

# **State of Alaska FY2020 Governor's Operating Budget**

## **Department of Revenue Alaska Housing Finance Corporation Results Delivery Unit Budget Summary**

**Alaska Housing Finance Corporation Results Delivery Unit**

**Contribution to Department's Mission**

The mission of the Alaska Housing Finance Corporation is to provide Alaskans access to safe, quality, affordable housing.

**Major RDU Accomplishments in 2018**

Alaska Housing Finance Corporation (AHFC) is pleased to report that the Corporation has again made substantial progress last year in addressing Alaska's evolving housing needs.

The Corporation accomplished its mission by offering Alaskans a menu of mortgage loan programs designed to help the State like:

- A discounted interest rate for an energy efficient home;
- AHFC's Home Renovation Loan programs; or
- AHFC's Closing Cost Assistance Program.

AHFC administers a number of public housing programs and federal housing-related programs (funded primarily by grants from HUD) that assist seniors, persons with disabilities, homeless and low-income families secure a decent place to live.

The Corporation is involved in a number of public service ventures approved by our board of directors such as:

- Assisting rural school districts in providing housing to attract teachers to their local villages;
- Conducting free seminars that empower individuals to make informed decisions when buying or selling a home;
- Funding research at the Cold Climate Housing Research Center (CCHRC) to determine the best construction technologies for houses in cold climates; and,
- Developing the Alaska Retrofit Information System (ARIS) database that captures AKWARM data to include residential and commercial building energy ratings, weatherization assessments, census, and legislative data, allows for evaluation, analysis, and understanding of the impact of the state's energy efficiency programs and requirements.

The Corporation is ever mindful that changing conditions at the national, state and local community levels can (and often does) impact its business. Employment rates, cost of living, population migrations between rural and urban areas, or into or out of the state, and the housing market of specific Alaskan communities – all have consequences. They require us to remain flexible and ready to quickly adjust programs and procedures.

For instance, AHFC developed a low cost building monitoring system (BMON) for using in determining real time energy use, troubleshooting systems that reduce maintenance costs, and to determine system sizing in designing replacement systems. Most of the cost of development has been recovered by installing smaller systems and energy savings.

BMON tracks a wide range of data including building occupancy, temperature, electricity and fuel use, as well as information from multiple sources, including established weather stations, building automation systems and databases. With the help of sensors that relay up-to-the-minute information, building systems can be monitored for proper operation, shutdown during unoccupied periods, and aid in design considerations and help troubleshoot operational difficulties.

AHFC's ability to generate the sizable amount of revenue necessary to pay for all the services it provides is linked to the Corporation's ability to issue bonds at low-interest rates, then earn a return on the home mortgages it purchases.

Revenues earned by the Corporation are re-invested in Alaska through targeted loan programs, grants for low-income, special needs, senior housing, and energy-efficiency programs. The income earning side of AHFC supports its public mission. Some of FY2017 accomplishments include:

1. Provided \$352.5 million to finance residential mortgages for 1,358 Alaskan families.
2. Purchased 60 loans with a renovation option for a total volume of \$14.3 million.
3. Facilitated closing of 30 Closing Cost Assistance Program (CCAP) loans for a total of \$6.1 million.
4. Purchased/originated 42 multi-family loans totaling \$44.2 million.
5. Made loan commitments to 23 multi-family loans totaling \$18.7 million (411 units).
6. Taught 70 HomeChoice classes to 1,108 participants in 9 different communities.
7. Provided servicing and income collection on 14,560 Master Serviced Loans.
8. Provided servicing and income collection on 80 Sub-Serviced Loans.
9. Maintained a low delinquency ratio of 4.48%.
10. Maintained a low level of foreclosure activity of 46 loans.
11. Housed, on average, over 10,000 Alaskans per night between public housing and the voucher program.
12. Maintained average voucher utilization rate of 100% and average statewide public housing lease-up rate of 98%.
13. The Moving Home Program for persons with disabilities, needing supportive services, served 150 families.
14. The Empowering Choice Housing Program for those displaced due to domestic violence and sexual assault served 185 families.
15. The Returning Home Program for parolees served 30 families in Anchorage.
16. The Making-A-Home Program for youth aging out of foster care served 15 families in Anchorage.
17. The Veterans Affairs Supportive Housing (VASH) Program for homeless veterans served 271 families.
18. Expanded participation in AHFC's Jumpstart family self-sufficiency program to over 654 families.
19. Funded Public Housing adult scholarship programs, and successfully conducted the fifth year of our Youth Summer Camp scholarships.
20. Held one statewide competitive round of the Greater Opportunities for Affordable Living (GOAL) program for low-income and senior rental housing development (SCHDF, LIHTC and HOME funding). Seven proposals in five communities were funded to build 192 newly constructed rental units and 17 units of renovated housing for seniors and low-income households.
21. Held a competitive funding round for the Teacher, Health Professional, and Public Safety Housing Grant Program (THHP) Funding and initiated a new cycle for SFY2018. Four applicants received \$1,953,491 in grant funding to construct 9 units of housing in four rural communities.
22. Held one competitive round of the Homeless Assistance Program, which resulted in the award of over \$6 million in state funds for 26 agencies; approximately 12,500 Alaskans were assisted through this program.
23. Through the Special Needs Housing Grant program, maintained operating and supportive service grants for persons at-risk of homelessness in eight communities.
24. Provided \$750,000 to agencies to administer the Senior Housing Accessibility. Modification Program (SCHDF monies).
25. Successful construction of Susitna Square and Ridgeline Place, the first projects by the Alaska Corporation for Affordable Housing, a subsidiary of AHFC created for the acquisition, development, management or operation of affordable housing.
26. Although the program is closed for new enrollment, AHFC's Home Energy Rebate. Program provided 140 New Home Energy Rebates (\$1,112,000) and 1,080 Existing Home Energy Rebates (\$7,024,689.59).
27. AHFC's Supplemental Development Grant Funds contributed to the construction of 65 units and the rehabilitation of 197 units.
28. AK EnergySmart curriculum presented to 180 teachers and 3,200 students across Alaska.
29. Approximately 1,245 families live in our public housing facilities. All are benefiting from the millions in renovations and utility upgrades that AHFC has undertaken in recent years.

30. Fourteen of Alaska Housing Finance Corporation owned facilities were added to the Building Monitoring System (BMON.) The Alaska Energy Authority has installed it on their building. The Alaska Native Tribal Health Consortium has installed the system on 20 rural water/sewer plants and two other commercial facilities are using the system.
31. AHFC staff provided non-residential technical assistance to stakeholders to support energy efficiency retrofits and strategic energy management in public facilities.

Finally, last year AHFC made another substantial contribution of more than \$30.4 million dollars into the state's budget revenues through cash transfers, financing capital projects, and/or debt servicing. This increases our total cumulative contributions to the state to \$1,987,583,600.

## **Key RDU Challenges**

### **Facility Maintenance Costs of AHFC-Owned Public Housing Units**

AHFC operates and maintains over 1,600 units of housing throughout Alaska. As the housing stock continues to age, and Federal inspection requirements evolve, the maintenance cost of these units grows. Current deferred maintenance cost exceeds \$19.2 million and is expected to increase over the next ten years. AHFC anticipates that additional funding for scheduled Building Replacement projects will be necessary to address the ongoing maintenance and replacement issues of AHFC's Public Housing Unit inventory.

### **Affordable Housing Issues:**

Affordable Housing issues continue to be a concern for the Corporation. According to the Dept. of Labor, average wage earnings in Alaska, adjusted for inflation, have been relatively flat since 1994. Over the same period of time, the cost of utilities, rental rates and the price of new homes 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. Coupled with baby boomers downsizing this will create increased demand for smaller units while demand for larger units decrease. In rural Alaska, the high demand for housing is compounded by shipping costs, lack of traditional housing markets, and the general lack 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 those more vulnerable households, and housing units in areas of the state where the housing stock is not being produced.

### **Public Housing Division's Moving to Work (MTW) plan:**

Alaska Housing Finance Corporation's (AHFC) mission is to provide Alaskans access to safe, quality, affordable housing. The AHFC Public Housing Division continually seeks more cost-effective solutions to meet the needs of Alaskan families who are unable to bridge the gap between their income and the costs of housing. Over the past three years, AHFC's Public Housing Division (PHD) has been putting into place its Rent Reform plan under the Department of Housing & Urban Development's (HUD) Moving to Work program (MTW). PHD is one of 39 MTW agencies in the country, MTW is a demonstration program that encourages housing authorities to increase housing choices for low-income families, increase cost effectiveness, and encourage greater economic self-sufficiency.

