and

16 (4) identify characteristics of housing projects eligible
17 for loans.

18 (n) In (b)(1), (1), and (m) of this section

19 (1) "congregate housing" means a multi-family group-living
20 building that contains individual residence areas and common facil-
21 ities for congregate living;

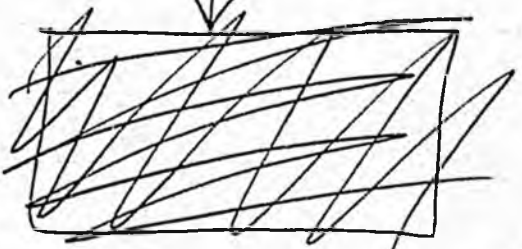
22 (2) "senior citizen" means a resident of the state who is
23 65 years of age or older.

24 * Sec. 3. This Act takes effect July 1, 1989.

Dvlpr with Project Proposal

Dvlpr goes to DERA Senior Revolving Loan Fund

~~Options Developer~~
Goes to DERA Sr Housing Office to Consult on Design, etc



DERA goes to AHFC for review of Dvlpr's project

AHFC OKs project for long term financing commitment

DERA makes interim construction loan out of 10 mill senior revolving loan fund

DERA may hire bank to monitor interim construction loan

When project is completely built & OK.

Project goes back to AHFC - AHFC sells a "project specific bond" for long term financing (long term financing at bank)


Bond proceeds pay back interim construction loan to DERA senior revolving fund

Bond is sold

Long Term loan to Dvlpr signed by Dvlpr

ALASKA

LEGISLATIVE NEWS

AMERICAN ASSOCIATION  OF RETIRED PERSONS

Volume 3, Number 1

July/August 1989

NEW PROPOSED STATE HOUSING POLICY RESPONDS TO ALASKAN SENIOR CITIZEN HOUSING NEEDS

A comprehensive housing policy statement for recommendation to the governor and the legislature in January is currently being put together by the Housing Policy Development Committee of the Alaska Housing Market Council in response to Senate Concurrent Resolution 27 passed by the legislature last spring.

The following statement recognizing senior needs, prepared by a subcommittee focusing on low-income, affordable and senior housing, was adopted by the full Committee at its July 28 teleconferenced meeting:

It is the policy of the State of Alaska to recognize that the state's seniors are a valuable asset to the state. Senior Alaskans, of all income levels, should have access to affordable housing. The state should implement a housing program for seniors which emphasizes a continuum of care services. Supportive services should be available which allow seniors to live independently at their level of ability.

At the July 14 meeting of the Low-income, Affordable and Senior Housing Subcommittee, Cynthia Parker provided valuable information about non-profit corporations and public-private housing partnerships. Parker is Executive Director of Anchorage Neighborhood Housing Services and Chair of the Alaska Housing Market Council. She says there can be money available from several sources for housing for middle and upper income seniors through establishment of non-profit corporations.

Both public testimony and statements from subcommittee members emphasized that appropriate housing for senior Alaskans that encourages maximum independence is very limited, and that many older Alaskans are forced to move out of the state when they need even minimal services to remain independent. The subcommittee recognized that their departure constitutes both an economic and a social loss to Alaskan communities.

An additional full committee policy recommendation is supportive:

It is the policy of the State of Alaska to encourage housing partnerships which include public, private and non-profit entities, in order to foster and develop low income and affordable housing in the state.

The Subcommittee had also specified "senior" in its version of the statement. Encouragement from the senior citizen community could perhaps have the word again included although it is implied in "affordable." September 8-9, the full 39-member Housing Policy Development Committee and all subcommittees will meet in Anchorage for completion and tentative approval of action plans to support the policy recommendations adopted.

CHAIRMAN'S CORNER

I call your attention to the AARP Alaska State Legislative Committee meeting September 6-7 in Juneau. As stated in the last Newsletter, our chief business will be to finalize the survey for distribution next January. If you have ideas to share, please contact me or any committee member prior to the meeting. Their names and phone numbers are listed on page two of this Newsletter.

--Bob Pavitt

COORDINATED HOUSING POLICY IS GOAL OF SC RESOLUTION 27

SCR 27, sponsored by Senator Pat Rodey, passed by both houses, and signed by Governor Cowper, urges development of a statewide housing policy for the decade of the 1990s and asks the Governor to direct the following agencies to develop cooperatively a draft of a coordinated policy: Department of Community and Regional Affairs; Alaska State Building Authority; Alaska Housing Finance Corp.; Alaska Industrial Development and Export Authority; and Alaska Housing Market Council. The Council is coordinating the efforts of the Housing Policy Development Committee, appointed for this purpose.

The recommendations are to give attention to changes and modifications of the state's current housing programs, including mortgage assistance; housing needs of low-income families, senior citizens, and residents of rural areas; and the demand for and supply of multi-family and rental housing.

Draft recommendations were also to consider the changing role of each of the state agencies mentioned and of the federal government in planning, developing and financing of essential housing units and services, and recommend whether any one state agency should be assigned principal responsibility for housing policy implementation--all to be ready not later than January 31, 1990.

All Housing Policy Development Committee members were appointed to specific subcommittees and together make up the full 39-member committee representing the agencies listed above.

This Newsletter is a regular publication of the
AARP Alaska State Legislative Committee
R.W. "Bob" Pavitt, Chairman, Juneau 586-2066
Marie MacKenzie, Vice-Chair, Anchorage 562-4895
Ann L. Walsh, Secretary, Fairbanks 456-6737
Keith Campbell, Seward 224-5631
Lois M. Jund, Sitka 747-3103
"Bob" Kallenberg, Chugiak 688-2919
Marilyn Scott, Editor, Anchorage 345-1698
P.O. Box 112827
Anchorage, AK 99511

AARP PROGRAMS ARE DESIGNED TO HELP LOCAL ORGANIZATIONS

Want to change a law or support someone for appointment to a board or commission? AARP state programs are designed to provide assistance, and can utilize the total resources of the American Association of Retired Persons.

If a local AARP Chapter or Retired Teacher Unit perceives a need for a statute change, that group should determine its position and communicate directly with the AARP State Legislative Committee or through the State Director or an Assistant Director.

Often local groups wish to support the appointment of local persons to local or state boards or commissions. Such requests may require organized support. AARP's **Citizen Representation** program provides this kind of assistance. For help call or write to
Peggy Burgin, 1530 W. 11th Ave., Apt 1, Anchorage, AK 99501, telephone no. 278-2102.

