

ALASKA HOUSING FINANCE CORPORATION
BOARD OF DIRECTORS
REGULAR BOD MEETING IN ANCHORAGE

October 26, 2016

10:00 a.m.

Anchorage/Fairbanks/Juneau

- I. ROLL CALL
- II. APPROVAL OF AGENDA
- III. MINUTES: August 24, 2016
Next Resolution: #16-27
- IV. PUBLIC COMMENTS
- V. OLD BUSINESS:
- VI. NEW BUSINESS:
 - A. Consideration of a term loan request in the amount of \$4,500,000 for the refinance with rehabilitation of a 268 unit affordable housing complex known as “Panoramic View Apartments” and located in Anchorage, Alaska.
 - B. Consideration of a loan request in the amount of \$1,000,000 under the Loans to Sponsors Program for Community Financial Incorporated.
 - C. Consideration of a resolution for the final adoption of amendments to 15 AAC 535(b)(2)(A) and 15 AAC 535(b)(2)(B) FEE SCHEDULE AND COMMITMENT PERIOD.
 - D. Consideration of a resolution to approve the AHFC FY2018 Operating and Capital Budgets.
- VII. REPORT OF THE CHAIR
- VIII. BOARD COMMITTEE REPORTS: AUDIT
- IX. REPORT OF THE EXECUTIVE DIRECTOR
- X. ANY OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD
- X. Monthly Department Reports and Meeting Schedules
- XI. EXECUTIVE SESSION: Corporation’s operational matters that may have an impact on the Corporation’s financial matters. Board action related to this matter, if any, will take place in the public session following the Executive Session.

**The Chair may announce changes in the Order of Business during the meeting.

ALASKA HOUSING FINANCE CORPORATION
BOARD OF DIRECTORS

ANNUAL MEETING

August 24, 2016

10:00 a.m.

Anchorage/Juneau/Fairbanks

The Board of Directors of Alaska Housing Finance Corporation met August 24, 2016, 2016 in the AHFC board room, 4300 Boniface Parkway in Anchorage, AK at 10:00 a.m. Board members present were:

BRENT LEVALLEY
Anchorage

BOARD CHAIR
Member of the Board

ALAN WILSON
Anchorage

BOARD VICE CHAIR
Member of the Board

CAROL GORE
Anchorage

Member of the Board

HAVEN HARRIS
Via teleconference

Member of the Board

RANDALL BURNS
Anchorage

Designee for Commissioner
Department of Health
& Social Services
Member of the Board

JERRY BURNETT
Anchorage

Designee for Commissioner
Department of Revenue
Member of the Board

CHRIS HLADICK
Anchorage

Commissioner
Department of Commerce,
Community & Economic
Development
Member of the Board

I. ROLL CALL. A quorum was declared present and the meeting was duly and properly convened for the transaction of business.

II. APPROVAL OF AGENDA. CHAIR LEVALLEY proposed the agenda be approved as presented. Seeing and hearing no objections, the agenda was approved as presented.

III. MINUTES OF JULY 27, 2016. CHAIR LEVALLEY asked for revisions or acceptance of the minutes. Seeing and hearing no objection, the minutes were approved as presented.

IV. **PUBLIC COMMENTS.** In Anchorage: no public were present. In Fairbanks: no public were present. In Juneau: no public were present.

V. **OLD BUSINESS.** No Old Business to discuss with the Board.

VI. **A. ELECTION OF OFFICERS.** CHAIR LEVALLEY opened the floor for nominations for Board Chair and Vice Chair. CAROL GORE nominated BRENT LEVALLEY for board chair, and ALAN WILSON for vice chair. JERRY BURNETT seconded the motion. BRENT LEVALLEY was unanimously elected as BOARD CHAIR and ALAN WILSON was unanimously elected as VICE CHAIR. The nominations were unanimously approved by roll call vote. (6-0)

VI. **B. CONSIDERATION OF A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$5,000,000 OF PRIVATELY PLACED TAX-EXEMPT CONDUIT BONDS TO FINANCE THE SAFE HARBOR MULDOON APARTMENTS LOW INCOME HOUSING PROJECT IN ANCHORAGE, ALASKA.** BRYAN BUTCHER introduced the item and MIKE STRAND presented. Mr. Romick stated that an inducement resolution for the construction of 23 apartment units to be rented to low and very low income tenants and to be located at 207 Muldoon Road, Anchorage, Alaska, was approved at the last board meeting in July. The funding for the project includes 4% low-income housing tax credits, which require that 50% of the project development costs be funded with tax-exempt bond proceeds. The proposed bond issuance satisfies that IRS requirement and provides the necessary funding source to continue this project. The proposed bonds will be sold directly to the construction lender and serviced by the borrower, so AHFC will act only as an administrator and no corporate funds will be used. The borrower will use project revenues to pay off the bonds, similar to the Susitna View Apartments Project low income rental housing project transaction in 2015. Since the borrower has chosen Wells Fargo as their construction lender, staff is recommending this transaction be done as a private placement to Wells Fargo instead of a public sale. Discussion followed. CAROL GORE made a motion to approve Resolution 2016-26. JERRY BURNETT seconded the motion. The resolution was unanimously approved. (6-0)

RESOLUTION #2016-26

RESOLUTION OF THE ALASKA HOUSING FINANCE CORPORATION AUTHORIZING THE CORPORATION TO ENTER INTO A LOAN AGREEMENT TO INCUR REVENUE-BACKED INDEBTEDNESS IN AN AGGREGATE PRINCIPAL AMOUNT NOT GREATER THAN \$5,000,000 AND TO USE THE PROCEEDS OF THE REVENUE-BACKED INDEBTEDNESS TO MAKE A LOAN TO MULDOON GARDEN LIMITED PARTNERSHIP TO PAY THE COSTS OF A PROJECT OF SAID PARTNERSHIP; AND AUTHORIZING AND APPROVING RELATED MATTERS.

VI. C. CONSIDERATION OF A REQUEST FOR A MODIFICATION TO THE TERMS OF A CONDITIONAL LOAN COMMITMENT ISSUED TO THE CITY OF GALENA FOR THE FINANCING OF ENERGY EFFICIENCY IMPROVEMENTS UNDER THE ALASKA ENERGY EFFICIENCY REVOLVING LOAN PROGRAM. ITEM WITHDRAWN BY STAFF.

VI. D. A REPORT FROM THE RESIDENT ADVISORY BOARD TO THE AHFC BOARD OF DIRECTORS. BRYAN BUTCHER introduced the item and CATHY STONE presented. MS. Stone gave an overview of the Resident Advisory Board of Directors meeting that was held recently. Discussion followed. No action was requested nor required of the Board.

***COMMISSIONER HLADIC joined the meeting at 10:10 a.m.*

VII. REPORT OF THE CHAIR. CHAIR LEVALLEY stated that the next AHFC Board of Directors meeting will be October 26, 2016 in Anchorage and that there will also be Audit Committee, ACAH Membership and Annual BOD meetings.

VIII. BOARD COMMITTEE REPORTS. There were no Committee reports to present to the Board.

IX. REPORT OF THE EXECUTIVE DIRECTOR. BRYAN BUTCHER reported on: 1.) Grand Opening Creekview Plaza, 49 units of housing for Alaskans over the age of 55 (Wed, 8/10); 2.) Foraker Pre-Development Meeting (Thurs, 8/11); 3.) AO 281 Update; 4.) GMRB II \$100 million Bond Document Signing (Mon, 8/22); 5.) Energy efficiency policy retreat (Thurs & Fri, 9/8 & 9/9); 6.) Alaska Council on the Homeless - October Meeting at the Marriott ANC at 1:30 PM (Wed 10/12); 7.) There will be some changes in the monthly department reports to the board, more department variety.

X. OTHER MATTERS. CHAIR LEVALLEY asked if there were any other matters to properly come before the board.

1. Monthly Loan Reports. Finance, Mortgage, R2D2 and Public Housing reports were presented for discussion and review.

2. Schedule of Board Meetings:

AHFC Audit Committee Meeting	October 26, 2016	8:00am	Anchorage
ACAH Annual Membership Meeting	October 26, 2016	9:00am	Anchorage
ACAH Annual BOD Meeting	October 26, 2016	9:10am	Anchorage
AHFC Regular BOD Meeting	October 26, 2016	10:00am	Anchorage

Off Record: 10:44 a.m. EXECUTIVE SESSION
On Record: 11:31 a.m.

XI. EXECUTIVE SESSION: CORPORATION'S OPERATIONAL AND PERSONNEL MATTERS THAT MAY HAVE AN IMPACT ON THE CORPORATION'S FINANCIAL MATTERS. BOARD ACTION RELATED TO THIS MATTER, IF ANY, WILL TAKE PLACE IN THE PUBLIC SESSION FOLLOWING THE EXECUTIVE SESSION. CHAIR LEVALLEY introduced the item into record. CHAIR LEVALLEY stated that this was the CEO Bryan Butcher's annual review and although Mr. Butcher has done exemplary work, CEO Butcher declined a salary increase due to the current state of the budget. No other business decisions were made to discuss with the public by the board during the Executive Session.

XII. OTHER MATTERS. CHAIR LEVALLEY asked if there were any other matters to properly come before the board. CAROL GORE made a motion to adjourn. Seeing and hearing no objections, the meeting was adjourned at 11:33 a.m.

ATTESTED:

Brent LeValley
Board Chair

Bryan Butcher
CEO/Executive Director

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BOARD CONSIDERATION MEMORANDUM

Date: October 26, 2016

Staff: Eric A. Havelock

Item: Multi-family Loan Request

BORROWER: Anchorage Neighborhood Housing Services Inc. dba NeighborWorks Alaska

PURPOSE: Term loan financing for the refinance with rehabilitation of an affordable multifamily apartment complex consisting of 268 units named "Panoramic View Apartments" and located at 787 Elm Street in Anchorage, Alaska.

PROPOSAL OVERVIEW:

Loan Amount:

First Deed of Trust: \$ 4,500,000

Project's As-Is Value: \$ 11,600,000 Appraised by Jolynne Howard, MAI of Howard & Associates. See Appendix I.

Loan-to-Value Ratio:

First Deed of Trust: 39%

Loan Terms:

First Deed of Trust: 16 years amortizing fixed monthly payments.

Interest Rate:

First Deed of Trust: 5.0%*

*Rate is determined at the time of underwriting based on what AHFC believes would be the cost of a twenty (20) year tax-exempt bond plus administrative and anticipated servicing costs, if it sold bonds at that time.

Debt Service Coverage Ratio:

First Deed of Trust: 1.98

(A debt service coverage ratio is the net income available after paying expenses divided by the loan payment and is used as a profitability indicator for the project)

Sources and Uses:

Sources:

AHFC's First DOT:	<u>\$ 4,500,000</u>
Total Sources	\$ 4,500,000

Uses:

Payoff AHFC First DOT:	\$ 185,875 (6% matures 4/17)
Payoff AHFC Second DOT:	\$ 303,340 (7.375% matures 8/23)
Payoff Wells Fargo Third DOT:	\$ 3,812,112 (See Appendix II)
Closing Costs:	<u>\$ 171,832</u>
Total Uses:	\$ 4,500,000

Recourse: Yes

The loan will be made to Anchorage Neighborhood Housing Services, Inc. dba NeighborWorks Alaska (ANHS), a 501(c)3 corporation. While the loan will have recourse to the borrower, ANHS does not have the authority to issue certificates of stock or distribute any part of its net assets to, or for the benefit of, its members, officers, or any other private person. There are no principal stockholders to act as personal guarantors for the loan.

BORROWER STRUCTURE:

Anchorage Neighborhood Housing Services, Inc. dba NeighborWorks Alaska: Formed in 1981 as a private, 501(c)3 nonprofit corporation, ANHS was created for the purpose of community redevelopment through construction lending and neighborhood revitalization primarily in Anchorage, and for the operation of affordable housing properties for low to moderate income populations. Expanding to a statewide focus in 2015, ANHS is governed by a twenty member board of directors led by Tony Piper. Daily operations are overseen by the executive director, Debe Mahoney. See Appendix III.

Financial:

Audited financial statements dated December 31, 2015 reflect assets of \$51,557,801; liabilities of \$38,155,049; for a net worth of \$13,402,752.

Credit:

A recent credit report reflects acceptable credit for the borrower. ANHS has 10 loans with AHFC carrying an outstanding balance of \$14,946,413 that are paying as agreed.

PROJECT CHARACTERISTICS:

Location and Site Description:

The subject is located just north of the Anchorage central business district in an area known as Government Hill. The area is comprised primarily of residential housing with a small area of

commercial uses to the west of the site. Access is via paved roadways maintained by the Municipality of Anchorage. The site is comprised of two lots containing a total of 490,101 square feet, or 11.25 acres. The subject site is served by all available public utilities including water, sewer, gas, and electricity. **See Appendix IV.**

Note: The site is leased from the Alaska Railroad Corporation under a lease agreement dated October, 1990. The lease expires December 31, 2037 and authorizes the lessee to assign the lease for collateral purposes. Upon termination of the lease, the lessee must remove the improvements unless the lessor agrees to take ownership of the improvements.

