

# ALASKA HOUSING FINANCE CORPORATION

## COMMON INTEREST COMMUNITIES PROJECT GUIDE

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## COMMON INTEREST COMMUNITIES PROJECT GUIDE

### .01 INTRODUCTION

In order to ensure AHFC purchases loans in Projects that are financially viable, the Project must be accepted by AHFC prior to loan purchase. Application for acceptance is made directly to AHFC's Mortgage Operations Department.

**A Project not developed at construction as a Common Interest Community, as defined by AS 34.08, is generally ineligible for AHFC financing. However, Projects that meet, at a minimum, the requirements listed in [Sections .02.A-H](#) of this Guide may be considered on a case-by-case basis.**

Determination of Project acceptance is based on all facets of the Project, including:

- Present and future marketability;
- Proximity to transportation, services and employment;
- Quality of the physical structure as security for AHFC's investment;
- Whether the configuration and conformation are conducive to homeownership (as opposed to recreational/rental use);
- Percent of Reserve Funding;
- Project amenities; and
- Other considerations relevant to AHFC.

All Project submissions will remain the property of AHFC.

### .02 GENERAL REQUIREMENTS FOR PROJECT ACCEPTANCE

#### A. Building Configuration

The units must be located in reasonably contiguous structures. The initial Project must consist of a minimum of two units. Subsequent phases must be a minimum of two units, and all buildings must be 50% complete prior to acceptance.

#### B. Parking Spaces

All new Projects must have a minimum of two on-site parking spaces per unit and meet the minimum off-street requirements as established by the governing land use regulations. Existing Projects with fewer than the minimum number of parking spaces may be considered on a case-by-case basis.

#### C. Minimum Square Footage

For all Projects not previously accepted by AHFC, the minimum square footage shall not be less than 600 square feet per unit.

D. Laundry Facilities

All new Projects must provide for individual unit laundry facilities/hook-ups.

E. Utilities

Utilities for the common areas or facilities are to be paid by the Association. Individual units are to be separately metered. Each unit must have an individual water cut-off. In the case of existing Projects, acceptability of these items will be considered on a case-by-case basis.

F. Commercial Usage

Any commercial space in the Project must be compatible with its overall residential nature. Generally, no more than 20% of the total space can be devoted to non-residential purposes.

G. Thermal Standards

AS 46.11.040 requires that AHFC financing for all new construction started after December 31, 1991, meet the State of Alaska's Building Energy Efficiency Standard (BEES) in effect at the time of construction.

A recorded (if available) or unrecorded copy of the BEES Certification ([Form PUR-101](#)) must be provided in the AHFC final Project acceptance package.

H. Minimum Construction Standards

In accordance with Alaska Statute AS 18.56.300, residential housing constructed on or after July 1, 1992, must undergo an approved inspection process to be eligible for financing by AHFC. Residential housing located in approved municipalities is exempt. However, such housing is subject to the building codes adopted and enforced by the approved municipality, which must meet or exceed the state building code. A list of approved municipalities may be found on the AHFC website at

<https://www.ahfc.us/pros/builders/approved-municipalities/>.

I. Leasehold Estate

If the Project is on a leasehold estate and the unit lease is a lease or sublease of the fee, an increase in the lease or sublease payments during the term of the mortgage and within five years after the maturity date of the mortgage is permitted only if the increase is a certain amount at a specified date or time interval. During this period, increases based on the cost of living index or other indices or reappraisals are acceptable if the amount of such increases is subject to a maximum limitation.

J. Presale Requirement

Prior to AHFC's purchase of the first unit mortgage in any newly-constructed Project or a proposed conversion of an existing Project, a minimum of 50% of the units must have been sold to bona fide purchasers who are contractually obligated to complete the purchase. Only one unit may be attributed to any purchaser. When determining the 50%, the calculation is always rounded up (i.e., 21 units x 50% = 10.5, which would round up to 11 units). A higher or lower presale requirement may be considered on a case-by-case basis.

In the case of a phased project, each subsequent phase must meet the 50% pre-sale requirement, until the total number of units developed reaches 20% of the stated overall development total, as noted in the association's legal documents. (Example: Declaration shows 100 units overall. 20% = 20 units.) Once the cumulative 20% threshold is obtained, pre-sale requirements are no longer required for any additional phases submitted, but may be provided if desired.

Sales to the Declarant/Developer, a member of the Declarant/Developer's family or business, or to a party with an ongoing business relationship with the Declarant/Developer may not be considered a bona fide sale.