HOUSING COMMITTEE PROVIDES BROAD REPRESENTATION ACROSS ALASKA

Low Income, Affordable, and Senior Housing Subcommittee. Bob Arwezon, Realtor, Anchorage; Howard Bess, Alaska Housing Ministries, Anchorage; Bryan Borjesson, engineer, Fairbanks; Paul Carr, developer, Anchorage; Rep. Johnny Ellis, Anchorage; Velma Ellyson, Senior Citizen, Homer; Jo Ann Goyne, Alaska State Building Authority, Anchorage; Kelly Gunnels, Denali State Bank, Fairbanks; Carol Jackson, Alaska State Building Authority, Anchorage; Leo Kaye, Senior Citizen Advisory Board, Wasilla; Kathy Keck, Alaska Legal Services, Fairbanks; Cynthia Parker, Anchorage Neighborhood Housing Services, Anchorage; Ray Price, Alaska State Building Authority, Anchorage; Rep. C.E. Swackhammer, Soldotna; Jesse Bartlett, Alaska State Building Authority, Anchorage.

Alaskan Housing Market / Urban and Rural Subcommittee. Rick Barrier, Malaspina Properties, Anchorage; Tom Behan, AHFC, Anchorage; Senator John Binkley, Bethel; Rob Ganel, Carr-Gottstein, Anchorage; John Guinn, AVCP Housing Authority, Bethel; Mike Harper, Dept of Community & Regional Affairs, Anchorage; Sam Helms, contractor, Fairbanks; Lee Husky, UAA Dept of Economics, Anchorage; Deborah Ingman, Appraisal

Continued on Page 3

READER EXPRESSES CONCERN WITH AARP SERVICES AND METHODS

A recently received letter to your editor expresses concerns perhaps felt by others and deserves a reply.

July 21, 1989

Attention AARP Directors,

You have done nothing to really represent us in the Medicare Catastrophic Insurance Coverage. It is unfair to segregate and penalize those who worked hard to save for their old age; and are now expected to pay for those who didn't!

Another thing, sending out only 2000 ballots to a membership of 31,000 doesn't tell you anything, just spending a lot of money for nothing.

For some unknown reason many of you think that when we turn 60 or 65 we become stupid. How mistaken you are. I thought that AARP was an organization to help prevent just such situations--I guess we Senior Citizens here were mistaken or misled. So I suggest you get your heads screwed on straight and do the right thing by us.

(Name Withheld)

Dear Reader,

Thank you for your letter. We do want to do what's right, and we hope this answers your questions.

First, let's take a look at Alaska's AARP leaders. How old are they? Most are 60 or older. This editor is 67. And, we're all volunteers--in service to our fellow senior Alaskans. The nearest paid staff is in Seattle.

None of us wants anyone to think we're stupid because we've passed 60 or 65. That's age discrimination, and AARP works hard to eliminate it.

At the same time AARP strives to see that our special needs as we age are met. AARP serves Alaska's growing older population by looking at housing needs--whether we're "low income" or can fully pay our way. AARP opposes age discrimination in the work place and involuntary age-related retirement. AARP Alaska pushed hard for legislation giving credit to AARP's 55-Aiive driver-training program to lower insurance rates for seniors.

You've asked about the 2000 surveys. That sent me back to my statistics textbooks for specific answers. Generally speaking, a 5% sample is considered adequate--that or less is what is used when predicting election outcomes. Alaska will be sampling about 6.5% of the AARP membership. If we have a good return,

we should have both valid (they measure what's intended to be measured) and reliable (sent to a similar group would produce similar results) findings. A call to the AARP office in Seattle verified that only 2000 questionnaires are sent out in any state--including Florida and California--regardless of number of members.

The Seattle AARP office reminded us that the survey will also go to AARP chapters and Retired Teacher units that will survey all of their local members. These results will be tabulated separately and compared with the survey of national members. By following these procedures carefully, we should have a good idea of Alaskan senior priorities.

The Medicare Catastrophic Coverage Act--particularly the method of funding--has raised questions everywhere. It's important to remember that AARP supported and lobbied for the **BENEFITS** received under the Act, but **did not approve the FUNDING** mechanism. The national office of AARP has consistently held that "social insurance principles" should determine Medicare financing. AARP believes that Medicare helps everyone and should be paid for by all.

Now, AARP and others are focusing on trying not to throw out the baby with the bath. Can we keep the benefits for the many who need them, alter the funding method, and still say, "No new taxes."?

Hope this helps!

HOUSING COMMITTEE MEMBERS, cont.

Associates, Juneau; Caren Mathis, Dept of Commerce & Economic Development, Anchorage; Kay Murphy, AHFC, Anchorage; Rep. Steve Rieger, Anchorage; Mike Shuler, Bristol Bay Housing Authority, Dillingham; William Swain, Jack White Co., Anchorage.

Transitional and Longterm Housing Subcommittee. Fred Ali, Covenant House, Anchorage; Sharon Araj, UAA Sociology Dept, Anchorage; Rep. Kay Brown, Anchorage; Gale Cipra, Key Bank, Anchorage; Bob Hammaker, Div. of Mental Health, Anchorage; Stan Hoofard, Muni of Anchorage Housing Services, Anchorage; Barbara Mikos, Council on Domestic Violence/Sexual Assault, Juneau; Nancy Adams, Juneau Alliance for the Mentally Ill; Senator Pat Pourchot, Anchorage; Mary Wolcuff, Assn for Stranded Rural Alaskans, Anchorage.

CONSTANT VIGILANCE IS NECESSARY SAYS SENATOR UEHLING

At the July meeting in Anchorage of the Older Persons Action Group (OPAG), Senator Rick Uehling pulled no punches as he warned Alaskan seniors that they must work hard and remain constantly watchful if they are to retain the older Alaskan benefits currently in place. The Longevity Bonus and / or Annuity programs are still in question. What will be the attitude of the next legislative session is hard to say. Much depends on funds available and other demands for money. Although he recognizes the need for a statewide health plan, he is not encouraging about its early approval.

Senator Uehling also acknowledges the social and economic contributions of Alaska's senior citizens, but emphasizes that it will be the responsibility of older Alaskans to maintain communication with their legislators and keep their issues in the forefront.

At the end of the 1989 legislative session, SB 5, the Annuity Program, was stalled in the Senate State Affairs Committee, of which Senator Pat Pourchot is chairman and Senator Uehling is a member. Senator Pourchot supports the Annuity Program, but is working to clear up problems with the bill before moving it on. His office reported at press time that no meetings or hearings have yet been scheduled for this fall.



Alaska State Legislative Committee
PO Box 112827
Anchorage, AK 99511



Pat Pourchot
Senator Alaska State Senate
PO Box 104836
Anchorage AK 99510

House & Senate State Affairs

10-19-87

Survey of other states: Entities like AHFC: only non-profit

low → moderate income
special needs - DD, etc.

Fran's - SS - ~~as~~ include non-profits ^{as well as private sector}
(also DD, MI, etc.)

Kelly Munnels - fed programs coming on line, etc. that state should work with

Duncan → need low interest on loan to attract investors

Norma Judy - Res #

→ ASHA now has authority - no legislation needed.

