

ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 00/2

10043 SENATE COMMUNITY & REGIONAL AFFAIRS

Item	Total Project Cost	Eligible Basis (Acquisition)	Eligible Basis (Rehab/New Constr)	Funded with HOME Funds	Funded with SCHDF Funds
Soils Report	\$	\$	\$	\$	\$
Market Study	\$	\$	\$	\$	\$
Independent Cost Estimate Fees	\$	\$	\$	\$	\$
Project Audit Fee	\$	\$	\$	\$	\$
Legal Fees	\$	\$	\$	\$	\$
Tax Credit Fees	\$	\$	\$	\$	\$
Cost of Providing Affirmative Marketing &	\$	\$	\$	\$	\$
Relocation Payments & Assistance Costs	\$	\$	\$	Not Eligible	Not Eligible
Rent-Up Reserves (from rentup reserve schedule)	\$	\$	\$	Not Eligible	Not Eligible
Marketing Reserves	\$	\$	\$	\$	\$
Other:	\$	\$	\$	\$	\$
Subtotal-Related Soft Costs/General	\$	\$	\$	\$	\$
Syndication Costs: (Related to Sale of LIHTC's)					
Partnership Organization Costs	\$	\$	\$	\$	\$
Bridge Loan Fees and Expenses	\$	\$	\$	\$	\$
Tax Attorney Fees	\$	\$	\$	\$	\$
Legal Fees	\$	\$	\$	\$	\$
Consultant Fees	\$	\$	\$	\$	\$
Other:	\$	\$	\$	\$	\$
Subtotal-Syndication Costs	\$	\$	\$	\$	\$
Developer Costs:					
Developer's Overhead (see Program Guide for limits)	\$	\$	\$	\$	\$
Developer's Fee (see Program Guide for limits)	\$	\$	\$	\$	\$
Subtotal-Developer Costs	\$	\$	\$	\$	\$
TOTAL PROJECT COST	\$	\$	\$	\$	\$

FOR LOW INCOME HOUSING TAX CREDIT PROJECTS ONLY:

Table of Eligible and Qualified Basis For Carryover Allocation or IRS Form #8609:

Building Number (If Acquisition and Rehab, then do rehab. separately)	Building Identification Number (BIN)	Placed in Service Date	Eligible Basis	Applicable Fraction	Qualified Basis	Reasonably Expected Basis (for Carryover allocation only)	Credit Percentage	Annual Credit

Submitted by: Assemblymember TESCHE
Prepared by: Assembly Office
For reading: FEBRUARY 15, 2000

**ANCHORAGE, ALASKA
AR NO. 2000-41**

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING HB 272, "AN ACT RELATING TO THE TAX ASSESSMENT BY A HOME RULE OR GENERAL LAW MUNICIPALITY OF HOUSING THAT QUALIFIES FOR THE LOW-INCOME HOUSING CREDIT UNDER THE INTERNAL REVENUE CODE, AND PROVIDING FOR AN EFFECTIVE DATE."

WHEREAS, affordable housing in Anchorage which serves senior citizens, residents with special needs, and low income families is now at substantial risk of fiscal default because the Municipal Assessor no longer recognizes recorded deed covenants which limit rents received from tenants; and

WHEREAS, upon default, these properties will likely become tax-exempt public housing projects, thereby reducing annual property tax revenues by as much as \$486,000; and

WHEREAS, the state's largest investors have stated that investment in affordable housing in Anchorage will not resume without a consistent assessment policy that recognizes limits imposed on rents the properties collect, and a policy that does not treat federal low income housing tax credits used to build affordable housing as "real property"; and

WHEREAS, Federal officials have stated that the Assessor's practice, if not corrected by prompt action, could jeopardize continued receipt of more than \$3 million in Community Block Grants made available to the Municipality of Anchorage.

NOW, THEREFORE, the Anchorage Assembly hereby resolves:

Section 1: That the Assembly supports HB 272 and commends the Alaska State House of Representatives for its passage of HB 272 and urges the Alaska State Senate to enact this legislation without delay.