K. Owner Occupancy and Presale Requirements

1. New Construction Presale = 50%. When determining if the sales requirement has been met, multiple units purchased by one owner are counted as one sale.
2. Existing – There is no presale and no owner occupancy requirement. (In an existing Project, the association is, and has been, controlled by unit owners for at least two years. All common elements and amenities are completed.)

L. Delinquencies

No more than 15% of unit owners can be more than 60 days delinquent in payment of regular monthly assessments at the time the Project is delivered to AHFC for acceptance. A current delinquency report or equivalent showing outstanding assessments due must be provided.

M. Assessments for Common Expenses

The Association's Board of Directors is responsible for levying and collecting both general and special assessments. The Declaration may include reasonable restrictions to an increase in assessments and should provide a clear definition of when assessments will begin. For new construction, a reasonably reduced assessment may be allocated to unsold units if they are

not occupied. In any event, all units should be allocated full assessments no later than 60 days after conveyance of the first unit. Assessments must be due and payable monthly.

N. Working Capital Fund

In a newly-constructed Project, or when a newly-constructed phase is added to an existing Project, each unit purchaser shall be required to pay two months' dues at closing in order to establish the Working Capital Fund, which is to be used until there are sufficient funds from the regular assessments to cover all ongoing operating expenses. The funds are not considered advance payment of regular assessments. Each unit's share is collected at the time the sale of the unit is closed and then transferred to the Association for deposit to a segregated fund. Within 60 days after closing of the first unit, the Declarant/Developer shall pay each unsold unit's share of the Working Capital Fund to the Association. The Declarant/Developer will be reimbursed for this payment from the funds collected at closing when the unsold units are sold.

The Working Capital Fund may be discontinued when the following occurs:

1. The Declarant/Developer has completed its transfer of control to the Association; and
2. The Association has demonstrated, at a minimum, a two-year history of financial viability, to include the establishment of adequate reserves.

O. Conflict of Interest

Any person providing an expert opinion (e.g., attorney, appraiser, engineer, architect) must be licensed to do business in the State of Alaska and cannot be an employee, principal or officer of the Declarant/Developer of the Project.

P. Incomplete Items

At the time of acceptance, the individual units must be substantially complete with at least 50% of the units 100% complete. Incomplete items in the individual units may be buyer-selected items (e.g., carpet, vinyl, light fixtures, tile, appliances and wall covering).

All common area elements must be completed unless prevented by weather conditions or other extenuating circumstances.

AHFC may conditionally accept Projects based upon units being completed prior to closing.

Q. Common Elements and Facilities

Legal documents must clearly define the components of the unit estate: the unit, the interest in the common elements, all limited common elements, etc. All significant limited common elements must be properly identified on the legal plat and permanently assigned to the units by that plat, the Declaration or the conveyance documents. Examples of significant limited common elements include parking spaces, patios/decks, driveways, storage spaces, etc. The legal documents should clearly outline who is responsible for maintaining the common elements and the limited common elements. All common elements must have a secured common access (e.g., attic, crawl spaces).

The Declaration must describe each part of the Project so that there is no doubt about who owns or has the responsibility for maintaining and repairing any portion of it. When the common elements are separately owned or held in a leasehold estate by the Association, the units in the Project must have a valid non-exclusive easement for the use of those elements and facilities that is subject only to reasonable regulation by the Association (e.g., guest parking, closing for repairs). This requirement does not apply to limited or restricted use elements that are either permanently or occasionally assigned to specific units. The easement can only be limited or restricted by the temporary suspension of a unit owner's rights because of his/her failure to pay assessments or to abide by the Association's rules for the use of the common elements and facilities.

The Association should have the right to grant permits, licenses and easements over the common elements for utilities, roads and other purposes necessary for the proper operation of the Project.

R. Property Management

An independent professional management firm may manage a Project. The contract term should be reasonable and include equitable provisions for termination. The management firm must maintain fidelity bond insurance coverage for the same amount required of the Association.

The Declarant/Developer has the right to enter into professional management contracts before control of the Project is transferred to the Association. The contract must include a 90-day right of termination, without cause, which the Association can exercise at any time after the transfer of control.