\$70-75/day Mary Conrad

Sterling Mullagher → so w/ Kenai's \$5m project, state pay \$1.5m - rent can then cover debt service.

Hotel programs marginal at best - need 30% subsidy to make programs work in AK - too high.

→ pay 30% income
have to have 40% of units low-income, rest market value

AK income levels too high. → AK income levels Tax credit to investors. Low-income projects. Woodridge Apts, Kenai

Tax credits:

9% of construction cost
4% of remodel

Tanana Apts N Pele Fur?, Kodiak Park West Apts, Fox Panaramic View, Anch

allocation based on state population

→ \$40,000 (AK gets) now being used on low income could be used on seniors.

221(b)(3) financing - 100% of construction cost for nonprofits. But need cash flow to pay debt. In AK, would make rents too high. Need 30% subsidy.

In June, \$748/mo rent.

In Anch (etc.), ~~condos~~ currently on market could be refurbished.

p. 22

Gallagher's advice → in Auckland, 29,000 condos
buy existing & do a remodel
If new construction, hard to cover
debt service

Spud Williams - will send proposed am.
to make more suitable for rural areas

~~NSRF~~ CEFA ^{Mike Harper} - minimum \$50m in loan
fund to be viable

SSSB 150

Duncan: reviewed bill

60 yrs. of age
\$5-~~5~~6 million to capitalize

Adams: Capitalizing loan fund?

Duncan: \$5-~~5~~6 million

Fauk: Has ADA or ANE been investigated as to capitalizing funds been transferred?

SSSB 150 — ask Pat... Work Session?

!!! Look to transfer of AHFC — Duncan will look

Pat: Senior vs Generic Housing Office?

↳ Duncan: unique needs

Vehling: Kerttula's bill?

↳ Duncan — new dept is huge job

Faiks: Responsible, reasonable approach to senior housing needs.

HARPER:

Rural Housing office exists
Supports concept

Adams — HB 302 1988? Statute gives CRA ability to do this?

Harper — grant only — not loan

Amos Alter: AARP ==

Supports program that facilitates staying in one's own home

Juneau: up to 50 units needed

Juneau has 5 to 1 return on dollars spent on seniors

Sylvia Short: Middle-Income Housing

Sylvia Carif

➤ Middle-Income has distinct need. good financial risk.

➤ Rose Palmquist

➤ Marie Dannew:
Juneau

1200

76% — 876 seniors

10% home — wish to
19% renters — make change
 towards
 intermediate
 housing.

Survey: shows support for seniors

Cost study from Anchorage

Call Fran: Fiscal Note

Senior Hsing

Public: Educate/clear-up misinformation (HB 218 (Ulmer))

Testimony

> Fiscal Note: Leg. Finance
OAC - loan

AHFC:

CRA

the Graham Housing

HB - did put AHFC in "banking" position
Now rec's ASHA (or other) would be
the "banker" and AHFC becomes
mortgage holder.

News: is on for ~~the~~ building - end of the \$\$.
Palmer/Kenai - Fed. Funds

Housing

AHFC - Swackhammer

Juneau - Steve Gilbertson Loans for low-income
(Down-side)

Hud issue - 20 yr. plan

Jim Kelly - PFD office - 1985 loan prog. involvement

? PFD - invested in senior housing in Wash. D.C. - investment issue

Notes: CS SB 150

Clarify:

CR: A Role

AHFC

Questions?

- Interest Rate: Who sets
- If fails, who is the "bad guy", who take loss
- Interim construction lending?

Assumptions?

Single homes, retrofit only

No subsidy - Jump start \$

Ownership, not required to be a senior. What if

CR: A can decide which projects.

? \$ goes to CR: A project by project?

Guidelines

Project Specific

DATA SHEET

AHFC - yield

take a scenario

Bond Proceeds from \$10 million

Market Test

PENALTY CLAUSE for retaining % of seniors =

Pat Why would someone go to CR!A instead of AHFC

Pat CR!A ~~had~~ 10% interest rate concern as not another subsidized program

CR!A No discussion of interest rate. Aggregate Housing: 10 3/4% interest

FRIDAY HEARING

HB 218

Behav SB 150 - Project \$ needs driven

HB 218 - different/separate

Connie Sipe -> pilot project

OAC - SB 150 over HB 218

Page 3: 5 - after wide range "Senior" Housing retained

Glenda Straube AK. Hsing Mkt Council

Narrow segment
hodge podge approach
Housing Commission

Kelly what stops a person (senior) from getting a loan from AHFC now?

CLARIFY SINGLE FAMILY HOME

Behav - Break-Even Proposition for AHFC

SPELL OUT:

FAVORABLE RATE

Type of Housing
who can own
Assisted Living -

WHY CR!A -
SAME UNDERWRITING CRITERIA
(Behav, no. will work with CR!A)
Guidelines - CR!A & AHFC
projects have to meet the market test.
Kelly - AHFC should set the
market standards.

Who takes the loss?

Everyone shares the loss
Retrofit (signature loan?)

How to keep from nursing homes.
Statutes (44, 47, 620)

Could combine rental & services
(i.e. meals)

MARKET TEST - AHFC

Kelly Concern with CR!A involvement
Social concern over financial responsibility.

NO SUBSIDY
Assumption

AHFC will review entire project
prior to \$ into revolving fund

Cynthia Parker

Senior housing needs are clear
Plus for CRA to be office location
AHFC

Concern/creation of senior housing office -
13 Agencies with some housing issues.

CALLS:

GLENDIA STRAUBE

How to pull together all people
bills:

JUNEAU Borough?

Friday Subject to problem solving

~~Market Test~~

~~Exps = Amount~~

What programs in the past

~~How much \$ does 10 mil. back?~~

> CR: A =

Who is deciding

Administrative Rate

Coverage Rate / Profit Rate

> Favorable Rate

Negotiating with the Bank

> Signature Loans —

2.21.90

CS SB 384 - Karla - "less than wordage"

SB 435 - Coghill

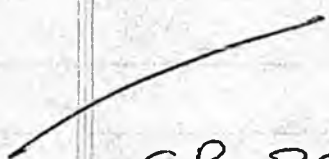
Gov "using public funds for educational endowment"

Coghill = constitutional basis

"unless specifically authorized, public funds may not be used"

CS SB 384

> thinks appropriating body ought to approve ~~not~~ approve prior to releasing \$



SB 384

~~Uehling~~

Section 8: relates to paid for by

How does fine structure change. current practice with APOC =

CS SB 150

> Tom Behar - w support

Uehling - AHFC exceeding cap on bonding? Limited or unlimited?

Chuck Akers

CR & A - collecting principal & interest (would need general fund jump start)

Size of units - Single bond?