Project Overview:

The improvements consist of 14 detached apartment buildings containing a total of 268 units and a separate maintenance shed. All buildings are wood frame construction over a poured concrete foundation and are covered with wood siding and flat membrane roofs. Building interiors are finished with painted, textured wallboard and carpet or vinyl floor coverings. Each building is heated by a gas fired hot water baseboard system with individual in-unit heat controls. Kitchens contain the normal assortment of appliances and each building has its own laundry room with coin operated washer/dryer units. Unit access in each building is from a common stairwell. Unit configuration includes 69 efficiency units ranging in size from 390 to 450 square feet and renting between \$675 and \$715 per unit, per month; 103 one-bedroom, one-bath units ranging in size from 522 to 594 square feet and renting between \$770 and \$795 per unit, per month; 86 two-bedroom, one-bath units ranging in size from 621 to 865 square feet and renting between \$875 and \$915 per unit, per month; and, ten three-bedroom, one-bath units each containing 1,030 square feet and renting for \$1,185 per unit, per month. Parking is provided by 121 heated garage spaces with an additional 290 paved parking spaces for a total of 411 parking spaces which is considered to be adequate for a project of this size and location. The project is considered to be a legal conforming use of the site, and the appraiser estimates the remaining economic life to be 21 years to match the remaining term on the land lease. **See Appendix V.**

Soil Conditions:

An inspection of the property by the appraiser did not indicate any apparent structural problems. The subject site, as developed, is therefore considered to be adequate to support the existing improvements.

Environmental Assessments:

A phase one environmental assessment report was completed by Trevor Crosby and Robert Braunstein of BGES, Inc. in April, 2014 indicating there was potential concern over the age of the property and the proximity to the military base. A stain in the ground near the maintenance shop was remediated with the ADEC no further action (closure) letter issued October 29, 2014. Due to the age of the phase one environmental assessment report a VERAcheck report is being added as a funding condition.

Health and Safety Inspection Report:

An unconditional certificate of occupancy issued by the Municipality of Anchorage is being made a condition of this commitment. Due to the amount of renovation, and in consideration of the construction inspection process related to the rehabilitation, staff determined a health and safety inspection report was not required.

PROJECT OPERATIONS:

Pro-Forma Statement: Staff reviewed the application and the appraisal in developing the pro-forma operating budget and believes it fairly depicts the expected performance of the project. The Appraiser utilized a 3% vacancy and credit loss factor which was adjusted by staff to 5% for underwriting purposes. Rents are based on actual rents which are lower than the maximum restricted rents. Based on data provided by the appraiser and the borrower it is anticipated that this property will maintain a high occupancy rate due to the lack of other affordable housing options. Staff concurs with this assessment noting the high demand for affordable units in the Anchorage area. **See Appendix VI.**

Debt Service Coverage Ratio:

The 1.98 debt service coverage ratio on the repayment of the first deed of trust loan indicates that in addition to the 5% residential vacancy factor, income could fall by 16% or expenses could increase by 24% or some combination of both and there would still be sufficient funds to continue to pay the first mortgage. Stated another way, the project would break-even at a 20% vacancy rate. The ratio, by industry standards, is considered to be an excellent ratio.

Unit Set-Asides:

Borrower will restrict the occupancy of 134 of the 268 unit for tenants earning 60% of the area median income or less. The remaining units are unrestricted and will be rented at market rents. Anticipated rents are set out in the pro-forma.

PROPERTY MANAGEMENT:

The property will continue to be managed by NeighborWorks Alaska. Staff concludes that they have sufficient experience to successfully continue to manage the subject property, noting they also manage other LIHTC projects financed by AHFC in the Anchorage area. Further assurance is contained in the Deed of Trust which allows AHFC to replace the property manager if necessary. **See Appendix XIII.**

RECOMMENDATION:

Anchorage Neighborhood Housing Services Inc. dba NeighborWorks Alaska has presented the corporation with an opportunity to assist in the rehabilitation of the subject property allowing them to continue to provide additional safe and needed affordable housing in the Anchorage area.

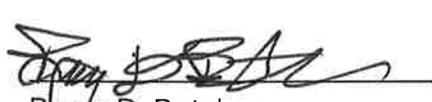
The request falls within the parameters of the Multi-Family Housing Loan Program; it is reasonable to expect that the loans will be repaid; and it is considered to be an acceptable risk; therefore, staff recommends approval of the request subject to the conditions noted below.

COMMITMENT CONDITIONS:

1. Alaska Housing Finance Corporation (AHFC) to provide long term financing in an amount not to exceed \$4,500,000, distributed as follows:
 - a. First deed of trust in the amount of \$4,500,000 amortized over sixteen (16) years with fixed monthly payments. Interest to be 5.0% at AHFC's twenty (20) year tax-exempt cost of funds including administrative and servicing costs;
2. A security position in the appropriate personal property, fixtures, furniture, and contracts, etc. will be taken;
3. Borrower to be Anchorage Neighborhood Housing Services, Inc dba NeighborWorks Alaska;
4. Commitment to expire January 26, 2017;
5. A loan prepayment limitation will be imposed in accordance with AHFC's financing requirements;
6. When requested to do so by AHFC, the Borrower shall promptly and expeditiously execute, acknowledge, and deliver any, and all such instruments and documents that may be reasonably necessary, expedient, or proper, in order to complete any future bond financing by AHFC to reimburse itself for funding the first deed of trust loan;
7. Loan Agreement to include covenants which require the Borrower, at a minimum, to restrict the occupancy of 134 of the 268 units for tenants earning 60% of the area median income or less. The remaining 134 units are unrestricted and will be rented at market rents;
8. Receipt and acceptance by AHFC of the following:
 - a. an unconditional Certificate of Occupancy from the Municipality of Anchorage unless otherwise approved by AHFC;
 - b. a detailed breakdown of final development costs as adjusted by change orders;
 - c. ALTA title policy with applicable endorsements;
 - d. an as-built survey if required by the title company;
 - e. all required certificates and/or binders of insurance to be no less than \$2,000,000 aggregate liability coverage with a deductible not to exceed \$10,000;

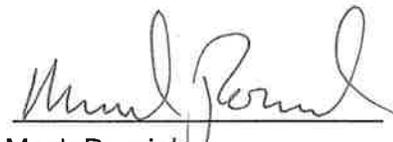
- f. an environmental site assessment report by VERAcheck; and,
 - g. a letter of opinion from the borrower's legal counsel verifying such matters as their legal entity, ability to enter into closing documentation, zoning compliance, permitting and licensing requirements, etc.
9. Monthly loan payment to include funds, as determined by AHFC, for (i) principal and interest, (ii) reserves for real property taxes, (iii) reserves for insurance, and property replacement reserves of \$6,700 per month;
 10. Borrower to pay appropriate costs associated with the loan, including but not limited to recording, title insurance, escrow closing fee, loan fee, and legal fee for documentation preparation and review;
 11. No cash back to the borrower except for reimbursement of project related expenses as approved by AHFC. Any excess loan proceeds will be used to fund a replacement reserve account or to reduce the principal balance;
 12. The payment of an \$18,125.00 loan fee payable at closing or upon the expiration of the commitment;
 13. A commitment fee of \$9,062.50 will be required upon acceptance of the commitment with said amount being credited against the loan fee at the time of closing. Payment of the commitment fee must be made within 30 days from the date of the commitment letter; and
 14. Other conditions that may arise as determined by AHFC.

Reviewed and accepted by senior staff as substantively stated in this memorandum, subject to Board Approval:



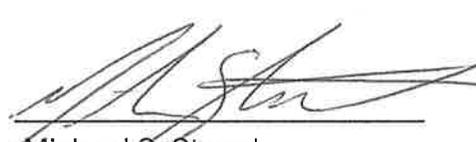
Bryan D. Butcher
CEO/Executive Director

Date: 10-14-16



Mark Romick
Deputy Executive Director

Date: 10-14-16



Michael S. Strand
Chief Financial Officer

Date: 10/14/16

ALASKA HOUSING FINANCE CORPORATION
RESOLUTION NO. 2016-27

Resolution Approving Term Financing for a
Multi-Family Housing Project to
Anchorage Neighborhood Housing Services, Inc.
dba NeighborWorks Alaska

BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation as follows:

I. Findings:

- A. There is need to provide affordable, safe, quality and accessible housing;
- B. Anchorage Neighborhood Housing Services, Inc. dba NeighborWorks Alaska, a 501(c)3 not for profit corporation has applied to Alaska Housing Finance Corporation to receive funds under its Multi-Family Housing Loan Program for term refinancing of a multi-family project, located in Anchorage, Alaska.
- C. The purpose of the financing is to preserve affordable housing opportunities for persons of lower income;
- D. The proposed financing falls within the established program regulations; and,
- E. The proposed financing is found to be an acceptable risk to the Alaska Housing Finance Corporation.

II. Conclusion:

Pursuant to the foregoing findings, the Board hereby approves the request substantively as stated in the October 26, 2016 Board Consideration Memorandum prepared in support of the application.

This resolution shall take effect immediately.

DATED THIS 26th Day of October, 2016

Brent LeValley
Chair

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Howard & Associates

Commercial Real Estate Appraisal

200 West 34th Avenue, Suite 348
Anchorage, Alaska 99503
Telephone 907.561.1170

July 28, 2016

Wells Fargo RETECHS
299 South Main Street
Salt Lake City, UT 84111

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

RE: Market value of Panoramic View Apartments, 787 Elm Street (268 Apartments)
Anchorage, Alaska
WF-SLC-16-010296-01-1

Dear Sirs:

At your authorization, we prepared an appraisal of the above-referenced property. Attached is an appraisal report intended to comply with Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). The purpose of the appraisal is to estimate market value of the leasehold interest in the subject real estate "as is", "at completion" and "at stabilized occupancy". Definitions of the terms *market value* and *leasehold interest* are contained in the appraisal report.

Our engagement document is in the Addenda. The appraisal adheres to the 2016-2017 Uniform Standards of Professional Appraisal Practice as formulated by the Appraisal Foundation, and the Appraisal Standards for Federally Related Transactions adopted by the Office of the Comptroller of Currency (OCC) and to FIRREA requirements. The appraisal also complies with Wells Fargo RETECHS instructions.

The subject or subject property is the 268-unit Panoramic View Apartments at 787 Elm Street in Anchorage, Alaska. Located in the Government Hill area north of downtown, the site is 11.25 acres of multifamily zoned (R-4) land. There are 14 buildings with a combined size of 238,272 SF, which includes 121 garage spaces. Construction was in 1949 according to the ground lease.

In 2015 and 2016, a major renovation was completed at a cost of \$3.458 million. This project replaced roofs, boilers, doors, windows and provided a new image for the property.

The leasehold estate valued in the appraisal is created by the ground lease dated January 1, 1990 with an expiration date of December 31, 2037 between lessor Alaska Railroad Corporation (Lease 5531) and Alaska Neighborhood Housing Services, lessee by assign. No options are stated in the ground lease although renewal may be possible. We assume the lease will expire at the end of 2037.

Based on our research and analysis, we are of the opinion "as is" market value of the leasehold interest in the subject real estate, as of June 9, 2016 are as follows:

Eleven Million Six Hundred Thousand Dollars

\$11,600,000

Our value conclusions are based on a marketing period of up to six months assuming diligent efforts. Your attention is directed to the Certification and Limiting Conditions for an explanation of restrictions and limitations of this appraisal.

Respectfully Submitted,


Jolynn Howard, MAI

State Certified General Real Estate Appraiser AK #177

Howard & Associates

Commercial Real Estate Appraisal
200 West 34th Avenue, Suite 348
Anchorage, Alaska 99503
Telephone 907.561.1170

October 6, 2016

Wells Fargo RETECHS
299 South Main Street
Salt Lake City, UT 84111

Alaska Housing Finance Corporation
4300 Boniface Parkway
Anchorage, AK 99504

RE: Value impact of Restricted Rents
Panoramic View Apartments, 787 Elm Street (268 Apartments) in Anchorage, Alaska
WF-SLC-16-010296-01-1

Dear Sirs:

In June 2016, we prepared a market value appraisal of Panoramic View Apartments in Anchorage, Alaska. In the appraisal, we used market rents to develop our value estimate in the Income Capitalization Approach, which was ultimately the best approach in estimating value.

The purpose of the Addenda letter is to address the value impact of restricted rents versus market rents.

First, restricted rents for all of the unit sizes at Panoramic View are *higher than* our market rent estimate, as shown on the table below.

Apartment	Restricted Rents	Market Estimate
Studio	\$988	\$707
1-Bedroom	\$1,059	\$779
2-Bedroom	\$1,270	\$882
3-Bedroom	\$1,468	\$1,185

Rent restrictions have no effect on market rent for this property as of the appraisal effective date.

Secondly, we considered whether *actual rents* are measurably different than our forecast market rent estimate. The next table compares actual versus forecast rents.