S. Project's Legal Documents

In addition to the requirements of [.02.0](#) (Common Elements and Facilities), the Project's legal documents should include, at a minimum, the following:

1. The Association shall not be entitled to change any of the following which would be considered material unless at least 67% of the unit owners vote for it and at least 51% of the first mortgagees of the individual units have given their prior written acceptance:
  - a. By act of omission, seek to abandon or terminate the Project;
  - b. Change the pro rata interest or obligations of any individual unit for the purpose of:
    - i. Levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards; or
    - ii. Determining the pro rata share of ownership of each unit in the common elements (this requirement is waived to the extent necessary in Projects subject to additions as the constituent documents allow for the phasing);
  - c. Partition, subdivide or redefine unit boundaries of any unit;
  - d. By act of omission, seek to abandon, partition, subdivide, encumber, annex, expand or withdraw property, sell or transfer the common elements (this requirement is waived to the extent necessary in Projects subject to addition as the constituent documents allow for the phasing);
  - e. Use hazard insurance proceeds for losses to any property for other than the repair, replacement or reconstruction of such property, except as provided by statute in case of substantial loss to the units and/or common elements of the Project;
  - f. Voting rights;
  - g. Responsibility for maintenance and repairs;
  - h. Convertibility of units into common elements or vice versa;
  - i. Insurance or fidelity bond requirements;
  - j. Restrictions on leasing of units;
  - k. An imposition of any restrictions on a unit owner's right to sell or transfer his/her unit;
  - l. A decision by the Association to establish self-management when professional management had been required previously by the Project documents;



- m. Reallocation of interests in the general or limited common elements or rights to their use;
- n. Assessments, assessment liens or the priority of assessment liens; and
- o. Any provisions that expressly benefit mortgage holders.

The Project documents must be specific about how mortgagee approval is expressed. For example, the Project documents may provide for implied approval to be assumed when an ineligible mortgage holder fails to submit a response to any written proposal for an amendment within 30 days after it received proper notice of the proposal, provided the notice was delivered by Certified or Registered mail with a Return Receipt requested.

When unit owners are considering termination of the legal status of the Project for reasons other than substantial destruction or condemnation of the property, first mortgagees that represent at least 67% of the votes of the mortgaged units must agree.

- 2. Project dues or charges shall include an adequate reserve fund for maintenance, repairs and replacement of those common elements that must be replaced on a periodic basis, and shall be payable in regular installments rather than by special assessments.

An adequate reserve fund is defined by AHFC to be, at a minimum, 70% reserve funding. However, AHFC believes the long-term viability of an association is enhanced with reserve funding at or near 100%.

- 3. No provision of the constituent documents gives a unit owner or any other party priority over any rights of first mortgagees of units, pursuant to their mortgages, in the case of a distribution to unit owners of insurance proceeds, condemnation awards for losses, or a taking of units and/or common elements.
- 4. Any proposal or plan, pursuant to which the Project is subject to phasing or add-ons, complies with the following limitations:
  - a. Unit owners shall have a minimum percentage undivided interest in the common elements and a corresponding maximum interest subject to diminution to no less than such minimum, and each such percentage interest must be stated in the Declaration;
  - b. The conditions whereby any change in such percentage of undivided interest in common elements may take place are fully described in the Declaration, together with a description of the

real property, which will become subject to the Project if such alternative percentage interest becomes effective;

- c. No change in the percentage interests in the common elements may be effective pursuant to such phasing or add-on plans more than seven years after the Declaration becomes effective;
  - d. The method for detailing the effective date of allocating assessments or granting voting rights among the annexed units must be fully described in the Declaration; and
  - e. In terms of quality of construction, future improvements will be consistent with the initial improvements.
5. Termination of Declarant/Developer control and transfer to the unit owners must be in compliance with AS 34.08.330 and AS 34.08.340 effective with all common interest communities created after January 1, 1986.

#### T. Condemnation, Destruction or Liquidation of Condominiums

Reasonable procedures for handling losses or proceeds from condemnation, destruction or liquidation of all or part of the Project, or from termination of the Project, should be included in the legal documents. The Association should be designated to represent the unit owners in any negotiations, settlement, proceedings or agreements.

Any proceeds from the settlement must be payable to the Association or the insurance trustee for the benefit of the unit owners and their mortgage holders. Any distribution in connection with the termination of a Project must be made on a reasonable and equitable basis.

#### U. Rights of Condominium Mortgage Holders

- 1. The Declaration must provide that the holder of the mortgage on any unit in a Project be given the right to timely written notice of:
  - a. Any condemnation or casualty of \$10,000 or more of the Project or a unit securing its mortgage;
  - b. Any 60-day delinquency in the payment of assessments or charges owed by the owner of any unit on which it holds the mortgage;
  - c. A lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association and/or the property manager;

- d. Any proposed action that requires the consent of a specified percentage of eligible mortgage holders; and
- e. Any loss to, or taking of, the common elements of the Project, if such loss or taking exceeds \$10,000 or damage to a unit covered by a mortgage exceeds \$10,000. The mortgagee will receive timely written notice of a lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by Association.

To receive this information, the mortgage holder must send a written request to the Association with the institution's name and address and the unit number or address of the unit on which it has a mortgage.