Mitzy
Mike Harper
Hank Hodge
Bob Sullivan

AHFC

1. As bill is written, not a subsidized
Generally, bonds for this type of housing
~~are~~ at a better rate

a. AHFC will sell \$10 million in bonds
The \$10 million will be the funds —
DRCA can use for "anything" i.e.
interim financing

Developer to DRCA — DRCA will (with AHFC)
have criteria — will review / AHFC will
review — ~~with~~ AHFC will issue
conditional commitment, AHFC will
fund through the sale of funds

What will DRCA be doing with
\$10 million — Resp: for interim
construction loan, then will
get permanent funding from
AHFC.

Bob — AHFC — 487 may not be needed.
487 is written incorrectly

• SB 150 does not authorize
AHFC to appropriate 10 million

1. d. \$10 million cap on bond to start =
No cap — will cap itself

1. f. Interim loan = DRCA
LONG TERM = AHFC

No advantage on "fair market value"

Harper — pay bank to monitor short term loan.

Interest
Rates

WHY THE BANK

CRA - Hasn't really bought off on responsibility for running loan program

→ runs as Interim Construction Loan Office

() Bill needs to require AHFC/DCRA

l.g. Patterned after non-conforming loan program.

Risk - \$10 million
If program is adopted,

NO OPERATING LOSS RESERVE
ACCOUNT NECESSARY

Change Page 3, Lwe 11
Give authority to AHFC to
foreclosure.

DCRA - ~~will not make loan~~
empower

DCRA acts as a lender and as
a servicer.

→ Bonds Issued to get first
\$10 million

Non-Owner Occupied Program =

2.26.90

SB 370

Physicians payment

183 currently to Disability - w TKS; PERS
+99
292 - Av. Benefit 735 Police Fire \$1,034 others
Complexity of case

SB 150

2.26.90

Uehling: AHFC has final approval - Yes / OK

Kelly: Page 4 Line 5 -
2% loan pretty low for interim construction

Kelly: Legislative approval for AHFC bond repayment?
NO: / Good

Uehling: Appropriate every year ^{back} to AHFC

Durca: ~~Bonds proceeds~~
Earnings are appropriated not bonds

Kelly: Not Project Specific for Bonds:

↳ Concern for Political Pressure

Kelly: Page 3 - Home Equity Conversion
People may take advantage

?s for Behav -

When do you go to market*

Behav: Project Financing

One at a time or pool of projects,
⇒ would depend on projects/funding

→ Fire Insurance?
Should be shall

DCRA

Fire Insurance - taken from rural codes

Will a weak project slip in with larger projects

→ SENIOR OFFICE

APPRAISALS:

Kelly Why in-house appraisal

DCRA -

Project Coordinator

~~Building Officer~~

Loan Closer →

"We do not know level of interest of private sector"

→ Why not eliminate DCRA people
↓ fiscal note.

Uehling: field offices? Why more employees.

> Behan _

AHFC _ secondary capacity

> Kelly _ office as seller-services

USE existing resources:

> Hsing Asst _

> DCRA _ Rural Outreach Now

ADOPT CS SS SB 150

AMEND _

S B

154

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 154

SPONSOR Governor

BILL TITLE Equipment lease financing.

DATE REFERRED 2/3/89

HEARING SCHEDULED 3-15-89, 5-3-89

FISCAL NOTE PREPARED ✓

SPONSOR CONTACTED Milt Banker DOR 2350

INTERESTED PARTIES CONTACTED

Bob Link DOA 2250

ASBA (DCSD)

Ray Price

* Julia Tucker 562-2813

OTHER

SENATE COMMITTEE REPORT

SB 154

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 3-9-89
IN ACCORDANCE WITH UNIFORM RULE 23
2/3/89

L&C
FIN

FURTHER

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE 5-4-89

Mr. President:

SA _____ Committee considered SB 154

relating to equipment lease-financing and authorizing a master equipment
lease-financing project; efd.

and recommended:

- replace with CS SB 154 (st aff) same title
- attached amendment(s) and new title
- _____ letter of intent adopted
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

FISCAL NOTE(S) attached zero
 appropriation no FN attached

fiscal impact
 Gov. FN introduced w/ bill
updated

MEMBERS SIGNING DO PASS
Twin Kelly

OTHER RECOMMENDATIONS
Gov. FN No Rec

[Signature]
Chairman signature and recommendation

Committee backup attached

Alaska State Legislature

Sen. Pat Pourchot, Chairman

Sen. Jan Faiks, Vice Chairman
Sen. Al Adams
Sen. Tim Kelly
Sen. Rick Uehling



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

907-465-3712

Senate State Affairs Committee

MEMORANDUM

TO: Senate State Affairs Committee
FROM: Senator Pat Pourchot, Chairman
RE: May 3 Committee Hearing
DATE: May 2, 1989

On Wednesday, May 3 at 1:30 p.m. in the Beltz Room the following bills will be back before the Senate State Affairs Committee:

SB 154, An Act relating to equipment lease-financing and authorizing a master equipment lease-financing project

SB 154 would authorize the Alaska State Building Authority to finance and acquire equipment for lease to the state. Individual lease-purchases from all state agencies would be consolidated into one or more "master leases". The advantage would be a reduction in interest cost.

At our earlier hearing on SB 154, there was concern that savings realized by state agencies through a master lease not be spent on other agency budget items, but used to reduce agency budgets. Attached is an amendment that would require the Department of Administration to annually report lease savings to the legislature on an agency-by-agency basis, thus allowing the legislature the opportunity to reduce agency budgets accordingly.

Amendment adopted.

SB 157, An Act relating to imposition of a civil fine for violation of a statute, regulation, or ordinance related to alcoholic beverages

SB 157 would authorize the Alcohol Beverage Control Board to assess civil fines against liquor licensees who violate liquor laws. As introduced, the bill did not specify the amount of the fines, leaving fine setting to the sole discretion of the board.

Attached is an amendment which would require the ABC Board to establish a schedule of fines in regulation, and would limit any fine to the greater of \$100,000 or an amount which is three times the pecuniary gain realized by the licensee as a result of the violation. This is patterned after the existing provision in Alaska's criminal code regarding fines.

Committee Memo
May 3, 1989
Page 2

In addition, the following bills will be heard:

HJR 19am, Ratifying an amendment to the Constitution of the United States concerning the compensation of members of the United States Congress

HJR 19 would ratify an amendment to the U.S. Constitution that would disallow any increases in pay for members of Congress from going into effect until after an intervening election had taken place. The amendment was proposed in 1789 and to date has been ratified by 26 states. To become effective, it must be approved by 38 states.