Apartment	No. of Units	Average Actual	Market Estimate	Difference per Apt.
Studio	69	\$698	\$707	\$9
1-Bedroom	103	\$779	\$779	\$0
2-Bedroom	86	\$871	\$882	\$11
3-Bedroom	10	\$1,148	\$1,185	\$37
Totals & Averages	268	\$802	\$809	\$7

The table shows forecast of market rents is an average of \$809/month. Actual rents per the June 2016 Rent Roll, were \$802/month, a difference of \$7 which is less than 1%. Actual rents at Panoramic View Apartments are in synch with market rates.

In conclusion, we find rent restrictions have no effect on income or value for the appraised property. Restricted value is equal to market value as explained in our appraisal dated June 9, 2016.

By reference, this letter is made an Addendum to the original appraisal report. Please see said report for explanation of the property and development of our market value estimate.

Respectfully Submitted,


Jolynne Howard, MAI

State Certified General Real Estate Appraiser AK #177

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PANORAMIC VIEW APARTMENTS
268 UNITS – REHABILITATION COST BREAKDOWN

TOTAL REHABILITATION COSTS:

Roof replacement	\$ 401,387
Building siding replacement	\$ 1,142,457
Common area improvements	\$ 310,727
Site work	\$ 194,762
Weatherization	\$ 1,126,610
Miscellaneous improvements	\$ 30,894
Construction management	\$ 292,712
Consultant fee	\$ 75,000
Construction Financing	<u>\$ 237,563</u>
Total Costs	\$ 3,812,112

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About Us

NeighborWorks Alaska is a 501(c)3 non-profit dedicated to improving the quality of life for families and individuals by preserving homes, creating new housing opportunities and strengthening neighborhoods.

NeighborWorks Alaska has a history of fostering change, beginning with the revitalization of the Spenard community. NeighborWorks Alaska worked with local and state government, as well as residents and business owners in the neighborhood, to formulate a plan to upgrade the community. This effort resulted in road and pedestrian improvements, coupled with small business and home improvement lending, which support the neighborhood.

07:36



[NeighborWorks Anchorage \(http://vimeo.com/18974324\)](http://vimeo.com/18974324) from [FrostLine Productions \(http://vimeo.com/frostline\)](http://vimeo.com/frostline) on [Vimeo \(http://vimeo.com\)](http://vimeo.com).

[To see the impact NeighborWorks Organizations have had in Alaska in, click here. \(http://www.neighborworks.org/Our-Impact/NeighborWorks-Impact/Alaska\)](http://www.neighborworks.org/Our-Impact/NeighborWorks-Impact/Alaska)

Affordable Rental Housing

NeighborWorks Alaska is dedicated to providing quality, safe, and clean affordable apartment homes in convenient locations all over Anchorage. From well appointed three-bedroom units to practical efficiencies, we have an apartment that is ideal for any lifestyle. All our apartment communities are professionally managed and are located near schools, bus lines, and shopping. Many of our properties are also located close to major employment centers, including downtown, midtown, and southeast business districts.

Home Ownership / Rehabilitation

Home ownership remains at the heart of most Americans, and that dream is alive and well in Alaska. NeighborWorks Alaska offers home buyer education and an array of affordable loan programs designed to assist home buyers with purchasing a home. Experienced staff assist potential new homeowners with the lending process and help determine how our loan products may best fit their needs. We offer down payment and closing cost assistance loans, first mortgages and partner with a number of local lenders. All loan programs are subject to income limits and other borrower eligibility requirements.

Even the best built home will, at some point, need to undergo repairs or major replacements. Often the cost of replacing a roof or heating system will be a major expense. NeighborWorks Alaska can support current homeowners by maintaining the health, safety and value of their homes through our repair and rehabilitation programs.

Community Engagement and Resident Services

NeighborWorks Alaska believes that collaboration is the most powerful way to achieve our goal to build community through neighborhoods. By working together, sharing skills and knowledge, and pooling our resources, we can meet the needs of our community. We share a common vision with many partners of a strong, vibrant and sustainable community where everyone has a place to call home.

NeighborWorks Alaska believes that all residents should have opportunities for civic engagement, leadership development and connections to the wider community. We empower people to make a positive difference in our

neighborhoods and our city. We bring people together and focus on what makes a community a positive place to live. We teach people how to work with a diversity of opinions and backgrounds, and build strong, vibrant, and sustainable neighborhoods.

Certifications

A chartered member of [NeighborWorks® America \(http://www.nw.org\)](http://www.nw.org). NeighborWorks Alaska is certified as a Community Housing Development Organization (CHDO).

- [History \(/about-us/history\)](#)
- [Staff \(/about-us/staff\)](#)
- [Board Members \(/about-us/board-members\)](#)
- [Job Opportunities \(/about-us/job-opportunities\)](#)

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Board Directors

- Tony Piper, President
- Bill Simpson, Vice President
- Stephanie Kesler, Treasurer
- Tasha Hotch, Secretary
- Lizz Barr, Member
- Jason Bergerson, Member
- Anna Brawley, Member
- Owen Carey, Member
- Matthew Cox, Member
- Don Crandall, Member
- Vickie Dodge-Pamplin, Member
- Syl Fowlis, Member
- Verna Gibson, Member
- Melissa Hurt, Member
- Jim McCall, Member
- Leslie Need, Member
- Russell Pressley, Member
- Jess Rude, Member
- Dorcas Santiago, Member
- Dimitri Yimga, Member

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Erica M. Otten
Anchorage Neighborhood Housing Services, Inc.
dba NeighborWorks® Alaska

(907) 677-8463 Work
(907) 677-8484 Fax

PROFESSIONAL EXPERIENCE

NEIGHBORWORKS ALASKA

ANCHORAGE – AK 5/2016 - Present

Director of Finance - This position is responsible for structuring financial integrity into the business of the corporation. Formulates, reviews, analyzes, and adjusts all financial plans, projections and documentation of the organization and acts as advisor to other management staff and key employees. Responsible for all financial processes of the corporation, including payroll, cash receipts, accounts payable and receivable, investments, budgeting, and working capital analysis and preparation.

GIRL SCOUTS OF ALASKA

ANCHORAGE – AK 10/2009 – 5/2016

Chief Financial Officer - Responsible for accounting, human resources, property management, risk management, and IT. Supervises Retail Manager, Staff Accountant/Customer Service, and Product Sales Manager. Works with Board.

- Accounting responsibilities include bank reconciliations, general ledger, oversight of payroll (20-65 employees) and accounts payable, budgeting, communicating variance reports to internal departments, reporting to the Board Finance Committee, Audit Committee, and Board of Directors, yearly audit, and IRS reporting, including Form 990. Responsibilities also include grant tracking, writing, and reporting.
- Human Resource responsibilities include acting as the benefits administrator, reviewing benefit plans as needed, maintaining personnel files, and introducing and training new employees about the Girl Scouts of Alaska and office operations.
- Help to carry out the Girl Scout mission to build girls of courage, confidence, and character, who make the world a better place. Part of staff leadership team that provides direction and management for the council.

WIRELESS CAPITAL PARTNERS

LOS ANGELES, CA 5/2006 – 9/2009

Manager of Portfolio Analytics

- Managing Credit Facilities, in excess of \$250M, to temporarily finance lease assets before a permanent sale.
- Working with financial institutions to analyze, due diligence, sell, and finance lease assets.
- Investor reporting and communicating investor needs to internal departments.
- Capital budgeting, internal management reporting, and complex financial modeling.
- Reporting directly to CFO and directly supporting CEO, CFO, and COO.
- Assisting in the development of the servicing team and servicing practices. Developed servicing reports and implemented improvements in the servicing system.
- Supervised and trained the Treasury Manager.
- Assisted in financing and selling over \$300M of lease assets.

MELLON FINANCIAL CORPORATION

LOS ANGELES, CA 5/2005 – 5/2006, 9/2004 – 4/2005

Senior Accounting Analyst

- Project team member tasked with testing accounting functionality and converting the company onto a new fund accounting platform.
- Modeled transactions and activity for all security and transaction types (equity, fixed income, derivatives) to verify correct accounting treatment on the new system.
- Wrote a 300 page training manual for Fund Accountants using the new accounting platform.

Fund Accountant

- Completed cash recons, posted transactions, responded to client requests, created custom reports, and closed accounts monthly in the Int'l Equity and Limited Partnership groups.

EDUCATION

- Master of Finance, A.B. Freeman School of Business, Tulane University May 2004
- Bachelor of Science in Management A.B. Freeman School of Business, Tulane University
 - Double Major: Finance and Marketing
 - Business GPA: 3.850, Cumulative GPA: 3.784
 - Dean's List, Distinguished Honors Scholarship Recipient

Timothy S. Geraty
8032 Country Meadow Circle
Anchorage, Alaska 99502
(907) 349-3791

SUMMARY OF QUALIFICATIONS

- Over 15 year's experience as an Accounting Controller.
- Highly proficient in Microsoft Excel, Word, Windows, Spectrum Construction Accounting Software and Timberline Construction Accounting Software. Experience with Yardi, Timberline Estimating and SureTrak Scheduling.
- Accomplished in General Ledger, Payroll, Job Cost Accounting, Contract Administration, Corporate Planning/Budgeting, Risk Management, and Financial Statement Preparation and Analysis.

PROFESSIONAL EXPERIENCE

Director of Business Services

Anchorage Neighborhood Housing Services, Inc. dba NeighborWorks Alaska 2015 – Present

Responsible for the contracts administration, risk management/insurance program and the information technology department. Manage the contract administration for our new construction and rehabilitation projects including general contractor construction agreements, subcontractor agreements, contractor documents, submittals, RFP's, change orders, pay applications, and lien releases. Manage the insurance program including insurance renewals and policies for ten entities, insurance schedule and insurance audits. Manage our IT department including all hardware and software, file and email server, and over 50 workstations.

Controller

Alaska Mechanical, Inc., Anchorage, Alaska, 2008 - 2015

Dokoozian Construction, LLC, Anchorage, Alaska, 2006 – 2015

Dokoozian & Associates, Inc., Anchorage, Alaska, 1998 - 2005

Duties and responsibilities include the following: Supervision of all construction accounting personnel. Development, maintenance and monitoring the system of internal controls. Development and monitoring of financial aspects, long- and short-range plans, and budgets. Development, implementation and oversight of financial and accounting reporting policies and procedures.

Preparation, review and analysis of financial reports and monitoring results against planned or budgeted results. Establishment and maintenance of relationships with credit grantors including sureties, banks, and vendors and insurance/risk management. Coordination of annual audits and establishment of tax policies, tax planning and preparation of all corporate tax filings. Management of company fixed assets and liquid financial assets including development of cash management and investment policies. Establish and maintain a system of accounts payable and payroll through job cost. Manage Davis Bacon and Union payroll/reporting including all company benefit plans. Proficient with Federal and State-funded projects regulations and requirements including HUD, AHFC, Davis Bacon, FAR, DBE, MBE, and Native Preference.

Controller

Dollar Rent a Car, Anchorage, Alaska, 1991-1995 Operations Manager 1995-1998

Responsible for all aspects of the general ledger through financial statements. Responsible for all subsidiary systems (AIR, A/P, P/R, Fixed Assets). Responsible for all reconciliation's. Responsible for treasury management. Responsible for insurance/risk management. Developed, maintained and analyzed fiscal budget. Provided in-depth revenue, utilization, and expense comparison reports. Managed three-person accounting/audit staff. Developed and maintained all depreciation schedules for all fixed assets (Straight-line and double-declining balance methods).

Accounting Manager

Budget Rent a Car, Anchorage, Alaska, 1987-1991

Responsible for all aspects of the general ledger through financial statements for a statewide organization. Responsible for all subsidiary systems/ledgers. Responsible for all reconciliation's. Responsible for all treasury management. Developed, maintained and analyzed the fiscal budget. Provided revenue, expense, and rental comparison reports. Managed four-person accounting/audit staff. Authored and maintained all depreciation schedules for all fixed assets. Assisted in the annual Certified Audit provided by certified public accounting firm.

Resume Tim Geraty

Page 2

EDUCATION

Parks College, Denver, Colorado.

Associate of Applied Science, Business Administration 1984.

West Anchorage High School, Anchorage, Alaska. High School Diploma 1982.