- 2. Holders of first mortgages shall have the right to examine the books and records of the Association and financial statements. These documents should be available during normal business hours or under other reasonable circumstances.
- 3. Any right of first refusal in the Condominium constituent documents will not impair the rights of a first mortgagee to:
  - a. Foreclose or take title to a Condominium unit pursuant to the remedies in the mortgage;
  - b. Accept a deed or assignment in lieu of foreclosure; and
  - c. Sell or lease a unit acquired by the mortgage.
- 4. Any first mortgagee who obtains title to the unit pursuant to foreclosure of the mortgage will not be liable for such unit's unpaid dues or charges that accrue prior to the acquisition of title to such unit by the mortgagee. However, those Associations that have the Super Lien provision of the Uniform Common Interest Ownership Act (UCIOA) have a limited priority over a first mortgage lien.

#### V. Legal Opinion

All Project submissions will require review and warranty of the legal documents by an independent counsel. The legal opinion must state the Project is validly created and the legal documents comply with all Common Interest Community laws, ordinances, regulations, AHFC guidelines and other legal requirements that were applicable to the Project at the time of recordation of the Declaration.

W. Replacement Reserves

The Association must establish and maintain an adequate reserve fund for the periodic maintenance, repair and replacement of improvements to the common areas and those limited common areas that it is obligated to maintain. The fund should be allocated out of regular assessments for common expenses. To substantiate a change in the amount allocated to a specific item, a minimum of two bids must be obtained. An analysis of these items, conducted by either a licensed architect/engineer will be accepted in lieu of bids.

X. Reserve Studies

A Reserve Study is a budget planning tool which identifies the components the association is responsible to maintain or replace, the current status of the reserve fund, and a stable and equitable funding plan to offset the anticipated future major common area expenditures. The reserve study consists of two parts: 1) the physical analysis; and, 2) the financial analysis.

A Reserve Study is typically performed by a qualified engineer or reserve study firm or analyst, or tools they provide to an association to perform the work themselves. The analysis also incorporates a review of current labor cost, supply chain issues and the impacts of inflation to better guide the association in properly budgeting for capital improvements.

Essentially, a reserve study maintains a financial plan to ensure sufficient funds are available in the reserve account to cover major expenses over time.

AHFC requires condominium associations share when they last completed a reserve study and indicate who performed the analysis. Findings should be explained both with regard to any changes made; or, why those changes may not have been implemented. If the latter, submissions must address at a minimum how the association is mitigating the impacts of inflation.

To assure associations are properly assessing the condition of a property's common areas, infrastructure, and budget, Reserve Studies should be updated every three to five years.

Y. Private Transfer Fee Covenants

AHFC will not process an application for acceptance of any Common Interest Community encumbered by private transfer fee covenants. This prohibition will apply only to Common Interest Communities encumbered by private transfer fee covenants created on or after June 1, 2011.

## 1. Definition of Terms

- a. Common Interest Community means the associations set out in AS 34.07 and AS 34.08.
- b. Private Transfer Fee means a transfer fee that includes a charge or payment imposed by a covenant restriction or other similar documents and is required to be paid in connection with or as a result of a transfer of title to real estate.

It further includes a fee or charge imposed by a covenant, restriction or other similar document required to be paid on a recurring or regular basis by the Common Interest Community by each unit owner, but which is not connected to a transfer of title to real estate.

A private transfer fee excludes fees, charges, payments or other obligations:

- i. Imposed by a court judgments, order or decree;
- ii. Imposed by or payable to the federal government or a state or local government; or
- iii. Arising out of mechanic's lien.

- c. Private Transfer Fee Covenant means a covenant that:
  - i. Purports to run with the land or to bind current owners of, and successors in title to, such real property;
  - ii. Obligates a transferee or transferor of all or a part of the property to pay a private transfer fee upon transfer of an interest in all or part of the property, or in consideration for permitting such transfer; and
  - iii. A fee or charge imposed by a covenant, restriction or other similar document that is required to be paid on a recurring or regular basis by the Common Interest Community by each unit owner, but is not connected to a transfer of title to real estate.
- d. Transfer means, with respect to real property, the sale, gift, grant, conveyance, assignment, inheritance or other transfer of an interest in the real property.

## Z. Insurance Requirements

The insurance policy must be written by an insurance carrier with no less than an A- policyholders rating and a financial rating in the Best's Key Rating Guide. Required coverages include but may not be limited to commercial property, general liability, fidelity or crime, and flood, if applicable.

### 1. Commercial Property

#### a. Coverage must be written on an All Risk coverage form.

- i. The Association must maintain a policy of property insurance for common areas, with premiums being paid as a common expense.

Fixtures and building service equipment that are considered part of the common areas, as well as common personal property and supplies, must be covered.