CSHB 83(Fin), An Act relating to legal holidays; and establishing Martin Luther King, Jr., Day as a legal holiday

HB 83 would establish the third Monday of January, known as Martin Luther King, Jr.'s Birthday, as a legal holiday. Lincoln's and Washington's birthdays would be combined on the third Monday in February as President's Day. This would result in an observance for Dr. King without the addition of another paid day of leave.

The bill also provides that King's birthday would be a legal holiday for state employees only if provided for in their collective bargaining agreements.

Martin Luther King Day was statutorially established as a day of commemoration in 1982. Governor Cowper issued a proclamation in January 1989 designating it a legal holiday for this year.

CSHB 87(Fin)am, An Act relating to the state budget and to long-term financial plans for the state

HB 87 would require that the Governor annually submit to the legislature a long-term financial plan. The plan must include projections of expenditures for the next six fiscal years and projections of revenues for the next ten fiscal years. The legislature would be required to adopt or revise the plan.

In addition, HB 87 would require that the Governor's annual capital improvements proposal include the estimated annual maintenance and operation costs for the useful life of each project.

adopted

SB 154, RELATING TO EQUIPMENT LEASE FINANCING

AMENDMENT #1

Page 5, line 5. Insert a new section to read:

Sec. 12 AS 36.30.080 is amended by adding a new subsection to read:

(d) If the department enters into a lease-financing agreement with the Alaska State Building Authority for the financing or refinancing of equipment purchases by the State under a master lease program, the department shall report to the legislature by January 30 of each year the amount of interest to be saved by each agency during the next fiscal year as a result of participation in the master lease program. The savings shall be calculated as the difference between the total payments to be made to the department by the agency under the program during the fiscal year and the total lease payments that would be required if the equipment were purchased under the same terms except at a true interest cost equal to

(1) the rate charged by the vendor for financing purchase of the equipment; or,

(2) if no vendor financing is available, the prime rate charged by banks on short-term business loans at the time of purchase.

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

STEVE COWPER, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
P.O. BOX SB
JUNEAU, ALASKA 99811-0400

April 18, 1989

The Honorable Pat Pourchot
Chairman
Senate State Affairs Committee
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Senator Pourchot:

At a Senate State Affairs Committee hearing on Senate Bill 154, relating to equipment lease-financing, committee members expressed concern that authorization of master lease-financing would either

1. increase State equipment purchases; or,
2. produce budget savings for State agencies that would be spent on other agency budget items rather than used to reduce agency budgets.

If agencies don't lapse any savings, certainly one of the above results must occur. However, I would like to dispel any illusion that may remain that lease-financing somehow opens the door to unlimited or significantly greater means for agencies to acquire equipment. It does not.

Equipment acquired under the proposed master lease-financing program must be paid for out of state agency budgets and is limited as a result. In fact, payment of interest means that agencies would be acquiring less equipment over time than if they pay cash. Lease-financing allows purchase of more equipment now, but less later on by spreading the cost of purchase over time.

Equipment purchasing does not run amok. It is controlled by the generally small amounts available for discretionary spending in agency budgets. For example, there would be no prohibition on the State acquiring a new ferry vessel under the master-lease authorization in SB 154. However, no agency has the money in their budget to make the lease payments that would be required. This is the control point for lease-financing. The legislature holds the purse strings for equipment purchases, be they for cash or over time, just as it does for every other item of expenditure.

As you know, lease-financing is currently available to and used by State agencies from vendors or other parties. Agencies expend money from their operating budgets for interest on equipment lease-financing all the time. Master lease-financing does not change this item on the menu of possible State purchases, it just makes it a little cheaper.

Back to the ferry example. If appropriations were to be made to a State agency to purchase a ferry through lease-financing, the State would most assuredly want the master lease option available. The higher interest on financing from other sources would otherwise cost the State dearly.

Aside from outside legislative and budgetary control, equipment purchase decisions in most cases are probably determined by program needs, not the cost of financing.

Master lease-financing would reduce that cost of financing. I suspect the overall result would be that a small portion of the savings would be lapsed, a small portion would be spent on additional equipment, and most of the savings would be spent on other agency items. I think this is particularly likely given the squeeze agencies are facing on their budgets in order to bring State spending into balance with State revenues. This pressure is more likely to intensify than abate.

If the control of the disposition of the savings to assure that they lapse is of concern, the following amendment to SB 154 would address that concern:

Page 5, line 5: insert a new section to read:

"* Sec. 12. AS 36.30.080 is amended by adding a new subsection to read:

lapse savings

'(d) If the department enters into a lease-financing agreement with the Alaska State Building Authority for the financing or refinancing of equipment purchases by the State under a master lease program, the department shall report to the legislature by January 30 of each year the amount of interest to be saved by each State agency during the next fiscal year as a result of participation in the master lease program. The savings shall be calculated as the difference between the total payments to be made to the department by the agency under the program during the fiscal year and the total lease payments that would be required if the equipment were purchased under the same terms except at a true interest cost equal to

- (1) the rate charged by the vendor for financing purchase of the equipment; or,
- (2) if no vendor financing is available, the prime rate charged by banks on short-term business loans at the time of purchase."

and renumber succeeding sections.

With this information, the legislature could reduce agency budgets by the amount of the savings. This would prevent any increase in agency expenditures for equipment purchases or any other budgetary item over what would otherwise occur and would provide funds for the legislature to appropriate for other programs or priorities. There would be a danger with this amendment of losing the incentive for agencies to avail themselves of master lease-financing if there's nothing in it for them. If it is felt to be necessary to deal with the incentive problem, use of the master lease program for any agency lease-financing could be made mandatory. The following amendment to SB 154 would do that:

mandatory

Page 5, line 5: insert a new section to read:

"*Sec. 13. AS 36.30.080 is amended by adding a new section to read:

'(e) An agency may finance or refinance the purchase of equipment only through a master lease program if the department has entered into a lease-financing agreement that provides financing or refinancing under a master lease program for such equipment."

and renumber succeeding sections.

The Honorable Pat Pourchot
April 18, 1989
page 3

In cases where an agency only had enough funds to pay for a master lease but not a vendor lease, reduction of the agency budget by the amount of the calculated savings could bite into the agency's program and altogether deter lease-financing that might be desirable. Such situations could probably be addressed in budget hearings on the agency's program.

One other suggestion. If the committee desires, it could authorize master lease-financing only for refinancing existing leases. In fact, it could conduct an ongoing program on this basis, each year authorizing refinancing of prior year lease-purchases. However, an ongoing refinance program would diminish the savings, due to payment of vendor rates for some period of time before the refinancing takes place and due to paying twice for some costs of financing -- legal, administrative, etc.

The following amendment to SB 154 would limit the bill to authorizing refinancing of estimated current equipment leases:

Page 5, line 5: amend section 12 to read:

only refinance existing

"*Sec. 12. The Alaska State Housing Authority may acquire equipment on lease to the State at the time of its acquisition by the authority, for lease to the State under a master lease program, and may provide refinancing up to a total of \$50,000,000, for such acquisitions."

