Alaska Housing FINANCE CORPORATION

November 8, 2017

The Honorable U.S. Senator Lisa Murkowski
522 Hart Senate Office Building
Washington, DC 20510

The Honorable U.S. Senator Dan Sullivan
702 Hart Senate Office Building
Washington, DC 20510

Dear Senators Murkowski & Sullivan:

You have been tremendous champions of housing for Alaskans, and that is why I am reaching out. As proposed, **the version of the tax reform bill in the House, *Tax Cuts and Jobs Act of 2017, H.R. 1*, is damaging to Alaska Housing Finance Corporation's ability to serve low-income Alaskans, as well as first-time homebuyers and veterans.** The bill as drafted eliminates our ability to finance construction and rehabilitation of single and multi-family housing using private activity bonds, and it eliminates our ability to finance new construction for low-income Alaskans with the four percent Low Income Housing Tax Credit.

Much of Alaska's housing stock was built during pipeline construction in the 1970s, and it is substandard. Too many are energy inefficient and overcrowded with multiple family members living under one roof. Many communities report low rental vacancies and high costs. Lack of affordable housing continues to challenge our state, **and the elimination of tools currently available to our agency will impact thousands of Alaskans and jeopardize AHFC's ability to remain a viable housing finance agency.**

We encourage you to urge your colleagues in the House and Senate to **restore use of tax-exempt private activity bonds, and restore the four percent Low Income Housing Tax Credit.**

Following is a fact sheet that we developed detailing our concerns and projected impact to Alaskans.

Please contact me on my cell at (907) 360-9859 or bbutcher@ahfc.us with questions or if I can provide additional background or specifics.

Thank you for your commitment to promoting access to safe, quality and affordable housing throughout our state.

Respectfully,

Bryan Butcher
CEO/Executive Director

IMPACTS OF TAX CUTS AND JOBS ACT OF 2017, H.R. 1 (TAX REFORM) FOR ALASKA HOUSING

PRIVATE ACTIVITY BONDS (PABS): In contrast to remarks from Secretary Mnuchin during his confirmation hearing favoring private activity bonds, H.R. 1 as written repeals the tax-exempt status of private activity bonds after 2017. These bonds are used to finance construction and rehabilitation of single and multifamily housing for buyers and renters.

Investors purchase housing bonds at low interest rates because income generated is tax-free. Interest savings made possible by the tax exemption are passed to renters or homeowners in the form of reduced housing costs.

A program that allows the sale of bonds to support individual home mortgages for veterans is one example of a PAB placement. Alaska is one of just five states (Oregon, Wisconsin, Texas and California) that that are authorized to use the tool to finance affordable mortgages for service families.

AHFC's Veteran housing program meets an important need for active duty military personnel and veterans seeking homeownership, and support for the program is clearly demonstrated. Alaskan voters overwhelmingly approved the sale of $600 million of these bonds in 2010. With the elimination of PABs in the proposed tax reform bill, the program would be eliminated in fewer than two months. Timing is especially unfortunate for families who will be relocating to Eielson Air Force Base with arrival of the F-35s.

First-Time Homebuyers will be affected by the elimination of PABs. Nearly half of AHFC's mortgage portfolio consists of buyers in this class and live throughout the state, and half of those utilize the tax-exempt financing structure. In total, the activity in this segment of AHFC's portfolio was approximately $100 million last year alone.

It should be noted that these are responsible borrowers. AHFC's foreclosures as of Sept. 2017 were one third of one percent, (.33). That's less than the national average.

LOW INCOME HOUSING TAX CREDITS (LIHTC)
We thank you for your sponsorship of the Cantwell-Hatch legislation (S.548) to protect and expand housing tax credits (as well as Congressman Young for his sponsorship of the Tiberi-Neal bill, H.R. 1661); however, H.R. 1 eliminates the four percent LIHTC as a consequence of the PABS purge. The 9 percent LIHTC is preserved in the proposed bill but the practical effect will be increased demand for limited funds, decreasing AHFC's ability to incentivize housing development. AHFC forecasts approximately 50 units per year be delayed or abandoned altogether without access to four percent credits.

Recent projects that you have toured in Anchorage and benefited from the four percent tax credits include our partnership with Cook Inlet Housing Authority at Ridgeline Terrace and Susitna Square. Both projects help to meet the critical need for housing in Mountain View and Fairview near job centers and bus routes, and they were built to the highest energy efficiency standards. These projects would not exist without the credit. Multiple other projects across the state have benefited from four percent credits, and AHFC is happy to supply a list.

OTHER IMPACTS:
Prior to 2008, the tax-exempt market provided AHFC with a competitive advantage that was good for borrowers and good for the state. Since then, AHFC has been challenged to compete with Government Sponsored Enterprises -- Fannie Mae and Freddie Mac. Corporate dividends at one time exceeded $100 million; in this fiscal year, they're closer to $30 million and still provide critical investment in the state's infrastructure.

AHFC is unique as a housing finance agency because of the inclusion of public housing. This partnership has benefited families living in public housing because there has been a reliable stream of funding outside of the federal government – with AHFC's dividend – to maintain properties.

As the U.S. Department of Housing & Urban Development (HUD) looks toward more innovation in the delivery of public housing, AHFC has been exploring options for partnerships that could bring in $325 million. As identified, this proposal is dependent on tax credits to draw investors. H.R. 1 eliminates the opportunity for AHFC to consider pursuing this action further.

AHFC's dividends have also lead to innovation and partnerships, including Teacher, Health Professional and Public Safety Housing in rural communities. Dividends were instrumental in the creation and support of the Empowering Choice Housing Program for victims of domestic violence and sexual assault, and they provide critical operating funds for homeless service providers in geographically remote and harsh climates.

Elimination of PABS will impede AHFC's ability to participate in the mortgage market, and therefore; to support the programs listed above at historic levels.

Just a decade ago AHFC responded to changes from the fallout of the national housing market. Alaska weathered that storm, and is now in recession. Families requesting housing assistance, sequestration, and limited state capital dollars are among the factors stretching AHFC's resources. Retention of PABS and tax credits will go a long way in supporting AHFC's ability to provide safe, quality and affordable housing for Alaskans.