- ii. Master (or blanket) policy for Common Interest Community Projects

The Association must maintain a "master" or "blanket" type of insurance policy for Common Interest Community Projects, with a premium being paid as a common expense. The policy must cover all of the general and limited common elements that are normally included in coverage. These include, but are not limited to, fixtures, building service equipment, common personal property, and supplies belonging to the Association.

#### b. Amount of Insurance/Casualty:

The policy shall be in an amount equal to 100% of the current replacement costs of the Project facilities, including the individual units in a Common Interest Community Project. Coverage does not need to include land, foundation, excavation or other items that are usually excluded from insurance coverage.

Premiums are to be paid as a common expense and funds to cover the deductible amounts are to be included in the Association's reserve budget with a maximum 5-year expense period.

The maximum casualty deductible amount for policies covering Common Interest Communities is \$25,000.

Additional coverages, if applicable:

- i. Agreed Amount and Inflation Guard Endorsement.
  - ii. Building Ordinance coverage, which insures against loss caused by enforcement of ordinances or laws regulating construction and repair of buildings damaged by a covered cause of loss. Coverage includes loss of the undamaged portion of the building, cost of demolition of the undamaged portion of the building and increased cost of construction.
  - iii. Steam Boiler and Machinery Coverage Endorsement, which provides that the insurer's minimum liability per accident equals at least the lesser of \$2 million or the insurable value of the building(s) housing the boiler and machinery.
  - iv. For Common Interest Community Projects, a Special Condominium Endorsement must insure that:
    - Any Insurance Trust Agreement will be recognized;
    - The right of subrogation against unit owners will be waived;
    - The insurance will not be prejudiced by any acts or omissions of individual unit owners not under the control of the Association; and
    - The policy will be primary, even if a unit owner has other insurance that covers the same loss.
- c. Named Insured

Insurance policies should show the following as the named insured:

Association of the Owners of the \_\_\_\_\_ Project,  
for the use and benefit of the individual owners.

If the Project's constituent documents permit it, the policy can specify an authorized representative of the Association, including its insurance trustee, as the named insured.

The Loss Payable clause should allow the Association or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage.

d. Notices of Changes or Cancellation

The insurance policy must require the insurer to notify in writing the Association or insurance trustee and each first mortgage holder named in the mortgage clause at least 10 days before it cancels or substantially changes a Project's coverage.

2. Flood Insurance

If any part of the Project is in a special flood hazard area as defined by the Federal Emergency Management Agency (FEMA), the Association must maintain a master or blanket policy of flood insurance. The premium must be paid as a common expense.

3. Liability Insurance

The Association must maintain a Commercial General Liability policy covering all common areas, public ways and any other areas under its supervision. The insurance must also cover commercial space owned by the Association, even if leased to others. The policy must provide coverage of at least \$1,000,000 per occurrence for bodily injury and property damage for any single occurrence. AHFC may require more coverage if mortgage investors in other similar Projects in the area require higher amounts.

Liability insurance must provide coverage for the following:

- a. Bodily injury and property damage that results from the operations, maintenance or use of the Projects common areas; and
- b. Supplemental coverage to protect against other risks (e.g., host liquor liability insurance, workers' compensation and employers' liability insurance, comprehensive automobile liability insurance, contractual and all written contracts insurance, elevator collision liability) may also be required.

The policy must provide for at least 10 days' written notice to the Association before the insurer can cancel or substantially modify it. Similar notice must also be given to each holder of a first mortgage on an individual unit in the Project.



#### 4. Fidelity Bonds/Commercial Crime

Any Association greater than 10 units must have blanket fidelity insurance coverage for anyone who either handles or is responsible for funds it holds or administers, whether or not that individual receives compensation for services. The insurance policy must name the Association as the insured and the Association must pay the premiums as a common expense.

A management agent that handles funds for the Association must be covered. The manager may be named as a designated agent on the Association's policy, or the management agent's own policy may include coverage for theft of client's property on the premises of the insured, either as policy language or via endorsement.

The fidelity bond/commercial crime must cover the maximum funds that will be in the custody of the Association or its management agent at any time while the bond is in force. At a minimum, the manager's fidelity bond coverage must equal the sum of three months' assessments on all units in the Project plus the amount held in the Association's reserve account(s).

#### 5. Earthquake Coverage

If a Common Interest Community should opt for earthquake coverage; deductibles are not required to be shown in the association's reserve analysis budget.