Section 2: This resolution shall take effect upon passage and approval.

PASSED AND APPROVED by the Anchorage Municipal Assembly this _____ day of _____, 2000.

Chair

ATTEST:

Municipal Clerk

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Anchorage Daily News

Wednesday, March 1, 2000

Decent housing

Cut through debate to the purpose

The state House has passed by a 29-5 vote a bill to keep quality, low-income housing available to Alaskans.

Rep. Andrew Halcro sponsored the measure, which would:

- * Require cities to tax low-income properties based on their actual rents, not what such properties might be worth on the open market.
- * Prohibit cities from including federal tax credits in property values when doing assessments.

Why is this important?

Without it, Anchorage could lose quality, low-income housing for the disabled, mentally ill, seniors on fixed incomes, poor families struggling to make ends meet and people who would otherwise have only the street or the Brother Francis Shelter. That's because the city, since 1998, has tried to assess these properties at fair market value, even though they're not free to compete in the open market, even though their primary purpose is not to make money but to provide quality, safe housing.

Here's how low-income housing tax credits generally work. A nonprofit group comes up with a plan for a building. It applies for tax credits to the Alaska Housing Finance Corporation, which runs the program in Alaska for the federal government. AHFC may grant tax credits up to 9 percent of the value of the project.

Let's say the project will cost \$1 million. AHFC likes the plan and provides \$90,000 in tax credits. A bank or other investor then buys those credits at a discount, usually about 75 cents on the dollar. Because the tax credits are good for 10 years, that means the bank buys \$900,000 in federal tax credits for \$675,000. It puts that \$675,000 up front to finance the building, and then qualifies to take \$90,000 off its federal tax bill for the next 10 years.

That leaves the nonprofit needing \$325,000. Usually that comes from AHFC loans, other programs or grants.

Without substantial private investment, the housing doesn't happen. And without the tax incentive, private investment doesn't happen.

What does an Anchorage property tax assessment have to do with

this? If Anchorage can tax these properties to the max - rather than accept the \$500,000 in property taxes they now provide - it can put them out of business and preclude any new projects.

There are 15 tax-credit properties in Anchorage. They provide 1,235 units. Some of these properties face a \$50,000 tax increase, according to Jeff Judd of Anchorage Mutual Housing, which operates several of them. Fifty thousand is enough to bankrupt "a property that's penciled down to the gnat's eyebrow." That's how Elizabeth Andrews describes the finances of these projects. Ms. Andrews works with both Anchorage Mutual Housing and Anchorage Neighborhood Housing.

Banks could stand to lose their investments and their tax breaks. If the properties reverted to AHFC, they would become public housing and not pay a penny to the city treasury.

Banks and other major investors won't put up a dime if they have to worry about the city changing its rules.

City executive manager Elaine Christian says the city's position is that it's complying with state law requiring full and true assessments of property. Let assessors and lawyers tangle in the legal thicket that now faces the Board of Equalization, which is still trying to settle the appeals on these properties.

Rep. Halcro's bill cuts right through the thicket to common sense. The Senate should join the House in passing it. And if banks and private investors are willing to finance low-income housing in Anchorage, city officials should applaud, not get in the way.

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U.S. Department of Housing and Urban Development
Alaska State Office
University Plaza Building
Office of Community Planning & Development
949 East 36th Avenue, Suite 401
Anchorage, AK 99508-4399
www.hud.gov/alaska.html

July 20, 1999

Lynn Taylor, Manager
Housing and Community Development Block Grant Division
Department of Community Planning and Development
Municipality of Anchorage
P O Box 196650
Anchorage, AK 99519-6650

Subject: 1999 Action Plan Review Comments

We have completed our review of your annual action plan and find it legally approvable. The grant agreements for the three formula programs funded through the plan, Community Development Block Grant (CDBG), HOME Investment Partnership Program (HOME), and Emergency Shelter Grant (ESG), are being sent under separate cover to Mayor Mysterom.