Page 5, line 12: amend section 14 to read:

"*Sec. 14. The Department of Administration may enter into one or more lease-financing agreements with the Alaska State Housing Authority for the refinancing, up to a total of \$50,000,000, under a master lease program, of equipment purchased by the State."

The estimated amount of possible refinancing contained in the amendments is based on information from the State's accounting system (AKSAS) that indicates lease payments on equipment are running at approximately \$10 million during FY 89 (\$6,597,319 through March 23, 1989). Equipment lease payments totaled \$9,702,709 during FY 88. Assuming an average term of five years and an interest rate of 10 percent, \$10 million in annual lease payments would be the payment on \$48,780,000 of equipment purchases.

Yours truly

Milton B. Barker
Milton B. Barker
Deputy Commissioner

MBB/ph

cc: State Bond Committee
Alaska State Housing Authority
Department of Transportation and Public Facilities
Alison Elgee, Director, Division of Budget Review

89-117

5-3POOP.TXT

SB 154 EQUIPMENT LEASE-FINANCING/MASTER EQUIPMENT LEASE

TO TESTIFY

MILT BARKER, DEPT. REVENUE (HE WILL SPEAK TO THE AMENDMENT)

F.Y.I.

BILL WAS HEARD MARCH 15.

FISCAL NOTE SHOWS SAVINGS OF \$47,480 THROUGH 1993. COMMITTEE WAS CONCERNED THAT THE SAVINGS WOULD NEVER BE REFLECTED IN THE BUDGET BUT SIMPLY SPENT BY THE AGENCIES ON OTHER THINGS. AMENDMENT IS INTENDED TO CORRECT THIS.

COMMITTEE WAS CONCERNED THAT A MASTER LEASE WOULD SOMEHOW ENCOURAGE IRRESPONSIBLE EQUIPMENT BUYING -- EITHER TOO MUCH OR LARGE ITEMS LIKE VEHICLES THAT THE LEGISLATURE MIGHT NOT APPROVE OF. SHOULDN'T BE A PROBLEM SINCE PAYMENTS ON THE MASTER LEASE MUST BE MADE BY EACH AGENCY AND THEY'LL BE LIMITED BY LEGISLATIVE APPROPRIATIONS.

AL MAY PROPOSE AMENDMENT TO SUNSET THE MASTER LEASE OPTION IN ONE OR TWO YEARS. ELMER IS CONCERNED THAT AGENCIES WILL BE NO BETTER AT PAYING DEPT. ADMIN. THE MASTER LEASE CHARGES THAN THEY ARE AT PAYING THEIR BUILDING LEASE CHARGES. RESULT MIGHT BE THAT ADMIN. ENDS UP WITH A HUGE EQUIPMENT PAYMENT OBLIGATION -- REFLECTED IN THEIR BUDGET -- AND THE AGENCIES SPEND THEIR EQUIPMENT APPROPRIATIONS ON NEW EQUIPMENT RATHER THAN ON THEIR MASTER LEASE PAYMENTS.

SB 154 MASTER EQUIPMENT LEASE-FINANCING PROJECT

TO TESTIFY

MILT BARKER, DEPT. REVENUE

BOB LINK, DEPT. ADMINISTRATION

Julia Tucker, ALASKA STATE BUILDING AUTHORITY

OTHERS

F.Y.I.

DEPT. ADMINISTRATION WOULD BE THE COORDINATING AGENCY. SEEMS LIKE THERE SHOULD BE A COST SAVINGS -- PER SHEARSON-LEHMAN 1,020 LEASE PAYMENTS NEED TO BE MADE UNDER DEPT'S EXISTING SYSTEM BETWEEN 7/87-7/91. WITH MASTER LEASE, WOULD NEED TO MAKE ONLY 8 PAYMENTS. HOWEVER, DEPT. ADMINISTRATION'S FISCAL NOTE REQUESTS ONE NEW PERMANENT POSITION!

6/87 SHEARSON-LEHMAN ESTIMATED \$424,000 OF SAVINGS ON PRESENT VALUE BASIS IF WE GO TO A MASTER LEASE (BASED ON VALUE OF EXISTING LEASES).

ANNUAL RENT ESTIMATE IS BASED ON 6.5% INTEREST, 4 YEAR MATURITY (THE EXPERTS RECOMMEND MATURITY WITHIN 3-5 YEARS, THE USEFUL LIFE OF THE EQUIPMENT).

GOVERNOR'S FY 90 CAPITAL BUDGET CONTAINS \$23.8 MILLION IN EQUIPMENT REQUESTS.

A.G.'S OPINION SAYS LEGISLATIVE APPROVAL OF LEASE-FINANCING IS UNCONSTITUTIONAL UNDER SEPARATION OF POWERS DOCTRINE, BUT THAT ADMINISTRATION IS WILLING TO GO ALONG WITH LEGISLATURE'S WISHES IN THIS AREA.

February 3, 1989

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SB 154 cont'd

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to lease-financing for state equipment.

The main purposes of the bill are to:

1. provide general statutory authority for the Alaska State Building Authority (ASBA) to finance and acquire equipment for lease to the state (sec. 3 of the bill);
2. specifically authorize ASBA to acquire and finance new equipment, or acquire and refinance equipment already on lease to the state, under a master lease program (secs. 12 and 13); and
3. specifically authorize, in accordance with the State Procurement Code, the Department of Administration to enter into lease-financing agreements with ASBA for the master lease program (secs. 14 and 15).

The approach to financing state equipment embodied in this bill offers potentially significant savings in interest costs on state equipment financing compared to interest rates charged by equipment vendors. The master lease program would be administered by the Department of Administration and available to all state agencies.

The second amendment of AS 18.55.100(d) in sec. 4, regarding legislative approval of equipment projects, raises a constitutional issue under the separation-of-powers doctrine, as does the current wording of that subsection. However, knowing of the legislature's concern about the overall debt management of the state, I believe that it might be helpful to set out this procedure in the statute, as a courtesy to the legislature.

Aside from the immediate-effective-date provision (sec. 16), the remaining sections of the bill consist of amendments that add references to state equipment lease-financing in various ASBA statutes relating to housing or public building projects of ASBA. These include corporate purpose (sec. 1 of the bill); prohibition of ASBA members or employees from acquiring an interest in projects (sec. 2); securing bonds with lease payments (sec. 5); validity of bonds and notes (sec. 6); bond covenants to limit disposition of projects (sec. 7); establish rates and fees for projects (sec. 8); vest in a trustee the right to take possession in the event

*At Maynard
Req. of leg. app.
violation of
sep. powers*

February 3, 1989

SB 154 cont'd

of default on a project (sec. 9); grant bondholders rights to take possession or appoint a receiver for projects in default (sec. 10); and acceptance of federal aid for projects (sec. 11).