### **.03 NON-CONFORMING TYPE II CONDOMINIUMS**

The Non-Conforming Type II option provides condominium acceptance for certain Projects built after 6/30/1992 that may not have evidence of compliance with construction inspections and/or projects built after 12/31/1991 that may not have evidence of compliance with thermal standards. The Project must be existing and at least two years old at the time of submission for AHFC acceptance. Evidence of age can include appraisal records, tax records or any other evidence acceptable to AHFC. A home inspection report conducted by a licensed home inspector is required if a [PUR-102](#) (or Certificate of Occupancy) does not exist. An energy rating equal to a minimum of 2★ is required.

### **.04 FEES**

The following fees applicable to AHFC Project Acceptance are payable to Alaska Housing Finance Corporation.

A. AHFC Initial Acceptance

A non-refundable \$1,000 plus \$30 per unit review fee is required.

B. AHFC Phase Acceptance

A non-refundable \$250 plus \$30 per unit review fee is required.

**.05 ASSOCIATION BUDGET**

The Association's budget must show adequate dues and income to cover both operations and reserves. The Association or Property Manager may utilize either its own budget form or AHFC's [budget form](#). The budget must be signed by an authorized member or representative of the Association.

A. Financial Statements

The books and records of the Association must be kept in compliance with all requirements of the Association's governing documents.

B. Segregated Accounts

Separate accounts must be maintained for the replacement reserves, the Working Capital Fund and the operating funds of the Association.

**.06 APPRAISAL AND PLANS**

Initial appraisal with plans and specifications must be submitted to AHFC for acceptance.

**.07 NEW CONSTRUCTION PROJECT ACCEPTANCE**

A. Appraisal Report

Initial reports must be submitted for each unit type. The following must be included along with the appraisal.

1. Project Analysis (FHLMC Form 465, Addendum A) completed by the appraiser.
2. Survey or site plan must delineate each phase and show actual and/or proposed location of all improvement, easements, and common elements.
3. Location map identifying the subject property and each comparable property.

4. Photographs of the site, including but not limited to, ingress and egress, street scenes, neighborhood improvements, and existing improvements. Photos of each comparable property must also be submitted and properly identified.
5. Floor plans or sketches with approximate dimensions of each unit type.
6. If a leasehold estate, provide FHLMC Form 461, Ground Lease Analysis.
7. If the improvements are a legal but non-conforming use relative to zoning documentation from the appropriate regulatory authority outlining the conditions under which and to what extent reconstruction is permitted, if damage to the units or common elements occurs.
8. Descriptions of any easement and road maintenance agreements.
9. Commercial Usage

In those Projects where a percentage of space will be devoted to commercial usage, the following must be provided:

- a. the number of commercial units;
- b. a description of intended commercial purposes if units are unsold and actual purpose if units are sold;
- c. total percentage of commercial ownership interest and total percentage of residential ownership interest;
- d. details of title to commercial units (to be retained by the Association, Declarant/Developer, or individual commercial unit owners); and
- e. description of the commercial tenant's right and obligations to the Association.

**B. Minimum Construction Standards**

The report must address the following.

1. Quality of construction.
2. For new construction or construction which began on or after July 1, 1992, compliance with the building code requirements and thermal and lighting standards. If the Project is located in an area where municipal building codes are not adopted and enforced, conformance with the UBC is required. The Building Energy Efficiency Standard (BEES) must be addressed (if built after December 31, 1991), as well

compliance with minimum construction standards as set forth in AS46.11.040 and AS 18.56.300 respectively. Refer to the Appendix - [Approved List of Municipalities](#), for a current list of approved municipalities.

3. Condition and adequacy of major Project components (roofs, elevators, heating and cooling systems, etc.). Such report must provide an estimate of remaining life and cost to replace.
4. Soil characteristics, foundation design and drainage, and construction recommendations with regard to the soil and its characteristics.
5. Sound transmissions when the Project has adjoining units. The ratings must meet the minimum requirements of the local governing authority or state building code.

C. Declarant/Developer Information

1. Name and address of Declarant/Developer.
2. Name and address of all principals of the Declarant/Developer.
3. Contractor/Developers resume - and identity of their construction lender.

D. Contractor Licensing

On newly constructed residential Projects, or on rehabilitation of an existing Project, the work must be performed by a general contractor registered to work as a contractor under Alaska Statutes (AS 08.18). Must have a Residential Endorsement.

A copy of the current contractor's license and evidence that the license was in effect throughout the course of construction must be submitted.

E. AHFC Length of Acceptance

AHFC length of acceptance is based on the Reserve Funding percentage and varies between 1 and 3 (maximum) years.

## **.08 DOCUMENTATION**

A. Request for Acceptance

1. Cover Letter

In a cover letter addressed to AHFC, the Project representative must state that it has reviewed the information contained in the submission, inspected the site, and certify the completeness of the submission package. Representatives should indicate the extent of their involvement in the Project (e.g., construction lender, rehabilitation lender, Developer/Declarant, representative only) and provide any other information that might benefit AHFC in making a determination on the Project.

