

AHFC Affordable Housing Development Program

FY2016 Request: \$22,400,000
Reference No: AMD 48811

AP/AL: Appropriation
Category: Development
Location: Anchorage Areawide

Project Type: Construction
House District: Anchorage Areawide (HD 12-28)

Impact House District: Anchorage Areawide (HD 12-28)

Contact: Les Campbell

Estimated Project Dates: 07/01/2015 - 06/30/2020 **Contact Phone:** (907)330-8356

Brief Summary and Statement of Need:

This is a new FY2016 project. This project will expand the objective of the San Roberto/Mountain View project model into a program that will help develop more affordable housing units in areas of the state with a severe shortage of affordable housing units. These funds may be combined with other programs, including the Low-Income Tax Credit program, Public Housing's Capital Fund Program (CFP) and other federal funds using the Alaska Housing finance Corporation's (AHFC) Moving to Work (MTW) flexibility. The goal is to be as flexible as possible in putting together optimal financing solutions to produce more affordable housing units in areas where affordable housing is insufficient.

Funding:	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Total
AHFC Div		\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$40,000,000
Fed Rcpts	\$22,400,000				\$7,000,000		\$29,400,000
Total:	\$22,400,000	\$8,000,000	\$8,000,000	\$8,000,000	\$15,000,000	\$8,000,000	\$69,400,000

<input type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input checked="" type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Prior Funding History / Additional Information:

Sec14 Ch16 SLA2013 P120 L8 SB18 \$5,092,000
 Sec4 Ch16 SLA2013 P106 L8 SB18 \$25,200,000
 Sec7 Ch43 SLA2010 P34 L26 SB230 \$9,708,504
 Sec29 Ch43 SLA2010 P161 L8 SB230 \$1,398,100

The original San Roberto Redevelopment project was appropriated in FY2010, and revised in FY2013 to include the Mountain View Project

Project Description/Justification:

The purpose of this program is to provide a mechanism to strategically expand the supply of affordable housing statewide.

The projected outcome is to:

- Increase the supply of affordable housing by 60-100 units;

- Partner with developers to identify opportunities where new affordable housing would provide the greatest benefit;
- Take advantage of available federal rental assistance;
- Develop an optimal mixture of family and senior housing; and
- Improve local neighborhoods.

This program provides AHFC funding authority in federal receipts to be ready and able to continue AHFC's affordable housing program to develop more units under its jurisdiction. As opportunities arise, these funds will be combined with other program funds such as the tax credit program and/or CFP funds using the Moving to Work flexibility or any other available funding sources (including private resources). When sufficient funds are realized, AHFC will advance affordable housing projects through a bidding process to select production teams that have experience with multi-family home development, low-income tax credit syndication and experience in structuring complex multi-layered financing packages. Project developments are expected to be built by private entities, but owned and managed by Alaska Corporation for Affordable Housing (ACAH) as the general partner in a limited partnership. ACAH will contract the management and maintenance of the finished products as affordable housing/low-income housing tax credit/public housing units. This request will help provide financial leveraging for approximately 60-100 units of newly constructed public housing depending on the building locations within the state.

Program Description:

Affordable housing issues are emerging as a growing concern for the corporation. According to the Department of Labor, average wage earnings in Alaska, adjusted for inflation, have been relatively flat from 1994 to 2012. Over the same period of time, the cost of utilities, rental rates and the price of a new home have increased substantially. Housing options that are affordable to the single wage earning family are limited. Using the federal standard of 30% of income as a measure of affordability, family incomes for low- to moderate- income households are not sufficient to support the rent needed for a private developer to borrow enough debt to build housing units.

Rising home prices place homeownership farther out of reach. As a result, more families are doubling up in rentals, homelessness has increased and fewer younger families are able to afford the cost of moving from renting to homeownership. In rural Alaska, this result is compounded by shipping costs, lack of traditional housing markets, and the general shortage of housing stock. Over-crowding and the issues that arise from this situation are extenuated. This situation creates a greater need for rental assistance for more vulnerable households, and housing units in areas of the state where the housing stock is not being produced.

AHFC has already helped develop the 120 unit Loussac Place project, which is now fully under lease, and has begun the Susitna Square and Ridgeline Terrace development projects.

This project is anticipated to include the ability to construct approximately 60-100 new affordable units that may include a combination of senior and family housing units. The funding strategy calls for the best combination of federal receipts, federal capital fund program (CFP) funds, AHFC multi-family tax-exempt loan, and low-income housing tax credit equity to finance the project.

AHFC will look to foster a housing development project through a bid process to select a competent development team that has experience in multi-family development, low-income tax credit syndication, and tax-exempt bond financing. The development will be built by private entities, but

owned and managed by Alaska Corporation for Affordable Housing (ACAH) as general partner in a tax credit partnership. ACAH may contract with AHFC staff to manage and maintain the development as low-income housing tax credit/public housing.

The authority to use a broad scope of financing options enables AHFC/ACAH to implement optimal financing solutions. Each real estate deal is dynamic and unique. The flexibility to leverage the best combination of resources for each deal is the key to minimizing the aggregate resources required to expand housing opportunities for Alaskans. This entrepreneurial model has empowered AHFC to realize adaptive strategies that consistently finish projects below budgeted authority.

The authority to issue bonds, or conduit debt, for developments under this program will provide funds from private capital (through the low-income housing tax credit program) thereby reducing the amount of money that AHFC would have to contribute.

The authority to issue tax-exempt funding is critical to AHFC/ACAH in order to participate in the complimentary receipt of low income tax credits. AHFC has used approximately \$16 million of the \$29.5 million bonding authority already appropriated; thus leaving about \$13.5 million still available for the next development. In order to complete the HUD approval process, a complete "mixed-finance" application must be submitted prior to the start of construction. To that end, the development team, and investor must be selected and the amount of equity to be generated by the sale of the tax credits must be known.

Before an investor will commit to a partnership agreement or tender an offer, they must be certain that tax-exempt funding can be issued in compliance with IRS rules. AHFC must have the authority to issue the conduit funding or the project will have to be delayed until authority can be received. Of the estimated total cost of the Mountain View development project, \$10 million came from tax credit equity.

Any land purchased will be transferred to ACAH, an owned instrumentality of AHFC. The land will be leased by ACAH to a low income housing tax credit limited partnership. The limited partnership may continue to operate the project as public housing with ACAH as the managing general partner, or member of the general partner entity. Or, if it is more feasible, ACAH may contract with AHFC staff to manage and maintain the development as low-income housing tax credit/public housing. It is anticipated that 60-100 units of newly constructed public housing can be built under this program. This program could be used as part of a larger re-positioning project for AHFC's scattered site public housing portfolio.

Operations Management

The management of the public housing once developed will be different than the typical public housing management. AHFC's instrumentality, ACAH will be the managing general partner, or member of the general partner entity, in a tax credit partnership with an as yet undetermined investor. The partnership will be the owner of the project and may contract with AHFC (through shared services agreement) for management and maintenance of the project. A development team will be selected through an Request for Proposal (RFP) process. That team will handle the design and development of the project on behalf of AHFC/ACAH.

Spending Plan

	Total \$	FY2016	FY2017	FY2018
Federal Receipts	\$22,400,000	\$1,500,000	\$5,250,000	\$5,250,000
	FY2019	FY2020		
	\$5,250,000	\$5,150,000		