NeighborWorks America Training Institute 2006, 2015

Spectrum Construction Accounting Software Training 2009, 2012

Timberline Construction Accounting Software Training 1998, 1999, 2000, 2001, 2003, 2004, 2007

AGC Financial Project Management Training 1999

Oles Morrison Construction Law Seminar 2000, 2002

Federal Construction Project Seminar 2000

ASSOCIATIONS

Associated General Contractors of Alaska	Member	1998-2015
Construction Financial Management Association	Member	1998-2015
Timberline User Group	Member	1998-2015

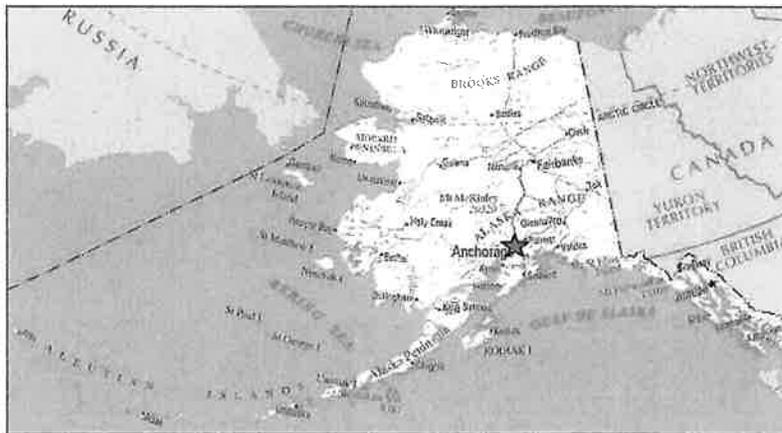
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ANCHORAGE AREA ANALYSIS



anchorage is Alaska's largest city with approximately 40% of the total population. Eagle River is within the Municipality of Anchorage, which is situated within Southcentral Region. A map of the Anchorage Bowl is included below. This section summarizes the forces of supply and demand that influence the value of real property. These forces are environmental, economic, governmental and social.

Most of the population lives in the Anchorage Bowl. Eagle River and Chugiak, with the communities of Birchwood, Peters Creek and Eklutna, lie some 15 to 30 miles north of the bowl. This area serves as a bedroom community for commuters to Anchorage.



ENVIRONMENTAL FORCES

Both natural and man-made environmental forces influence real property values.⁷ Alaska has a total land area of 586,048 square miles, and is one-fifth the size of the entire continental United States. Alaska has six distinct regions, each with its own economic profile. Anchorage falls within the Southcentral region of Alaska. The Municipality of Anchorage contains approximately 2,000 square miles, although almost all of the population lives on a 93 square mile peninsula known as the Anchorage Bowl.

The Anchorage Bowl is bordered to the north, south, and west by the tidal waters of Cook Inlet and to the east by the Chugach Mountains. Because of the natural boundaries, development is restricted to the

Bowl. There are also two bedroom communities, Eagle River about 10 miles to the north and Girdwood, 35 miles to the southeast.

Soil conditions throughout the city range from thick beds of gravel to unsuitable clay and pockets of peat, a wet, organic material, which is typically removed from building sites, thereby increasing the costs of construction.

The majority of Anchorage Bowl land or 50,050 acres is already developed. A significant portion of this land area is airport or public parks. Only 9% of the land in the Anchorage Bowl is vacant and suitable for development. The majority of developable land is located in South Anchorage and is zoned residential. The limited amount of available commercial land in the Anchorage Bowl should help sustain property values over the long-term.

Climate

Average temperatures in Anchorage during the winter months range from 6 to 20 degrees and 50 to 70 degrees during the summer months. Annual precipitation is approximately 16.5" of rain and 69" of snow. Portions of the city are often subjected to high winds and seismic activity. Due to the potential for harsh weather, structures tend to be well insulated.

Transportation

Anchorage, unlike most areas in Alaska, has modern transportation infrastructure. The city's road systems are constantly being upgraded because of the damage caused by the extremes in weather conditions. Traffic congestion is not a significant problem.

Due to Alaska's isolated location, air transportation is of major importance to the economy. The Anchorage International Airport is the transportation link for air traffic between Europe, Asia, and the "Lower 48" (Continental United States). There are several other airports including Merrill Field, Lake Hood floatplane base and the U. S. Army and Air Force Facilities.

The northern region of the city is the home for the Port of Anchorage and the Alaska Railroad. The Port of Anchorage is the terminal for the general cargo and

⁷ The Appraisal of Real Estate, Eleventh Edition, p. 49

the goods shipped to Anchorage and the region. The Alaska Railroad connects Anchorage with other cities including Seward, Whittier, and Fairbanks.

Other Infrastructure

All necessary utilities are available to the majority of the Anchorage Bowl. Chugach Electric Association and Municipal Light and Power supply electricity for the region. Enstar Natural Gas Company provides natural gas. The Municipality of Anchorage provides water, sewer, and refuse services. Anchorage has numerous parks and recreational areas. Schools and churches are dispersed throughout the city.

Environmental Forces - Conclusions

The subject is located in a community with man-made infrastructure that provides adequate linkages and amenities necessary to support commercial properties in the Anchorage Bowl. The natural boundaries in the community will limit future growth and development, which over the long-term will produce a positive benefit for the value of existing commercial properties.

ECONOMIC FORCES

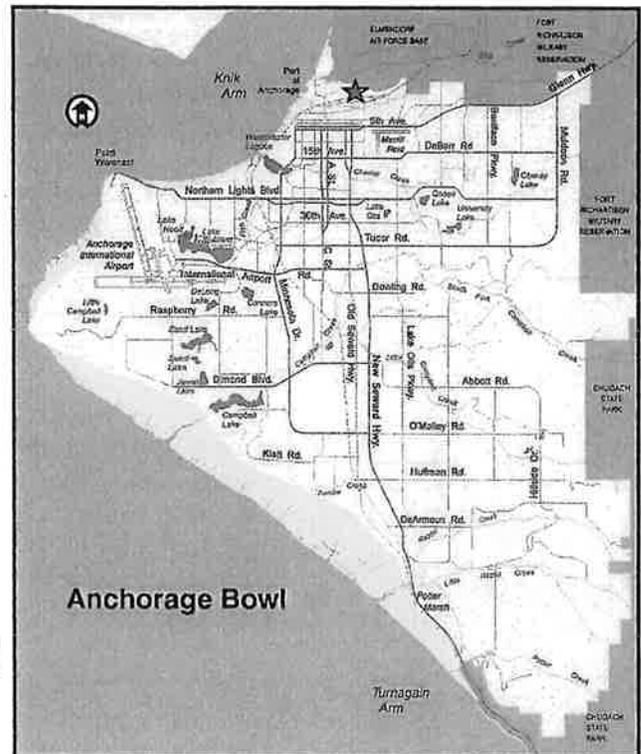
Anchorage serves as Alaska's headquarters for oil, other resource-related businesses, and government agencies and services. Anchorage is also a major retail-shopping hub for residents from rural areas of the state. In recent years, changes in the world salmon and forest product markets have had major negative influences on commercial fishermen and timber jobs. However, these sectors have less impact on Anchorage than other regions of Alaska.

By far, the natural resource with the greatest influence on the Anchorage economy is crude oil, and it was oil that spurred the boom and bust cycles of the 1970's and 1980's. In addition to the private sector jobs and income generated by this industry, state and local governments are still heavily dependent on oil royalty income. The majority of state government funding comes directly from oil royalties. Thus, the economic health in Anchorage is tied directly to the price of crude oil and the level of production at its primary source, Prudhoe Bay.

Other Industries

Fishing, mining and timber are important aspects of Alaska's economy, and these sectors have been negatively impacted by lower prices. However, these industries have little direct impact on real estate values

in Anchorage. Tourism, government, transportation and retail trade has more impact on Anchorage real estate values.



Tourism continues to be the second largest industry in Alaska with visitors spending over \$1.6 billion annually. The Anchorage Visitor and Convention Bureau (ACVB) maintains that visitors to Anchorage, from outside Alaska, exceeded 1,300,000 in 2013.

Government on all levels plays an important role in the Anchorage and economy and is the largest employer. Anchorage is served by two major military bases, Elmendorf Air Force Base and Fort Richardson Army Base (now JBER).

The transportation sector has been very strong in recent years. The geographic location of Anchorage has been touted as strategic for direct air shipment to Europe and Asia. Federal Express has made a significant capital commitment to Anchorage with a new large aircraft hangar for Boeing 747s, a cargo plant and a pilot training center.

Real Estate Construction

Although the city's real estate market has recovered from the crash of the late 1980s/early 1990s, economic conditions still do not generally support

most rent-driven commercial construction. Recent construction has been the result of a lack of substitute properties in the existing inventory and expansion of national chains including Olive Garden, Cabela's and Bass Pro Shops. Hard Rock Café and Krispy Kreme Donuts are also setting up shop in Anchorage.

"Big box" and "category killer" shops dominated retail construction for the last 15 years. A new Wal-Mart opened in 2013 followed by a new Sam's Club, both in East Anchorage. Retail development continues in specific lifestyle centers, such as Tikahtnu Commons and Glenn Square. A factory-outlet center was proposed for land near the new Cabela's store in South Anchorage but is now on permanent hold. Carr's at Sears Mall closed in 2015 along with Office Depot at Northway. All Sports Authority stores will close by August 2016. Mergers, national bankruptcies and saturation are reasons behind these moves. None of the space has been re-tenanted by viable businesses as of the appraisal date.

Next to the "big box" stores, hotel construction was the second largest sector with 20 new hotels and over 2,000 guestrooms constructed during the period of 1992 to 1999. Four more hotels were added along C Street between Tudor Road and International Airport Road during the past ten years. Three additional hotels opened in 2014-2015 and two others opened in spring 2016.

The industrial market has expanded moderately in recent years because users were not able to find suitable properties in the existing inventory. The Anchorage International Airport witnessed significant expansions. In 2010, the airport itself finished a \$200 million expansion/reconstruction to go with a commuter rail line and depot (\$28 million) designed to provide direct access to downtown.

There was considerable growth in the restaurant and health services sectors in the last 10 years. Several new national chain restaurants opened as well as numerous fast food and convenience store establishments.

All three major hospitals expanded in recent years, including the Alaska Native Medical Center (ANMC). Providence has a new cancer treatment center and a parking garage; expansion continued into 2012. The ANMC campus also has several new buildings with more planned for 2016.

A \$140 million sports arena opened in fall 2014 on the UAA campus.

Employment

The unemployment rate in Anchorage, as of May 2016 was 5.9%; the rate has leveled off since late 2012, fluctuating within three-tenths of a percentage point over the last 30+ months. Statewide, Alaska's unemployment rate for the same period was 6.6%, compared to the national rate of 4.7%.

Outside of government, hospitality, trade, and services are the largest employment sectors. These sectors are expected to create the most jobs in the future. Employment growth rates are forecast to be relatively low but stable over the next few years. Employment decreases in state government and the oil industry will most likely be replaced by lower paying retail and services jobs. Given this scenario, increases in per capita income over the long term should be minimal, and will limit growth in overall spending.

Consumer Price Index

The consumer price index (CPI-U) measures inflation by comparing the costs of a certain bundle of goods on an annual basis. The following table shows the percentage change in the CPI index over the last 19 years for both Anchorage and the U.S. City average.

Percent Change in the Consumer Price Index		
Year	Anchorage	U.S. Avg.
1995	2.9%	2.8%
1996	2.7%	3.0%
1997	1.5%	2.3%
1998	1.5%	1.6%
1999	1.0%	2.2%
2000	1.7%	3.4%
2001	2.8%	2.8%
2002	1.9%	1.6%
2003	2.7%	2.3%
2004	2.7%	2.7%
2005	3.1%	3.4%
2006	3.2%	3.2%
2007	2.2%	2.8%
2008	4.6%	3.8%
2009	1.2%	-0.4%
2010	1.8%	1.6%
2011	3.2%	3.2%
2012	1.9%	2.1%
2013	2.7%	1.5%
2014	1.6%	1.6%
2015	1.1%	-0.1%

Average inflation in 2008 and 2011 stepped above 3% in Anchorage and the U.S., with blame for the increases resting on high energy prices. The 2.7% increase in 2013 was influenced by higher prices for

shelter and apparel. Energy prices decreased 1.0% in 2013, mainly due to a 2.6% decline in gasoline prices. Natural gas service prices decreased 3.3% but electricity prices were 6.3% higher for the year. Decreasing price for oil helped 2014 show a low 1.6% change in CPI, which continued through 2015, which showed a slight decrease in CPI.

Economic Forces - Conclusions

Anchorage is an oil-based economy, and swings in this sector have significant impacts on real estate values. In recent years, tourism, transportation and retail trade have grown helping diversify the economy to less dependence on the oil industry. Continued cutbacks in oil exploration and government spending will likely prevent significant increases in per capita income. The new service-orientated jobs however, should keep unemployment levels relatively low. The retail and hotel construction booms are essentially over at this point and commercial construction is expected to slow. Overall, the economic forces indicate a stable, slow growth outlook for commercial real estate.

POPULATION

The social forces studied by appraisers primarily relate to population characteristics.⁸ Approximately 41% of Alaska's population reside in the Municipality of Anchorage. Expansion and contraction in the Anchorage area population has mirrored the major economic events in the city's history.

The bedroom communities including Eagle River, Chugiak, Girdwood and JBER fall within the Municipality of Anchorage and are important for retail trade and services demand.

In recent years, population increases have been small, averaging just 1.0% per year since 2005. The table below shows Anchorage's and statewide population from 1990 to 2014.