2. Fee

For new or existing condominium Projects not previously approved by AHFC, an initial fee of \$1,000 plus \$30 per unit is required.

3. Project Summary

Submit completed [Form PRJ-1](#) (New Construction Project Summary).

Submit completed [Form PRJ-2](#) (Existing Construction Project Summary).

4. Association Budget

The Association's budget must show adequate dues and income to cover both operations and reserves. The Association or Property Manager may utilize either its own budget form or AHFC's [budget form](#). The budget must be signed by an authorized member or representative of the Association.

5. Insurance

A premium quote from an insurance company must be submitted. The coverage must include fidelity bond insurance coverage of the Association and the manager, if applicable.

6. Legal Documents

The following draft legal documents, including the plat, must be submitted:

- a. Declaration and all exhibits;
- b. By-laws;
- c. Articles of Incorporation;
- d. Any amendments applicable to the above;
- e. Public Offering Statement; and

f. Legal Opinion.

Acceptance of the Project should be requested prior to recording the legal documents. If the legal documents have been recorded, the recorded copy must be submitted.

7. Appraisal

An appraisal must be submitted for each type of unit.

8. Minimum Construction Standards

Submit the following:

- a. Areas With Local Building Codes: Evidence that the plans submitted to AHFC and approved by the governing authority have not been changed, or a copy of the revised plans with the governing authorities acceptance; and
- b. Areas Without Local Building Codes: Evidence (Recorded [PUR-102s](#) or Certificates of Occupancy) that the Project was constructed according to the plans and specifications originally submitted, or a copy of the revised plans and acceptance that the Project was constructed according to state building code.

9. Marketing Program

The submission must include information regarding the proposed marketing program. Any sales concessions offered by the Declarant/Developer must be fully explained.

10. Final Appraisal

The final appraisal must address the completion of the Project per the plans and specifications. If there are any changes from the master appraisal, they are to be noted at this time. The appraiser or appraisal firm that submitted the master appraisal must prepare the final. If this is not possible, the new appraiser must address that he/she has reviewed the initial appraisal and note any deviations from the master appraisal, plans or specifications. The acceptance must address the following:

- a. The number of units 100% complete and the status of any units that are not 100% complete, with a detailed description of unfinished items;
- b. The status of completion of all common elements (e.g., painting, paving, landscaping); and

- c. Photographs, to include each building within the Project and any common elements (e.g., fencing, tennis courts).

11. Presale and Owner Occupancy Requirements

A certification from the Declarant/Developer ([Form PRJ-1](#) Project Summary) disclosing the number of units sold and the number pending.

12. AHFC Inspection

At its discretion, AHFC may perform an inspection to include a walk-through of all common elements and at least 50% of the units.

13. Insurance

Copy of the insurance binder/declaration page, indicating effective dates and coverages.

14. Compliance with Minimum Construction and Thermal Standards

a. Certificate of Occupancy

If the Project is located in an AHFC-approved municipality or governing area that issues a Certificate of Occupancy, a copy must be submitted evidencing final acceptance of the Project (common areas). A Certificate of Occupancy on the individual units will be required prior to closing on the unit mortgage.

b. PUR-102

For those Projects not located in an AHFC-approved municipality or governing area where a Certificate of Occupancy is provided, the recorded original or conformed copy of the Summary of Building Inspections ([Form PUR-102](#)) for the Project must be provided. This form will also be required on each individual unit in the Project and must be provided in the AHFC loan purchase package.

c. PUR-101

If constructed after December 31, 1991, a recorded (if available) or unrecorded copy of the Building Energy Efficiency Standard (BEES) Certification ([Form PUR-101](#)) on the Project must be provided.

## B. Acceptance of Subsequent Phases

A non-refundable fee of \$250 per phase plus \$30 per unit is required.

A presale of 50% is required for each subsequent phase, until the total number of units developed reaches 20% of the stated overall development total, as noted in the association's legal documents. (Example: Declaration shows 100 units overall. 20% = 20 units.) Once the cumulative 20% threshold is obtained, pre-sale requirements are no longer required for any additional phases submitted, but may be provided if desired.

Copies of recorded amendments, attorney opinion letter, budget & reserve analysis, insurance and related documents, including PUR-101s (BEES) and PUR-102s (Certificate of Occupancy, if applicable) and evidence of pre-sales, when necessary, should be emailed to [condos@ahfc.us](mailto:condos@ahfc.us), along with the PRJ-5 submission form.