Although we find that the document continues to improve each year, our review did reveal a number of issues that must be addressed prior to our final approval of the Action Plan. These deficiencies, discussed below, will not delay our transmittal of the grant agreements, nor will it restrict the Municipality's access to the grant funds. (We have approved your request to incur pre-agreement costs in both the CDBG and HOME programs.) A satisfactory response, however, is required prior to our final approval of the Action Plan and should be submitted as soon as possible.

Fostering Affordable Housing - HOME

In accepting HOME program grants, participating jurisdictions commit to the mission of preserving and increasing the stock of affordable housing in their communities. This is incorporated into the Consolidated Plan as a goal and a strategy. Specifically, in Anchorage's five year Consolidated Plan, the Municipality pledges to...

"(1) Increase the inventory of safe, affordable rental housing for renter households earning 80 percent of median income or less, with an emphasis on the low- and extremely low-income and continue to provide rental assistance to reduce rent cost burden." (Municipality of Anchorage Consolidated Plan 1995-2000, Section IV, Housing and Community Development Strategic Plan, Five Year Strategy, page 120.)

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Further, the federal regulations governing the Consolidated Plan require annual action plans to contain a discussion of activities the HOME participating jurisdiction has taken to "... foster and maintain affordable housing, [and to] remove barriers to affordable housing..." (24 CFR 91.220(f)(1)).

Although these subjects are discussed on pages 32 and 49 of the Municipality's 1999 Action Plan, the discussion is incomplete in that there is no mention, except in a brief response to a public comment on page B-8, of the Municipality's property tax policy regarding affordable housing projects.

In affordable multifamily housing projects, the rent of some or all of the units are capped, by the terms of their financing, generally at a level that does not exceed 30 per cent of a low-income family's adjusted income. While there is a relationship between area median income, which is the basis for determining an affordable housing tenant's eligibility, and market rents, it is not at all a direct relationship. Many factors can cause a great disparity between area income and market rents: availability of units (i.e., vacancy rates), proximity of units to employment, schools, public transportation, size and distribution of available units, etc. If operating costs increase, such as a significant increase in property tax, and revenues cannot be raised to cover the additional cost, default occurs.

We find that the Municipal Assessor's treatment of annual assessments of the value of affordable housing projects in Anchorage is inconsistent with the Municipality's pledge to increase the stock of affordable housing within the jurisdiction. Annually increasing the assessed value of these properties based on the mistaken assumption that they are capable of generating revenue at the level of market rents has the impact of driving affordable housing projects into default of the terms of their financing. Additionally, private financial institutions and tax credit investors will not participate in new affordable housing projects in Anchorage as long as the Municipality's property tax policy makes no distinction between affordable housing projects and market rate rental properties. Such a position undermines any confidence in the long-term financial feasibility of an affordable housing project.



In our view, the Municipality's tax policy disregarding the rent restrictions on these properties is the single greatest threat to the preservation of existing stock, and future development of affordable housing in Anchorage today. The Municipality cannot, on the one hand, pledge to foster affordable housing, and on the other, penalize and discourage its development. A permanent solution to this problem is necessary to create the economic climate required to "grow" affordable housing in Anchorage. The Municipality's Action Plan must acknowledge and address this bipolar position and outline measures it will undertake to eliminate it.

Use of Program Income from the Rental Rehab Program - HOME

We note that you intend to augment the funding of your 1999 HOME program projects with program income generated from the repayment of loans originally funded with Rental Rehabilitation Grant Program grants. You also indicate (page 20 of the Action Plan) that you intend to claim this source of funding as a portion of your required match of 1999 HOME funds.

Program income from these grants may only be used for HOME program match when the Rental Rehab grants that generate the income are closed out (24 CFR 91.220). Our records indicate that

- not all of the old Rental Rehab Grants are closed. Because these grants were administered by our Seattle Office, please contact Ms. Kaycie Collins at (206) 220-5150 ext. 3613 for the status of the open grants and instructions on actions necessary to close them out.