	Anchorage	% Δ	Alaska	% Δ
1990	226,338	---	553,171	---
1991	235,626	4.1%	569,054	2.9%
1992	244,111	3.6%	586,722	3.1%
1993	249,440	2.2%	596,906	1.7%
1994	253,503	1.6%	600,622	0.6%
1995	252,729	(0.3%)	601,581	0.2%
1996	253,234	0.2%	605,212	0.6%
1997	254,752	0.6%	609,655	0.7%
1998	257,260	1.0%	617,082	1.2%
1999	259,391	0.8%	622,000	0.8%
2000	260,283	0.3%	626,931	0.8%
2001	264,886	1.8%	632,200	0.8%
2002	267,860	1.1%	640,643	1.3%
2003	273,069	1.9%	647,884	1.1%
2004	277,880	1.8%	657,483	1.5%
2005	278,407	0.2%	664,334	1.0%
2006	283,348	1.8%	671,202	1.0%
2007	282,968	(0.1%)	676,056	0.7%
2008	283,912	0.3%	681,977	0.9%
2009	290,588	2.4%	692,314	1.5%
2010	291,826	0.4%	710,231	2.6%
2011	295,920	1.4%	722,818	1.8%
2012	298,308	0.8%	731,191	1.2%
2013	300,780	0.8%	735,662	0.6%
2014	300,549	(0.1%)	735,601	(0.01%)
2015	298,908	(0.5%)	737,625	0.3%

Sources: U.S. Census (1990 and 2000), Alaska Department of Labor (other years)

Statewide population were up very slightly in 2015 and stands at a new record of 737,625. The Municipality of Anchorage lost population again in 2015 with 298,908. Only the pace of births over deaths (natural increase) kept population levels nearly flat. Figures for 2015 show 6,774 more people left the state than moved in to it. Anchorage had 3,586 more people move out than move in.

Anchorage's two military bases - Elmendorf and Fort Richardson - merged in 2010 to form JBER, or Joint Base Elmendorf Richardson. JBER employs roughly 8,500 people. With dependents, the military represents approximately 8% of Anchorage's current population. This is roughly 25% lower than the peak military population in the middle of the 1990's.

Base closures and cutbacks are scheduled throughout the military, and JBER is no exception. Anchorage has a strategic military location. A possible cut of 2,400 troops now appears to be cancelled, although future reductions are always possible.

⁸ The Appraisal of Real Estate, Eleventh Edition, p. 48

2016 ECONOMIC OUTLOOK

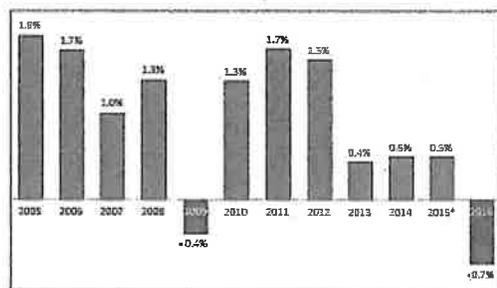
Sustained low oil prices combined with uncertainty of troop reductions at JBER cast uncertainty on the region's economy. State budgets have been cut to cope with the reality of \$50/barrel oil. Impact of the budget cuts has yet to manifest in the economy or real estate markets.

The January 2016 *Trends*, a monthly publication by the Alaska Department of Labor, has the following statewide outlook.

Alaska's economy faces significant headwinds in 2016, largely due to sustained low oil prices. The state is forecast to lose about 2,500 jobs in 2016, a 0.7 percent decline, after gaining 1,700 jobs in 2015.

Minor Job Loss Likely Statewide

ALASKA EMPLOYMENT, 2005 TO 2016



*Preliminary
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

This would be the first year of job losses since 2009, when Alaska felt the wake from the national recession. The state's job growth rebounded quickly in 2010 and remained relatively strong through 2012, buoyed by the federal stimulus package, large capital budgets, and high oil prices. Growth slowed to a crawl in 2013, and employers added jobs at a yearly rate of half a percentage point or less between 2013 and 2015.

Anticipated job losses are tied directly to low oil prices, which averaged close to \$53 per barrel in 2015, and to a lesser extent to declining oil production. Sustained low oil prices impinge Alaska's economy on two fronts: directly, through cuts to oil industry investment and employment, and indirectly, through state government budget deficits that lead to spending cuts. Consequently, job losses will be concentrated in the oil and gas industry and state government as well as the construction industry, which will be hit by reduced investment from oil companies and capital budgets. Despite downward pressure, 2016's job losses are anticipated to be fairly isolated. The ripple effects of lower

employment and spending aren't likely to extend into other industries this year.

Statewide Employment Forecast

EMPLOYMENT BY INDUSTRY, 2014 TO 2016

	2014 Monthly Average ^a	2015 Monthly Average ^a	Change 2014 to 2015	Percent Change 2014-15	2016 Monthly Average	Change 2015 to 2016	Percent Change 2015-16
Total Northern Employment ^b	337,800	339,300	1,700	0.5%	336,800	-2,500	-0.7%
Total Private Sector	255,400	257,500	2,100	0.8%	256,100	-1,400	-0.5%
Natural Resources and Mining	17,300	17,500	200	1.2%	16,500	-1,000	-5.7%
Oil and Gas	14,100	14,300	200	1.4%	13,300	-1,000	-7.0%
Construction	17,600	18,000	200	1.1%	17,100	-900	-5.0%
Manufacturing	14,400	14,000	-400	-2.8%	14,200	200	1.4%
Retail Trade	38,800	37,300	-500	-1.4%	37,400	100	0.3%
Wholesale Trade	6,500	6,400	-100	-1.5%	6,400	0	0%
Transportation, Warehousing and Utilities	21,900	21,700	-200	-0.9%	21,700	0	0%
Information	6,200	6,200	0	0%	6,200	0	0%
Financial Activities	12,100	12,300	200	1.7%	12,300	0	0%
Professional and Business Services	30,000	30,300	300	1.0%	30,800	300	1.0%
Education ^c and Health Services	46,800	47,100	300	0.6%	47,400	300	0.6%
Health Care	33,900	34,400	500	1.5%	34,900	500	1.5%
Letsure and Hospitality	34,200	34,800	700	2.0%	35,200	300	0.9%
Other Services	11,800	11,800	0	0%	11,700	-100	-0.8%
Government	82,200	81,800	-400	-0.5%	80,700	-1,100	-1.3%
Federal Government ^d	14,800	14,900	0	0%	14,900	0	0%
State Government ^e	25,500	25,800	700	2.6%	24,800	-1,000	-3.5%
Local Government ^f	40,800	41,100	300	0.7%	41,000	-100	-0.2%

^aPreliminary and adjusted estimates
^bExcludes self-employed workers, fishermen, domestic workers, and unpaid family workers
^cPrivate education only
^dExcludes uniformed military
^eIncludes the University of Alaska
^fIncludes public school systems
 Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Anchorage Forecast to Lose Some Ground by Neil Fried

Anchorage has gained jobs nearly every year since 1988, but continuing low oil prices make another year of economic growth unlikely.

In the late 1990s, Anchorage's employment grew despite low oil prices, big industry layoffs, and fiscal deficits — but there are big differences between then and now. The state budget deficit is considerably larger than at any time in the past, the oil workforce is at a record high, recent years' economic growth has been muted, and oil production is less than half of what it was in 1999.

Because Anchorage is headquarters for the state's oil industry, any layoffs would spur broader economic fallout. The other dampers on Anchorage's outlook are state government job losses, which will likely accelerate with the new fiscal year in July, and low prices for all commodities, which are crimping the state's mining and fishing industries.

However, some Anchorage industries are forecast to grow in 2016. The visitor industry anticipates another stellar year and health care is also forecast to add jobs, but not enough to offset the slowdown for other industries, which translates to a modest overall job loss of 0.8 percent or 1,200 jobs. (See Exhibits 1 and 2.)

Oil won't continue to fill the gap

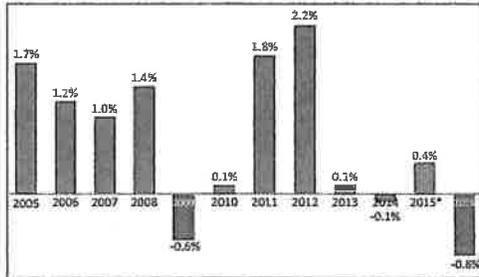
In the past decade, Prudhoe Bay oil industry employment grew every year except 2008 (see Exhibit 3), which in turn generated growth in Anchorage headquarters jobs. Last year was no exception, and Prudhoe Bay employment reached a new high during 2015.

The oil industry has largely buoyed the economy in Anchorage over the past two or three years, but that isn't likely in 2016, and the industry is forecast to lose about 400 jobs in Anchorage, or 11.8 percent.

A good example is Armstrong's recent announcement that it will cut way back on the winter drilling season, which means 500 planned jobs won't materialize. Another example of a project wrapping up by the end of 2015 is Exxon/Mobil's \$3 billion-plus Point Thompson field development, which began in 2012. By early 2016 it will move into operations phase and need fewer workers.

1 Anchorage Likely to Lose Some Jobs

ANCHORAGE EMPLOYMENT, 2005 TO 2016



*Preliminary
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

It's important to note that there will be new oil projects, though, and these will stave off larger losses. There are typically fewer new projects in a lower priced environment, but significant work continues. Examples are Hilcorp's Liberty project on the North Slope and Niniichik plans in the Cook Inlet region. More immediate is ConocoPhillips' plan to develop its Greater Mooses Tooth project in 2017, a \$900 million venture that will begin producing in 2018 and reach 30,000 barrels a day at its peak.

Job losses in the oil industry are nothing new. In the 1990s when oil prices were low, statewide industry employment fell from 10,500 in 1991 to 7,900 in 1999, with the largest annual loss of 1,600 jobs between 1991 and 1992.

Construction likely to slow

Construction employment was up 4 percent in Anchorage in 2015 but is likely to lose steam in 2016, with a forecast decline of 4.9 percent.

The outlook for 2016 and beyond, isn't yet clear. Besides Shell's pullout and the modest cutback announced by ConocoPhillips, there has been very little evidence of major job loss in the oil patch.

After two strong years, Anchorage building valuation was down \$145 million, or 22 percent, for the first 11 months of 2015. Building valuation data come from building permits, which hint at future construction levels. For residential construction, although interest rates remain low and Anchorage housing inventory is small, the number of building permits fell from 758 units for the first 11 months of 2014 to 609 over the first 11 months of 2015, with declines in both single and multi-family units.

2 Anchorage Employment Forecast

EMPLOYMENT BY INDUSTRY, 2014 TO 2016

	2014 Monthly Average ¹	2015 Monthly Average ¹	Change 2014 to 2015	Percent Change 2014-15	2016 Monthly Average	Change 2015 to 2016	Percent Change 2015-16
Total Nonfarm Employment ²	157,000	157,700	700	0.4%	156,500	-1,200	-0.8%
Natural Resources and Mining	3,900	4,000	100	2.6%	3,600	-400	-11.1%
Oil and Gas	3,700	3,800	100	2.7%	3,400	-400	-11.8%
Construction	8,300	8,600	300	3.6%	8,200	-400	-4.9%
Manufacturing	2,100	2,000	-100	-4.8%	2,000	0	0%
Wholesale Trade	4,800	4,800	0	0%	4,700	-100	-2.1%
Retail Trade	17,800	18,000	200	1.1%	17,900	-100	-0.6%
Transportation, Warehousing and Utilities	10,800	10,800	0	0%	10,800	0	0%
Information	4,000	4,000	0	0%	4,000	0	0%
Financial Activities	7,500	7,400	-100	-1.3%	7,300	-100	-1.4%
Professional and Business Services	20,500	20,500	0	0%	20,200	-300	-1.5%
Educational ³ and Health Services	24,900	25,200	300	1.2%	25,700	500	1.9%
Health Care	18,500	19,000	500	2.7%	19,400	400	2.1%
Leisure and Hospitality	16,000	17,200	1,200	7.5%	17,400	200	1.2%
Other Services	6,100	6,000	-100	-1.6%	6,000	0	0%
Government	29,400	29,200	-200	-0.7%	28,700	-500	-1.7%
Federal Government ⁴	8,500	8,400	-100	-1.2%	8,400	0	0%
State Government ⁵	10,800	10,600	-200	-1.9%	10,100	-500	-5.0%
Local Government ⁶	10,100	10,200	100	1.0%	10,200	0	0%

*Based on the first two quarters of 2015
¹Preliminary and adjusted estimates
²Excludes self-employed workers, fishermen, domestic workers, and unpaid family workers
³Private education only
⁴Excludes uniformed military
⁵Includes the University of Alaska
⁶Includes public school systems
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Putting a further damper on Anchorage construction jobs will be the completion or near completion of several large utility projects and commercial and public buildings. Fewer federal projects will also mean fewer construction jobs. The Army Corps of Engineers program budget fell again, from \$25 million in 2015 to \$20 million in 2016, representing four years of declines after peaking at \$49 million in 2008.