Prior to the 20% attainment noted above, phases must comprise a minimum of two units for each submission.

At the time of acceptance, the individual units must be substantially complete (incomplete items in the individual units may be buyer selected items such as carpet, vinyl, light fixtures, tile, appliances and wall coverings) with at least 50% of the units fully completed.

AHFC may conditionally accept subsequent phases based upon units being completed prior to closing.

## 09 CONTINUANCE OF AHFC ACCEPTANCE

After the initial year of acceptance, a Project's reacceptance can be from one to three years depending upon the reserve account percent of funding. The percent of funding is calculated by dividing the Actual Reserve Funds by the Required Reserve Funds. [Form PRJ-4](#) must be completed.

Less than 70% = Underfunded: Remediation plan required

70 – 79% = One year acceptance

80 – 89% = Two years acceptance

90 – 100% = Three years acceptance

### A. Financial Statements

Provide copies of the Association's current Income/Expense Statement and Balance Sheet.



B. Association's Current Budget and Reserve Analysis

Provide copies of the Association's annual operating budget. It should represent the income and expenses and replacement reserves analysis corresponding with the Association's fiscal year. The budget should include projected figures and actual income and expenses for the prior year. The Association or property manager may utilize either its own budget form or AHFC's [budget form](#). The budget must be signed by an authorized member or representative of the Association.

The reserve analysis must show components for useful life, years in use at fiscal year end, remaining life, initial replacement costs, initial annual payment amount, required reserves as of the end of the fiscal year, budgeted reserves this fiscal year, actual reserves in bank at beginning of fiscal year, end of fiscal year shortage/overage amounts, percent funded for each reserve item at fiscal year end, amount remaining to fund replacement, and current annual remaining cost. If the reserves are underfunded (less than 70%), a reasonable plan must be submitted to AHFC to remedy the shortage in the reserve fund. AHFC will allow an association to take up to five years to correct underfunding of the reserve account. The replacement reserve account and working capital fund must be segregated from the operating account.

Any sums more than 60 days outstanding and not collected in the fiscal year they were due should be considered a bad debt and not included in the new budget. However, in the event the Association can provide evidence that the replacement reserve account has been fully funded to date and that there is adequate operating reserves to compensate for the delinquent amount, AHFC will consider a waiver of the requirement. If a Confession of Judgment has been issued and a payment schedule set forth with certification from the Board of Directors or Property Manager that the payments are being made on a regular basis, AHFC will consider a waiver of the requirement to exclude the bad debt for that unit in the proposed budget.

*\*Please see section on Reserve Studies (page 10)*

C. Insurance

Provide a copy of the current insurance policies on the property. The policy copies must indicate the amount and types of insurance, coverage amount, premiums and expiration dates. The policies must comply with the insurance requirements as stated in [.02.7](#) (General Requirements for Project Acceptance – Insurance).

**Note:** Funds to cover the property insurance deductible amounts are to be included in the Association's operating reserve account.

D. Resale Certificate, Verification of Funds and Changes in Management

A current signed resale certificate disclosure is to be submitted. In addition, verification of funds in the reserve and the operating account, as well as verification of any expenditure of funds used from the reserve account, is also required. The Association must advise AHFC of the current management.

E. Delinquent Assessments

No more than 15% of unit owners can be more than 30 days delinquent in payment of regular monthly assessments at the time of reacceptance. A current aged report or equivalent showing outstanding assessments due must be provided.

## .10 SITE CONDOMINIUM DEFINITION – AHFC REQUIREMENTS

Site Condominiums are condominium Projects that meet ALL of the following requirements. If all five requirements are met, a Project need not be listed on the accepted AHFC Project condominium website in order to use AHFC's mortgage Projects:

1. Units are encumbered by a condominium declaration/covenant or condominium form of ownership. Within the declaration, a description of unit boundaries is noted, specifically: upper and lower horizontal boundaries with elevation footage stated above and below ground level or elevation benchmark and vertical perimeter as shown on plat/plans, all creating an envelope of space with no physical walls, floor or ceilings;
2. Insurance and maintenance costs fall solely on the unit owner;
3. Common assessments collected are for amenities outside the footprint of the individual units and should be minimal in nature (e.g., asphalt, water and sewer, fences). **Note:** If an Association includes additional common items in reserves for items such as roofs, painting, boilers or similar common items, the Association will not be eligible for AHFC's site condominium exclusion.
4. A condominium unit consists of the entire structure, site and air space and no part of the structure is considered to be common areas or limited common areas; and,
5. Units may be attached or detached single family, townhome, duplex, triplex or fourplex configuration(s), assuming all other conditions listed above have been met.

-End-