Sincerely,

/s/
Steve Cowper
Governor

SB 155

SENATE BILL NO. 155 by the Rules Committee by request of the Governor, entitled:

"An Act relating to the transfer of certain alcoholic beverage licenses; and providing for an effective date."

was read the first time and referred to the Finance Committee.

Zero fiscal note published today from Department of Revenue.

Governor's transmittal letter dated February 3:

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that makes changes in existing law to eliminate an inconsistency, and resultant confusion, regarding transfer of certain alcoholic beverage licenses.

AS 04.11.360(11) and AS 04.11.400(j) relate to "restaurant or eating place licenses," which are the licenses permitting restaurants to dispense beer or wine. These exception licenses are issued without regard to the population of a given locality if the Alcoholic Beverage Control (ABC) Board determines that new licenses are necessary for the public convenience.

Because restaurant or eating place licenses issued under AS 04.11.400(j) are not subject to population limitations, there is no "quota" that limits the number that may be issued in a given locality. Accordingly, the licenses do not have an inherent "market value"; and as many restaurant or eating place licenses may be issued in a locality as the board finds are necessary for the public convenience. There is, therefore, no recognizable interest of a licensee in



January 30, 1989

The Honorable Tim Kelley
President of the Senate
Alaska State Legislature
P. O. Box V
Juneau, AK 99811

Dear Senator Kelley:

The assistance of the Alaska State Building Authority ("ASBA") has been requested by the Alaska Department of Administration to provide financing or refinancing of State equipment purchases under a master lease program. The program is more fully explained in Commissioner John Andrews' letter to you of January 27, 1989.

Legislative authorization for ASBA to undertake this program pursuant to amendments to AS 18.55.100 proposed by the Governor is requested. The authority would be a natural conduit for such financing since it is already statutorily mandated to serve as lessor for public buildings leased to the State.

Sincerely,

ALASKA STATE BUILDING AUTHORITY

Ray Price
Executive Director

mg:c:\wp5\admin\rp-tk.1

Enclosures

MEMORANDUM

State of Alaska

Department of Law

TO: Milt Barker
Deputy Commissioner
Department of Revenue

DATE: September 17, 1987

FILE NO: 653-88-0094

TELEPHONE NO: 465-3600

THRU: SUBJECT: Equipment lease
purchase
Your file no.: 9095H

FROM: Robert M. Maynard *RM*
Assistant Attorney General
Governmental Affairs-Juneau

You have asked for our opinion on the applicability of AS 36.30.080(c), which requires approval by law of lease-financing by the Department of Administration with annual rents exceeding \$1 million (effective January 1, 1988), to equipment financing or refinancing. In particular, you are contemplating a proposal whereby the various equipment leases now spread throughout state government would be consolidated under one or more new (or replacement) "master leases" through a particular vendor.

As we read your request, you are asking two questions. First, whether equipment-lease financing falls within the procurement code, and second, whether the provisions of AS 36.30.080 relating to legislative approval applies to equipment, rather than simply space, leases. The answer to both questions is that equipment-lease financing is covered by the new procurement code and the statutory requirement of legislative approval.

AS 36.30.850(b) provides that "[t]his chapter applies to every expenditure of state funds irrespective of their sources" except for some carefully worded exceptions that do not apply here. Since the new master lease will involve some expenditure of state funds (even though that expenditure, in some instances, may be less than would otherwise be the case), the provisions of AS 36.30 apply.

Second, although AS 36.30.080(a) is limited by its terms to space leasing, that limitation does not appear in either subsections (b) or (c). The only two potential sources for implying that limitation would come either from the use of the term "rent" in subsection (c), or, as you inquire, by the identification of leases by the "department" as applying to only the Department of Administration (which is presently responsible for space leasing).

Milt Barker, Deputy Commissioner
Department of Revenue
663-88-0094

September 17, 1987
Page 2

Although most commonly used in connection with land or space leases, "rent" is also a term applying to lease payments for other types of property. One may, for example, "rent" a car. Wells v. Allstate Ins. Co., 327 F. Supp. 622, 631 (D. S.C. 1971). Given the broad coverage of the state procurement act, we see no reason to imply a limitation to only real property rents that is not expressed.

Second, the indication that it is leases of the "department," meaning Department of Administration, does not imply a limitation on the type of leases covered by that section. With the effective date of the new procurement code, all leases, not just space leases, will be the responsibility of the Department of Administration. AS 36.30.005(a). Although this authority may be subsequently delegated to other agencies (AS 36.30.015(a)), the identification of the Department of Administration in AS 36.30.080(b) and (c) does not imply a limitation on the type of leases covered by those sections.

You have not asked, nor do we address, the question of the constitutionality of the requirement of legislative approval in AS 36.30.080(c). We would note, however, that the position of the Department of Law has consistently been that such requirements of legislative approval are unconstitutional as a violation of the doctrine of separation of powers. On the other hand, the consistent practice of administrations has been to respect the Legislature's desire to be involved in major transactions (which lease financings with annual payments of over \$1,000,000 would certainly be). Thus, as a matter of comity in these types of situations, administrations have as a matter of contract made legislative approval a requirement. Since lease-financing arrangements require a high degree of certainty that all applicable laws have been followed, the provisions of AS 36.30.080(c) will likely be followed in any event in order to eliminate potential uncertainties.

We would further note, in response to your inquiry, that the provision for legislative approval applies only where a particular lease, master lease, or contract exceeds \$1 million in annual rent. If the department enters into two separate master leases with a \$500,000 annual payment each, then legislative approval is not required (as long as a separate procurement in conformance with the Code is done for each agreement).

If you have any questions, please do not hesitate to call.

RM:jf

Sec. 36.30.070. Supply management. The commissioner shall adopt regulations governing the

- (1) management of supplies during their entire life cycle;
- (2) sale, lease, or disposal of surplus supplies by public auction, competitive sealed bidding, or other appropriate method;
- (3) purchase of surplus supplies by an employee of the using or disposing agency; and
- (4) transfer of excess supplies. (§ 2 ch 106 SLA 1986)

Sec. 36.30.080. Leases. (a) The department shall lease space for the use of the state or an agency wherever it is necessary and feasible, subject to compliance with the requirements of this chapter. A lease may not provide for a period of occupancy greater than 40 years. An agency requiring office, warehouse, or other space shall lease the space through the department.

(b) The department may enter into lease-financing agreements, including lease-purchase agreements and agreements related to the issuance of certificates of participation. A lease-financing agreement must provide that lease payments are subject to annual appropriation.