Nationally, oil industry employment has already slipped to 2012 levels and continues to fall. Alaska's oil industry reaction to lower prices may be slower because Alaska's industry is more project-based, so it only shows job loss once existing projects end.

Economic uncertainty will also mean less privately financed construction, and oil-related construction that boosted the industry in the past two years won't play that role in 2016. Moreover, the state capital budget peaked in 2013 at \$3.5 billion, then fell by more than \$1 billion during the next two years. Fiscal year 2016's capital budget is the lowest in more than 15 years.

Still, a number of sizable commercial buildings will be under construction in Anchorage for much of 2016, including three

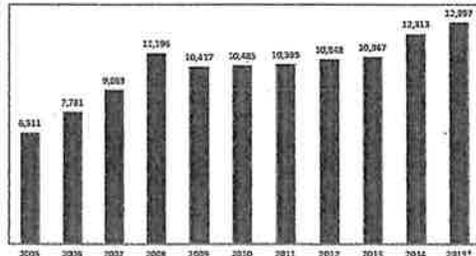
or four new hotels, and highway construction jobs are forecast to remain at last year's level.

Health care a bright spot

Health care has long generated the largest number of new jobs in Anchorage. During the past decade, health care employment was responsible for over a third of the city's employment growth. In 2015, it grew by 2.7 percent, or about 500 jobs, the most of any industry.

3 Prudhoe Bay Jobs Up through 2015

2005 TO 2015



* Preliminary
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

This year is forecast to be a repeat performance, with 2.1 percent growth. Continued implementation of the Affordable Care Act and Medicaid expansion could add to that growth.

A record year for tourism

Leisure and hospitality — which includes accommodations, food services, arts, entertainment, and recreation — is driven by local consumption as well as tourists. Last year it grew by 300 jobs, and this year it's expected to gain another 200.

The visitor slice of this industry should fare well again in 2016, as the ingredients for another strong visitor season are in place. Bed taxes collected for the first two quarters of 2015 were up 6 percent and air travel numbers into Anchorage this past season were up 10 percent. The national economy also continues to grow and energy prices remain low, which will likely generate more convention and visitor traffic.

The industry projects a strong season, and early bookings reflect that optimism. The Alaska Travel Industry Association predicts tourism will grow by 2 to 3 percent in 2016, and the cruise ship industry projects its passenger count will top the 1 million mark for the first time.

New hotel construction in Anchorage reflects these numbers as well. Three to four new hotels with 500 to 700 rooms total are either in progress or in the final stages of planning.

The likely slowdown in business and government-related travel is expected to offset some of the growth in the tourist-driven segment.

Restaurants and bars represent two-thirds of leisure hospitality employment, and in 2015, they had a growth spurt after remaining flat the year before. In the past decade, restaurants and bars have added 1,500 jobs.

In 2016, two Krispy Kremes, BurgerFi, and Smash Burger will open in Anchorage. Despite these and other possible openings, potential closures and a more challenging economic environment are likely to keep job levels flat.

Retail and marijuana uncertainty

Retail racked up serious job growth in Anchorage over the past two years with a long list of new large retailers including Nordstrom Rack, Pier 1 Imports, Men's Warehouse, North Face, and H&M.

Stores often over-hire when they open and then trim down. In January 2015, jobs were up 400 over January 2014 but by June that gain fell to 100.

Because there are no plans for major retail openings in 2016, moderate job loss is forecast.

That doesn't take marijuana into account, which could provide a sizeable retail boost in 2016 because dispensers could open in Anchorage by May. However, at the time of this publication, too many unanswered questions and variables remained to produce a reliable estimate for marijuana retail jobs in 2016. Statewide and local regulations also remain in flux, which could mean delays in implementing the regulations.

Real estate market slows

Real estate and its connected businesses are a major driver in the financial industry and are often considered a barometer for the larger economy. Real estate's related businesses include mortgage brokers and title and insurance companies.

Recent economic uncertainty hasn't spooked the Anchorage real estate market. Through October 2015, Anchorage home sales were up approximately 6 percent and prices were up 3.7 percent. The inventory of homes for sale remains historically low. However, this part of the financial sector in Anchorage is likely to slow down in 2016.

The balance, which includes banking, investments, financial brokers, and other types of insurance, is forecast to remain flat.

Oil, construction losses will affect other professional services

Professional and business services is a broad industry, responsible for 13 percent of all payroll jobs in Anchorage. It

includes law firms, engineering firms, employment services, tech support companies, and janitorial services and refuse companies. Because it has so many unrelated components, it's a tough sector to forecast.

Its weakest link for 2016 will be related to losses in the oil and construction industries. The architectural and engineering services slice, which represents 22 percent of the industry and more than 4,200 jobs, is strongly tied to oil and construction. As a result, professional and business services is forecast to lose about 300 jobs in 2016, or about 1.5 percent.

More state job losses expected

Between 2010 and 2014, Anchorage lost 1,300 federal jobs. The trend of federal losses appears to have ended though, and by the end of 2015 the numbers were up slightly from year-ago levels.

Further federal job losses are unlikely in 2016. Until recently, proposed cuts of nearly 2,600 soldiers at Joint Base Elmendorf-Richardson cast some doubt on federal employment for 2016, but those cuts are on hold.

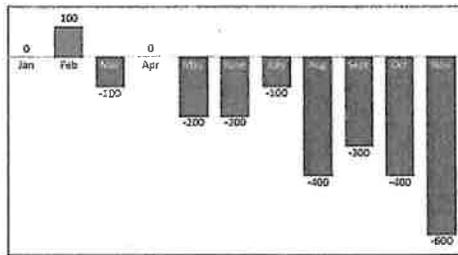
This year, public sector losses will come from state government, and they'll likely be large enough to cause an overall decline for government jobs.

Anchorage's state government employment began to fall modestly from year-ago levels in May 2015 and losses accelerated as the year progressed. (See Exhibit 4.) That trend is forecast to continue in 2016, and the state's operating budget will be under even more pressure for fiscal year 2017, which begins in July 2016. Although there are still few specifics, larger cuts to the operating budget are certain, which means more cuts to the state's workforce.

Local government employment increased modestly in 2015 and is forecast to stay flat in 2016. The City of Anchorage is hiring additional police officers, and Anchorage School District's workforce is slightly above year-ago levels. However, because of a much tighter state budget, state support for the Anchorage School District and revenue sharing for the city will likely take a hit during the latter part of 2016, negating any gains earlier in the year.

Neal Fried is an economist with the Department of Labor in Anchorage. Reach him at (907) 269-4861 or neal.fried@alaska.gov.

4 State Government Losses Increasing
ANCHORAGE, OVER-THE-YEAR CHANGE, 2015



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

APARTMENT MARKET ANALYSIS



This chapter discusses conditions in the local apartment market that influence value. Supply-side forces include the existing housing stock and new construction. Forces that drive demand are population size and employment trends. Rents play a key factor in both supply and demand. The analysis forms a basis for the revenue projections in the income capitalization approach.

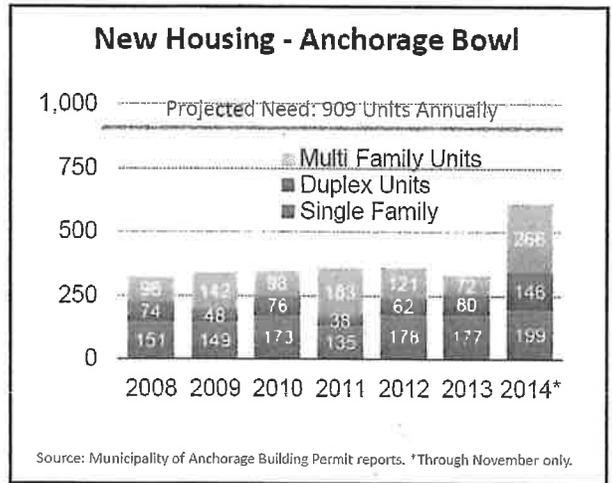
HOUSING STOCK

The 2010 Census (U.S. Census Bureau) found 112,242 housing units in the Municipality of Anchorage. 35.7% of those are in multi-unit structures. A breakdown of multi-family dwellings versus single-family dwellings is shown in the following table:

Anchorage Housing Stock		
Housing Type	Units	%
Single-Family Residences	72,172	64.3%
Multi-Family (incl. Apts. & condos)	40,070	35.7%
Total Stock	112,242	100%

Most of the area's housing was built between 1970 and 1986. Thus, excluding the new construction discussed below, almost all of the multi-family apartments and condominiums in Anchorage are at least 29 years old. Demand for new housing construction resulted in moderate increases in local housing stock of 1.2% to 1.5% annually in the early to mid-2000s, reaching the current total inventory.

New construction continues, but has not changed the ratios. Between 2010 and 2014, builders in Anchorage constructed a total of 865 multifamily units, excluding duplexes.



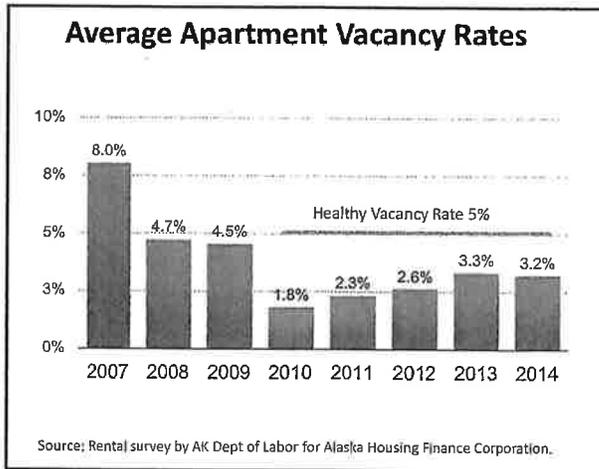
With current population growth trends, city economists estimate a need for about 909 additional housing units annually. At the current pace of construction, vacancies are expected to remain low and rents will continue to increase. One consequence will be continued housing growth in the Mat-Su Valley.

APARTMENT VACANCIES

Anchorage apartment vacancies directly reflect the community's economic cycles. During the major economic upheavals of the late 1970s and mid- to late-1980s vacancies peaked at 26.1% at the worst of the recession in the late 1980s. Citywide vacancies fell as low as 1.1% in 1992 during a period of economic recovery. An increase in vacancies between 2002 and 2005 was attributed to the decrease in mortgage interest rates that motivated some renters to buy entry-level homes and condominiums.

As low interest rates spurred home purchases, they also exerted upward pressure on prices. Higher prices have contributed to a shortage of affordable inventory at the entry level and are considered by some participants to be one reason for lower apartment vacancies at this time.

A January 2016 presentation to the Anchorage Building Owners and Managers Association by Tyler Robinson, Director of Development Planning and Finance for Cook Inlet Housing Authority revealed an apartment vacancy rate of 3.9% in 2015, essentially unchanged from 2013 and 2014.



Specific rental comparisons for the appraised property are discussed in the Income Capitalization Approach.

MARKET PARTICIPANT INTERVIEWS

We spoke with two local apartment specialists in gathering data for this appraisal – Jonathon Rodriguez and Kevin Cross, both of Keller Williams.

A common thread in the comments from the agents was an uptick in vacancies for larger units due to new construction in Wasilla. With low oil prices, the 40-mile commute to Anchorage is less expensive than in prior years.

The apartments surveyed for this appraisal had vacancies of 0% to 5% with the higher vacancy being frictional.

As of the effective date, the subject has a 2% vacancy rate with six unit available.

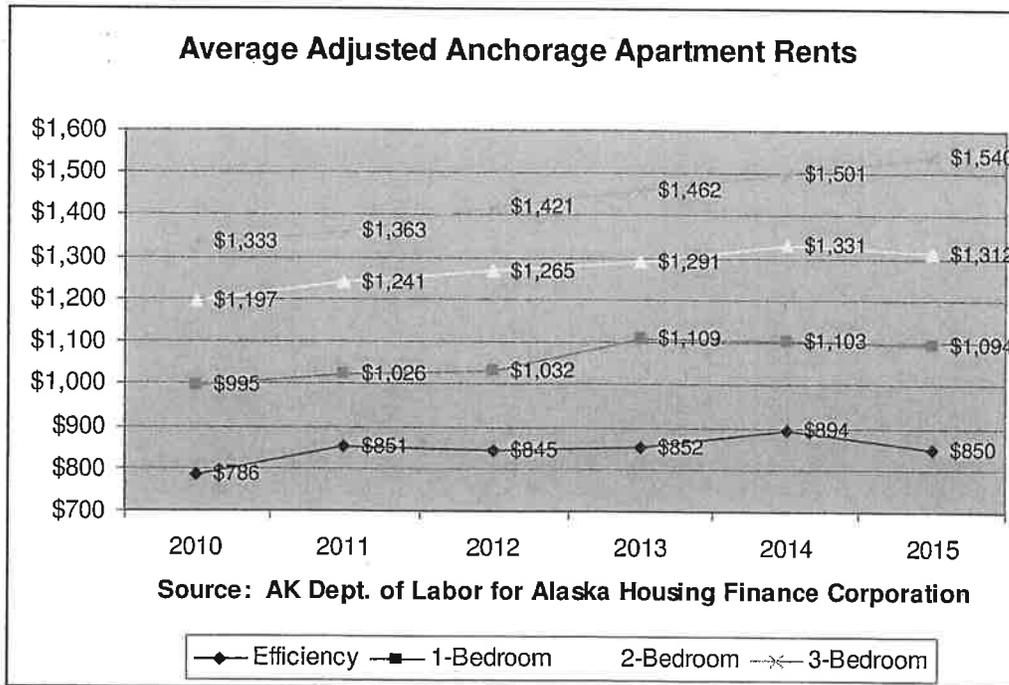
Both stated that investors are waiting for opportunities and there is a shortage of properties available for sale. Overall capitalization rates are holding at around 8.0% although the right properties would sell for lower rates. Their outlook continues to be optimistic for residential rentals.