PHD has created a cutting edge program that meets the goals of MTW while providing continued support for our vulnerable populations. Work-able families have moved to a stepped rent program in which working families will pay more of their share of the rent over five years, until they are time limited out. The program has seen dramatic self-sufficiency results. In the first three years, families are working and earning more. 53% are working full time compared to 40% at program start and annual earned income per family is 60% higher than the baseline year. For those on their third year of the Step program income has increased from \$21,000 to \$31,000. Increasing incomes have offset increasing rents. Current shelter burden for Step households is 30%. Increased savings by PHD have allowed us to increase overall voucher allocation and to cover Jumpstart Self-Sufficiency case management services.

Alaskans supported by this program have benefited from a simplified rent structure and reduced paperwork, and working families will be able to keep more of the income they earn, and will receive the tools they need to succeed

through our **Jumpstart** Self-Sufficiency program. Due to the efficiencies from this program, we were also able to assist over three hundred more families over the past year, as participants pay a greater portion of their rent, we can take more families off our waiting lists.

### **Implement Moving-to-Work activities**

Moving-to-Work (MTW) is a demonstration program that allows public housing authorities (PHAs) to design and test ways to: 1) Promote self-sufficiency among assisted families; 2) Achieve programmatic efficiency and reduce costs; and 3) Increase housing choice for low-income households.

PHAs in the MTW demonstration have considerable flexibility in determining how to use Federal funds. For example, they can be permitted to combine funds from the Conventional Low Rent public housing operating and modernization programs and Housing Choice Voucher (HCV) tenant-based rental assistance program to meet the purposes of the demonstration. PHAs are also permitted to seek exemption from many existing public housing and HCV program rules and regulations. AHFC continues to use this program to implement many activities that are needed locally.

### **Other Challenges include:**

**Senior housing** is an ongoing concern for the Corporation. Housing needs for senior Alaskans continues to grow larger as the senior population increases faster than affordable housing can be provided. Developers, contractors, and nonprofit agencies are working with the Corporation to leverage funds and bring affordable housing and services to Alaska's senior citizens. However, project development startup costs are high, and providers often are hesitant to go through the long expensive process recognizing that financial resources at the federal and state levels to address growing senior housing needs are shrinking, especially within special needs areas, which include seniors, the homeless, persons with HIV, and persons with disabilities.

**Rural Housing Developments** continue to experience significant challenges. As state and federal funding sources contract, there is increasing pressure on our remaining housing programs to fund housing developments in rural parts of our State. The recent reductions in rural housing programs have limited the number of small communities that can be served, i.e.:

- High costs (material, transportation, etc.);
- Limited growth rate of income;
- A continued lack of affordable housing and shifting demographics from Rural to Urban;
- Overcrowding of a significant percentage of existing housing stock; and

High energy costs/cash poor economies in Rural Alaska.

### Significant Changes in Results to be Delivered in FY2020

Please see component narratives.

Contact Information
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**Alaska Housing Finance Corporation  
RDU Financial Summary by Component**

*All dollars shown in thousands*

	FY2018 Actuals				FY2019 Management Plan				FY2020 Governor			
	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds
<b>Formula Expenditures</b> None.												
<b>Non-Formula Expenditures</b>												
AHFC Operations	0.0	34,208.9	58,529.9	92,738.8	0.0	38,588.5	60,071.0	98,659.5	0.0	38,588.5	60,571.0	99,159.5
AK Corp for Affordable Housing	0.0	157.0	73.7	230.7	0.0	172.2	307.2	479.4	0.0	172.2	307.2	479.4
<b>Totals</b>	<b>0.0</b>	<b>34,365.9</b>	<b>58,603.6</b>	<b>92,969.5</b>	<b>0.0</b>	<b>38,760.7</b>	<b>60,378.2</b>	<b>99,138.9</b>	<b>0.0</b>	<b>38,760.7</b>	<b>60,878.2</b>	<b>99,638.9</b>

**Alaska Housing Finance Corporation  
Summary of RDU Budget Changes by Component  
From FY2019 Management Plan to FY2020 Governor**

*All dollars shown in thousands*

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
<b>FY2019 Management Plan</b>	<b>0.0</b>	<b>0.0</b>	<b>38,760.7</b>	<b>60,378.2</b>	<b>99,138.9</b>
<b>Proposed budget increases:</b>					
-AHFC Operations	0.0	0.0	0.0	500.0	500.0
<b>FY2020 Governor</b>	<b>0.0</b>	<b>0.0</b>	<b>38,760.7</b>	<b>60,878.2</b>	<b>99,638.9</b>