(c) If the department intends to enter into a lease or lease-financing agreement with an annual rent to the state anticipated to exceed \$1,000,000, the department shall provide notice to the legislature. The notice must include the anticipated annual lease obligation amount and the anticipated total construction, acquisition, or other costs of the project. The department may not enter into an agreement under this subsection unless the project has been approved by the legislature by law. An appropriation for the project does not constitute approval of the project for purposes of this subsection. (§ 2 ch 106 SLA 1986)

Article 2. Competitive Sealed Bidding.

Section

- 100. General policy
- 110. Invitation to bid
- 115. Subcontractors
- 120. Bid security
- 130. Public notice of invitation to bid
- 140. Bid opening

Section

- 150. Bid acceptance and bid evaluation
- 160. Late bids; correction or withdrawal of bids; cancellation of awards
- 170. Contract award after bids
- 190. Multi-step sealed bidding

Effective date of article. — Section 69, ch. 106, SLA 1986, as amended by § 27, ch. 65, SLA 1987, provides that this article takes effect January 1, 1988.

Collateral references. — Right of mu-

nicipal corporation to recover back from contractor payments made under contract violating competitive bidding statute. 33 ALR3d 397.

Government Finance Associates, Inc.

1300 S.W. 5th Avenue, Suite 2929

Portland, Oregon 97201

503/222-1405

SEPTEMBER 28, 1987

TO: COMMISSIONER HUGH MALONE
MILT BARKER
TOM BOUTIN

FROM: GOVERNMENT FINANCE ASSOCIATES, INC.

RE: STATE OF ALASKA MASTER LEASE PROGRAM

I. INTRODUCTION

Lease purchase financing can be an attractive alternative to individual vendor leases or to general obligation financing. A governmental body wishing to purchase facilities through the lease program enters into a lease agreement with either a bank or a leasing corporation acting as escrow agent/lessor. Certificates or bonds are then issued based on the expected lease revenues. In order to qualify as a tax exempt financing the final ownership of the equipment must be with a public entity and the equipment or facilities must have limited private use. These lease rental payments are set at a level equal to the debt service requirements and are paid through the annual appropriation process. The lessor, upon receipt of the lease payments, distributes the payments to the bond or certificate holders. The arrangement is actually a type of installment sales agreement for the purchase of equipment.

Some governments have used lease purchase financing to manage a yearly "master lease" program. This type of program brings together, into a single transaction, all of the individual lease purchases the government plans during the upcoming year. A master lease can reduce the overall administrative efforts in multiple lease agreements as well as reduce the interest cost of the leases. A master lease program is appropriate only for equipment purchases; a different mechanism should be established for the planning and coordination of leasing and/or lease purchase financing of facilities.

There will be a number of policy, as well as financial, matters the State will want to consider as it determines its need for a master lease program. This memorandum will review those considerations as well as outline the process for implementing such a program.

II. DETERMINATION OF NEED

The State may have several reasons to pursue a master lease financing. These needs fall into several areas.

RECEIVED
ALASKA DEPARTMENT OF REVENUE

SEP 29 1987

OFFICE OF THE COMPTROLLER

Government Finance Associates, Inc.

A. Policy issues

1. *Coordination and planning*

From a management standpoint, it is advantageous to coordinate purchasing through a central location, reducing the redundant costs of multiple agreements. A focal point for administering the leases also may coordinate future purchasing requirements. The Shearson Lehman proposal included 71 different existing lease contracts. A master lease program would bring all of those contracts (and their resultant payments) under a single master contract with coordinated payments. The State could choose to make only two payments a year, as is typical in Certificates of Participation, or monthly payments, as is typical in traditional leases.

In considering the centralization of lease financing through a master lease program, the State should consider limits on the amount of leasing each year as well as the type or cost of equipment leased. While the programmatic need is the first stage of the decision process, the State should set a standard limit on the yearly total amount of lease financing of equipment. This limit may be set as a percent of total budget, a percent of True Cash Value, or a dollars per capita figure. In this way, the State does not risk inordinate increases in lease financing which might become detrimental to its credit rating. A further limit on the type or cost of equipment financed should be articulated in that some equipment might more reasonably be purchased through current appropriations.

2. *Lower cost financing*

Individual vendor leases usually charge a higher rate than the borrowing rate for the overall governmental issuer. In some instances, vendor rates range up to 18%. In the State's case, Shearson Lehman calculated the average interest rate on outstanding leases to be 13.86%. By pooling the individual smaller leases, the cost of borrowing can be lowered to near the general obligation debt rate.

3. *Financing within the annual budget process*

Lease purchases are financed within the operating budget and therefore are not subject to the normal debt issuance approval process. The concept is based in the rationale that, through a lease purchase financing, facilities or equipment can be purchased at a lower cost than they can be leased or rented through individual vendors. The lease obligation is not debt in the traditional sense; it is rather a purchasing arrangement with ownership of the equipment/facilities dependent on fulfilling the terms of the agreement.

4. *Administration of the master lease program*

A central administrative unit will serve to coordinate the process. This is most commonly accomplished through the department of general services. This does not mean, however, that all the costs of the leases should be removed from the program budgets. One of the concerns of master lease programs is that leases are suddenly seen as free budget increments to the departments initiating the lease. The result is often an explosion in the number of lease financings, which is clearly contrary to the purpose of the master lease program. General Services should establish an accounting system which tracks, and bills to the departments, the costs associated with the lease purchases initiated by those

Government Finance Associates, Inc.

departments. These costs should include the yearly principal and interest due, the pro rata share of the issuance costs, and any administrative costs incurred by General Services and other state agencies in managing the transaction.

B. Review of upcoming needs

The size of the financing should reflect upcoming needs over the next reasonably predictable purchasing period. Estimated purchase prices and time lines should be established. As an alternative to the estimation process, purchases may be accumulated through a bank line of credit and re-financed later based on known costs.

C. Review of outstanding leases

In the case of a first master lease, the existing leases should be reviewed as it may be possible to buy out the remaining portions of their leases and re-finance the remainder as part of the master lease. The outstanding balance on leases should be determined as well as any prepayment penalties. The remaining economic life of the equipment should also be determined, as it limits the potential term of the financing.

As the refinancing of existing leases will result in lower costs on existing leases, the State will need to develop a policy for the budget treatment of savings.

III. TERMS OF THE FINANCING

The following should be determined when structuring the issue:

A. Useful life of the financed equipment

The equipment should not be financed for a period longer than its useful life. With equipment purchases, this is usually 3 to 5 years.

B. Repayment schedule

The repayment schedule should meet the cash flow abilities of the governing body. The principal payment typically occurs within the first few months of the fiscal year.

C. Establishment of Trustee

A trustee or escrow agreement will be established with either a bank or leasing company to provide nominal ownership of the equipment or facilities during the purchase period. This agreement establishes an agreement between the governing body and the trustee (or escrow agent) regarding payment for the equipment. This document is usually drafted by bond counsel.