RENTS

For two bedroom apartments, average adjusted rents (to reflect total cost of occupancy i.e. rent plus utilities) was down slightly in 2015, according to the Alaska Department of Labor study for AHFC. The average for 2015 was \$1,312 per month, down \$19 from 2014.

MARKET ANALYSIS CONCLUSIONS

Apartment vacancies are currently just over 3%. Rents have increased steadily but may have leveled for the time being. A limited amount of apartment construction will continue although no large projects are anticipated. The new construction will set top end rents that will benefit existing inventory.



SITE DESCRIPTION AND ANALYSIS

In this chapter we describe the site component of the property and issues that influence market value. This section provides the basis for determining highest and best use and helps in identifying issues that may affect value.

The following information is based on a review of the municipal maps, Google photos and our inspection of the site.

NEIGHBORHOOD

The neighborhood is in north Anchorage and is known as Government Hill. Sandwiched between downtown, the railroad yard and the military base, Government Hill is one of the oldest neighborhoods in Anchorage. The area features bungalows built for early railroad workers, modest houses and new residential construction of detached houses and townhouses.

Northpointe Subdivision, immediately south and east of the subject site, is 16.5 acres with 65 lots. Land development began in 2008; the project is nearly 100% sold out as of the effective date. The land for this development is one of our sale comparisons.



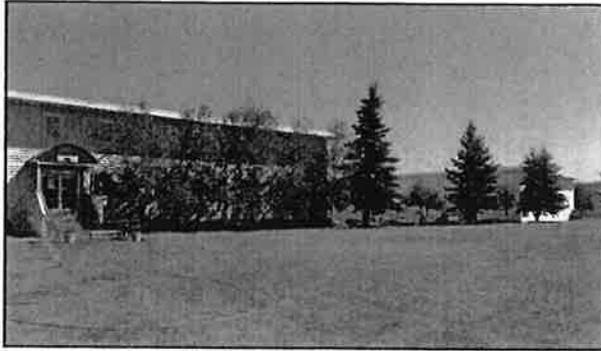
Northbluff Drive townhouses



New houses on Northpointe Bluff Drive



Former Richardson Vista (now North Point) Apartments are just north of the subject. Like the appraised property, these apartments were built to house military personnel in the 1950s. Joint Base Elmendorf Richardson (JBER) is directly north of Government Hill. The Alaska Railroad yards and Ship Creek industrial district are to the south at the bottom of the bluff.



North Pointe Apartments

Access to Government Hill is via the A/C Bridge or through the railroad area.

A small commercial district exists near the west end of the district. Businesses are limited to a convenience store, several restaurants and houses of worship. The AT&T/Alascom offices are in the area. Government Hill Elementary School is also in this commercial area.

The access route for the Knik Arm Bridge passes through Government Hill. A motel was demolished in preparation for bridge construction. This on-and-off project has been put on hold due to economic conditions with the Alaska state government stemming from the drop in oil prices. There is no schedule for re-starting this project.

With its proximity to downtown and the military base, Government Hill continues to be a desirable location for renting and home ownership.

If the appraised property's underlying site was vacant and available for improvement today, the likely highest and best use would be a mixed residential development similar to adjoining Northpointe Subdivision.

SITE DESCRIPTION

The site consists of two non-adjoining parcels. Both front Elm Street and Hollywood Drive, a public street owned by Municipality of Anchorage.

Land Area

Total land area is 490,101 SF or 11.25 acres. The main parcel is 422,100 SF and the smaller parcel is 68,001 SF.

Shape

The main parcel is a rectangle. The smaller parcel has a slightly irregular shape.

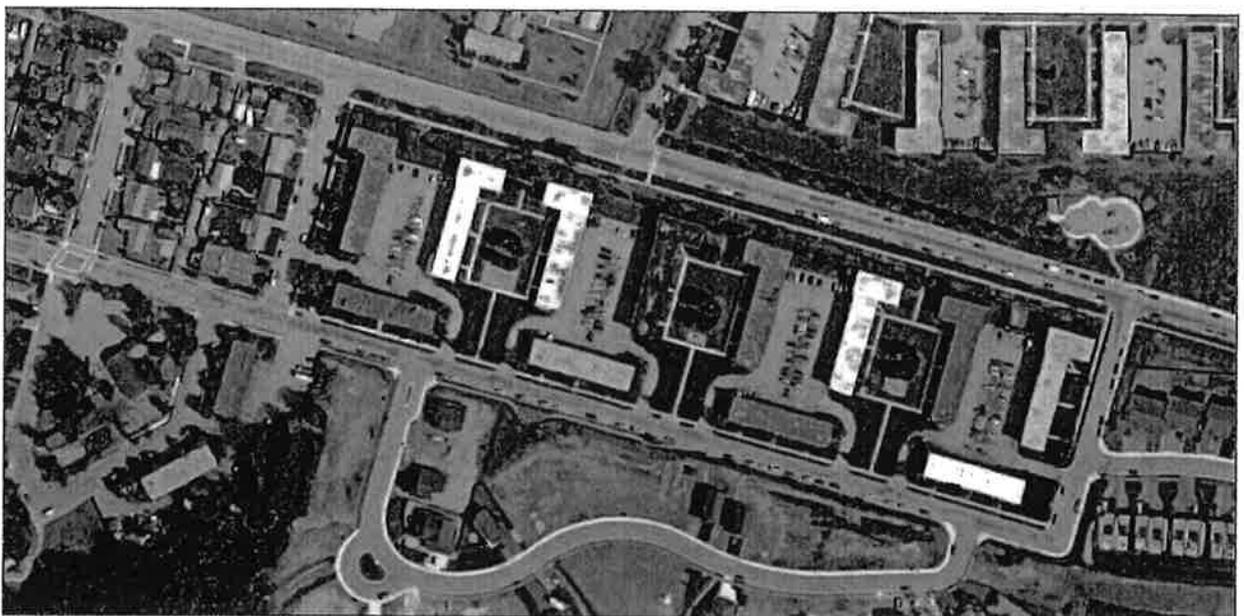
Site Coverage and Excess Land

With combined building footprints of 55,181 SF, site coverage is 11%. Land to building ratio is 2.1 to 1. There is no excess or surplus land.

Legal Description

The subject is legally described in metes and bounds. An abbreviated legal description is:

Metes and bounds within Section 8, Township 13 North, Range 3 West, Seward Meridian, Anchorage Recording District, Third Judicial District State of Alaska, according to Alaska Railroad Corporation ground lease No. 5531.



A complete legal description is in the Addenda.

Easements

There is no plat map that would show easements. The Anchorage grid map shows no easements. A title report may reveal easements not shown on the grid map.

Topography

Level topography is found over most of the site. The main parcel is slightly above grade of Hollywood Drive and Elm Street.

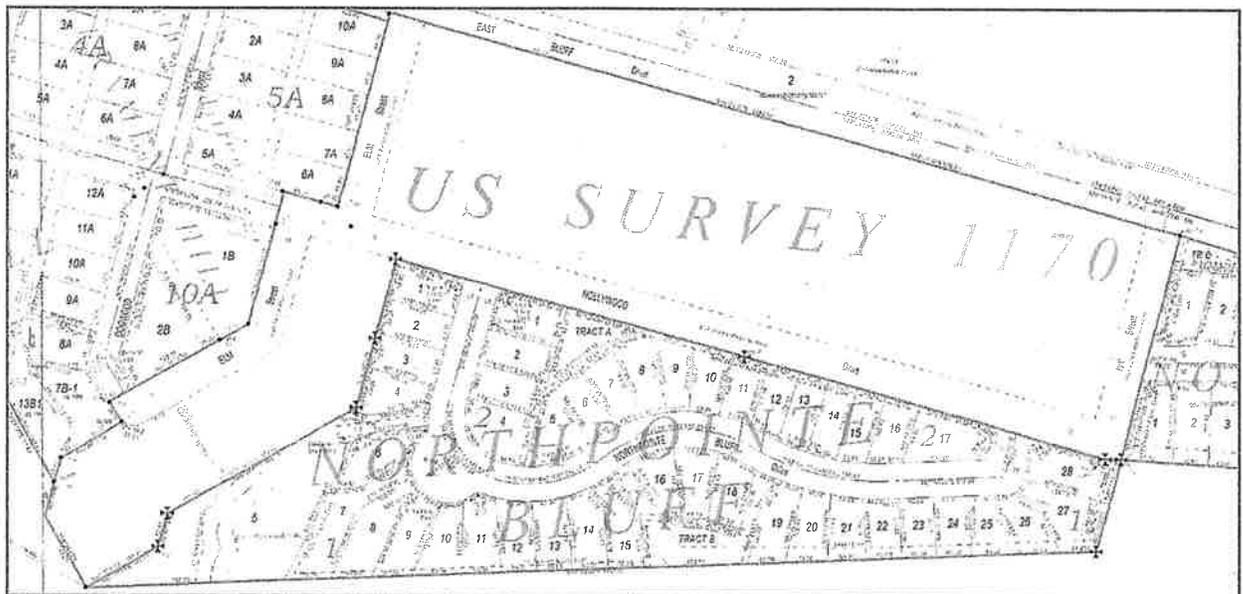
the property is located in Zone X, which is outside the 1 percent and 0.2 percent annual chance floodplains. The property is not in a recognized flood zone.

Wetlands

The appraised property is not designated as wetlands.

Seismic Hazard

A Geotechnical Hazards Study was completed for the Municipality of Anchorage in June 1979. The subject is in Zone 2 (out of 5) on this map. Ground failure for this zone is graded as moderately low.



Exposure and Access

Exposure and access are average for an apartment property. The site benefits from multiple driveways along Hollywood Drive, Elm and Ivy Streets.

Soil Conditions

This area is not known for poor soils. A soils report was not available to the appraiser. We observed no obvious indications of settling or soil upheaval.

It is an express assumption soil conditions are adequate to support the existing improvements.

Utilities

Public water, sewer, electricity, natural gas and telephone utilities are available to the subject site.

Flood Plain

According to the Flood Insurance Rate Map prepared by the Federal Emergency Agency (Community-Panel Number 020005 0751D updated September 25, 2009)

Streets and Access

Primary access to the property is via Hollywood Drive and Elm Street. These streets are paved 60-foot wide right-of-ways with raised curbs and gutters and concrete sidewalks. Ivy and East Bluff Street also provide access.

Major streets in the area are A and C Streets, which are one-way arterials that channel traffic into and out of downtown. These streets continue from downtown into Government Hill to the north and South Anchorage to the South. Streets and access are rated as good.

Hazardous Materials

It is an express assumption of this appraisal that the appraised property is not affected by hazardous material or contamination of any kind. The value conclusions of this appraisal are not adjusted for the presence of hazardous materials.

Suitability of Site

There are no negative aspects of the property that would impede its development or continued use. The physical characteristics of the site (size, location, utilities, etc.) make it suitable for multifamily residential uses.

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DESCRIPTION OF IMPROVEMENTS



In this chapter we describe improvements on the site and issues that influence market value.

The following information is based on our inspection, and measuring of the structures' exterior walls. Limited building plans were available.

IMPROVEMENTS DESCRIPTION

Panoramic View Apartments is a 268-unit complex. There are 14 apartment buildings and a maintenance shed. The buildings are three stories, walk-up style with garages on the lower level.

Operations are encumbered by various regulatory agreements mandating units be set aside for low-income tenants, but rents are not tied to tenant income levels.

Construction Details

Structural	Wood Frame, three story walk-up
Foundation	Poured concrete footings and foundation walls
Roof	Flat roofs with rubber membrane coverings. Several roofs were rebuilt in the recent renovation project
Exterior Walls	Wood siding that was painted in 2016. New entrances were added throughout the project.
Heating	Natural gas hot water baseboard system in each building. Several boilers were replaced in recent renovations
Cooling	No air conditioning
Plumbing	Kitchens have stainless steel sinks, no dishwashers. Bathrooms have sink, commode and tub/shower. Each building has a shared coin-op laundry room.
Electrical	Assumed to be to code and typical for apartment use.
Life Safety	No sprinkler systems are present. Each apartment is presumed to have working fire extinguishers, smoke and carbon monoxide detectors as required by code.