Overall Benefit Calculation - CDBG

Again this year the Action Plan does not indicate which option the Municipality prefers to calculate its compliance with the overall benefit requirement of the CDBG program. An entitlement community receiving CDBG funds must specify, in accordance with §91.225 (b) (4) (ii), whether it intends to calculate the overall benefit requirement of the CDBG program over a period of one, two or three "...specific, consecutive program years..." You must identify the specific year or years you wish the calculation to be based upon. We are available to discuss the ramifications of specific choices if you feel it would be beneficial.

Amendments

As in previous years, funding any project not described in the current plan will require formal amendment of the plan in accordance with the procedures outlined at §91.105(c) and the amendment policy in your Consolidated Plan. You must notify HUD when you amend your Consolidated or annual Action Plan, either at the time you do so or in your Consolidated Annual Performance and Evaluation Report (CAPER) at the end of your program year.

The issues discussed in this letter and your response, following our approval, should be incorporated into the 1999 Action Plan. If you have any questions regarding any of the issues discussed in this letter or require technical assistance with your response, please contact Gus Smith, CPD Representative at (907) 271-4632.

Sincerely,

Kim W. Davis
Acting Director, Community Planning
and Development Division

cc:

- Caren L. Mathis, Director
Department of Community Planning and Development

HOUSING FIRST

Affordable Housing for Individuals and Families

e-mail bstreet@alaska.com

(907)364-3573 FAX: (907)364-2674

1801 Douglas Highway, No. 16, Douglas, AK 99824

Sen. Tim Kelly
Chairman, Senate Community and Regional Affairs
Via fax: 465-3756.

Feb. 29, 2000

Dear Sen. Kelly,

Thank you for scheduling a hearing on HB 272 tomorrow. Please include this letter in testimony on the bill.

Housing First, Inc., is one of the non-profit housing organizations that has used tax credits to build affordable rental apartments in Alaska. In our case, we have built two buildings, with 21 units total, in Juneau and Douglas, using this source of funding, along with funds from a number of other sources including conventional loans.

Housing First, Inc., is consequently strongly in favor of HB 272, since we believe it is a fair approach to the problem of tax assessment of our properties and similar affordable housing units throughout Alaska.

Each year since construction of each property, we have appealed our property taxes to the City and Borough of Juneau. Each year, we are glad to say, we have received some relief from these taxes. Some years, the appeal goes to the Board of Equalization; in other years, our appeal has been settled administratively. We have tried to persuade our city assessor to take an income-based approach to assessing the buildings, but have been unsuccessful. Generally, we reach a tax agreement that is between our request, based on an income-based approach, and the full market-based assessment we receive from the city.

It is clear to us that without a legislative solution to this problem, we will have to commit resources, time and energy to each year's appeal, and each year accept something less than what we believe is a fair assessment.

For us, property tax relief has made the difference between owning buildings that are operating in the black or in the red. As a non-profit organization that has one part-time staff person and an active board of volunteers, it is vitally important that our buildings are able to pay for themselves. We have no other source of operating funds, since 100 percent of our units have rent ceilings attached.

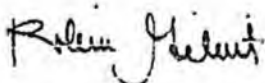
These rent ceilings, part of the deeds, are in place for 30 years from construction of the building; our oldest building has 24 years remaining on these ceilings. Surely, the value

of our buildings is affected by these ceilings. During the 30 years, neither of these buildings can be seen as competing with apartment buildings able to charge market rents. Even after the rent restrictions are lifted, we intend to continue renting at affordable rents. If we choose not to, however, this legislation would permit tax assessors to assess the property at a market rate.

We have taken the risk and responsibility of building these apartments for the public good. In return, we would like a fair assessment of the value of our properties.

Again, we thank you for scheduling a hearing on this important legislation.

Sincerely,



Robin Gilcrist
President, Housing First, Inc.