Interior Finish

Walls & Ceilings	Interior walls and ceilings are painted gypsum board. Ceiling height is eight feet.
Flooring	Floor coverings consist of carpet and vinyl in the apartments. In the 30 units inspected, we found floor coverings to be in good condition. Many of the apartments have new vinyl. Common areas have new indoor-outdoor carpet in most of the space. Lower level floors have linoleum tile floors in good

	condition.
Kitchens	Kitchens feature electric stoves and 17 cu.ft. refrigerators with no dishwashers or garbage disposals. Cabinets are wood and countertops are laminate material.
Baths	Each bath has sink, toilet and tub or shower.
Doors	Interior doors are painted solid wood.
Windows	Windows are thermopane glass in aluminum and/or vinyl frames. The renovation project included replacement of frames where necessary.

Gross Building Areas

Total Gross Building Area (GBA)	238,272 SF
Total Gross Living Area (GLA)	207,936 SF
Buildings 20 – 27 (each)	19,396 SF
Buildings 28-31 (each)	15,312 SF
Building 32	10,960 SF
Building 33	10,896 SF

Source of this information is from Reliant Advisory Services LLC appraisal of 2014. Included in the GBA figures is 30,336 SF of garages.

Apartment Sizes

The project offers apartments from studio to three-bedroom. In most categories, there is a small and a large version.

Studio – Small	390 SF
Studio – Large	450 SF
One Bedroom – Small	522 SF
One Bedroom – Large	594 SF
Two Bedroom – Small	665 SF
Two Bedroom – Large	705 SF
Three Bedroom	1,030 SF

Typical apartments have a living room, dining area, kitchen, full bathroom and bedroom(s). Studio units have full kitchens and bathrooms, large closet and a single living/bed room. Larger units have a hallway or entry area.

Laundry Rooms and Storage

The lower level of each building has a common laundry room with coin-operated appliances. In addition, there are storage closets for each apartment.

Garages

Buildings 20 through 31 have heated parking garages that encompass about half of the ground floors. The spaces are shared with other renters and are rented for \$40/month. There are 121 garage spaces available. According to the rent roll, about half (61) are rented as of June 2016.

Site Improvements

Mature landscaping surrounds the buildings. Courtyards have playground equipment. Raised beds along East Bluff Drive are in demand for tenant gardens. The site also has paved parking areas.

RECENT RENOVATIONS

A substantial capital project was recently completed. It addressed about \$3.458 million in needed repairs, upgrades and deferred maintenance.

Roofs	Several roofs were replaced with PVC membrane covering
Building 29 Siding	New siding to replace old metal material
Exterior Entries	Flat-roof entrances replaced with new pitched-roof design entrances to correct drainage problems.
Exterior Painting	All buildings received new exterior paint
Stairwell Flooring	Buildings 32 and 33 have new flooring in one stairwell each.
Laundry Rooms	Rehabbed with refinished flooring and paint
Sidewalks	Damaged concrete sidewalks were repaired.
Windows	Metal, single-pane windows were replaced with new, double-pane thermal windows with new blinds – 239 windows.
Exterior Doors	New exterior doors on all buildings
Boilers	Building 33 received a new boiler.
Radiators	Old radiator-style heaters were replaced with modern, fin-tube baseboard units with in-unit thermostats in 7 buildings (136 units).
Garage Doors	Six garage doors were replaced
Lighting	Exterior light fixtures were replaced

	Cost
Roofing on 6 Buildings	\$401,837
Building Exteriors	1,142,457
Common Area Work	262,452
Sidewalks/Landscaping	185,466
Weatherization	1,122,426
Office/Stairwells/Parking Patch	23,562
Subtotal	\$3,138,200
Contingency	\$64,049
Project Management	\$256,189
Total Project Costs	\$3,458,429

Condition and Deferred Maintenance

Condition of the improvements is very good considering the 65-year chronological age of the buildings. With the recent capital project, wall and floor surfaces are in good or new condition, roofs are good and mechanical systems are updated.

There is no deferred maintenance.

Effective Age and Remaining Economic Life

According to tax records, the improvements were constructed in 1949. Actual age is 67 years.

Marshall & Swift Cost Guide Manual, an authoritative appraiser's guide to construction costs, found structures such as the subject have average economic lives of approximately 55 to 60 years.

Economic life can be extended much longer than the Marshall & Swift guidelines. Boilers and roofs can be replaced and wiring updated. Most of the physical structure can last indefinitely if repairs and maintenance are kept up to date.

For the appraised property, effective age is much less than chronological age. Given the recent updates, we estimate an effective age of 25 years.

Remaining economic life is driven by the remaining term (21.5 years) of the ground lease, which expires on December 31, 2037. Statements in the lease document suggest a renewal or a new lease is possible.

In this appraisal our analysis is based on expiration of the ground lease on the December 31, 2037 date as stated. Thus, remaining economic life is 21.5 years.

If the ground lease were to be extended, remaining economic life would be 35 years with continued maintenance and updates.

Personal Property - Appliances

Each of the 268 apartments has an oven/range and refrigerator. In addition, the apartment buildings have coin operated laundry equipment.

	Quantity
Oven/Range	268
Refrigerator	268
Coin-op Washers	42
Coin-op Dryers	42

Contributory value of the personal property is estimated at \$145,000. Calculation of our estimate is in the Addenda.

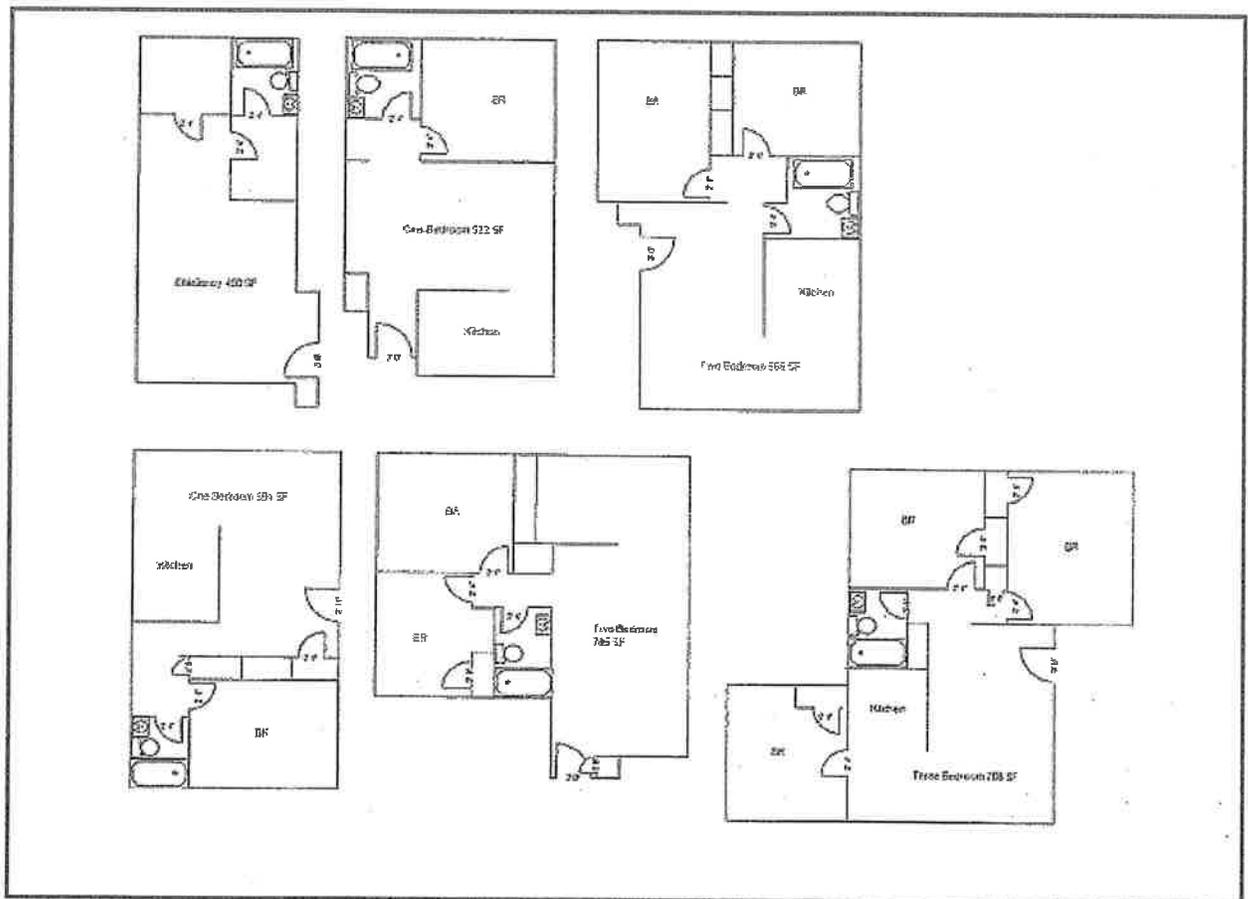
Americans with Disabilities (ADA) Requirements

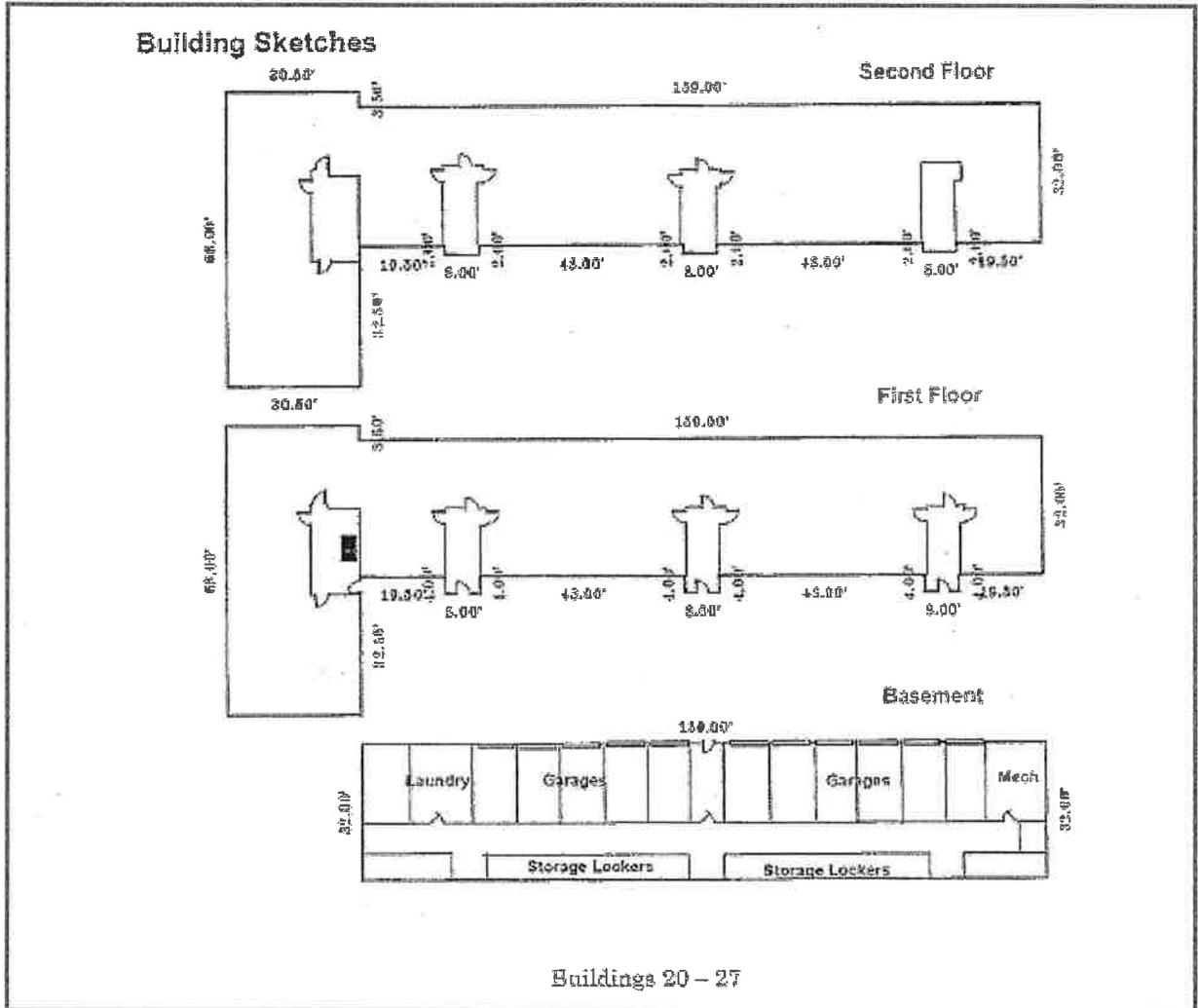
The Americans with Disabilities Act (ADA) is a complex law that prohibits discrimination against disabled people in employment, public accommodations, public services and transportation. An ADA compliance survey and analysis of the property was not provided. Most of the apartments have walk-up access although

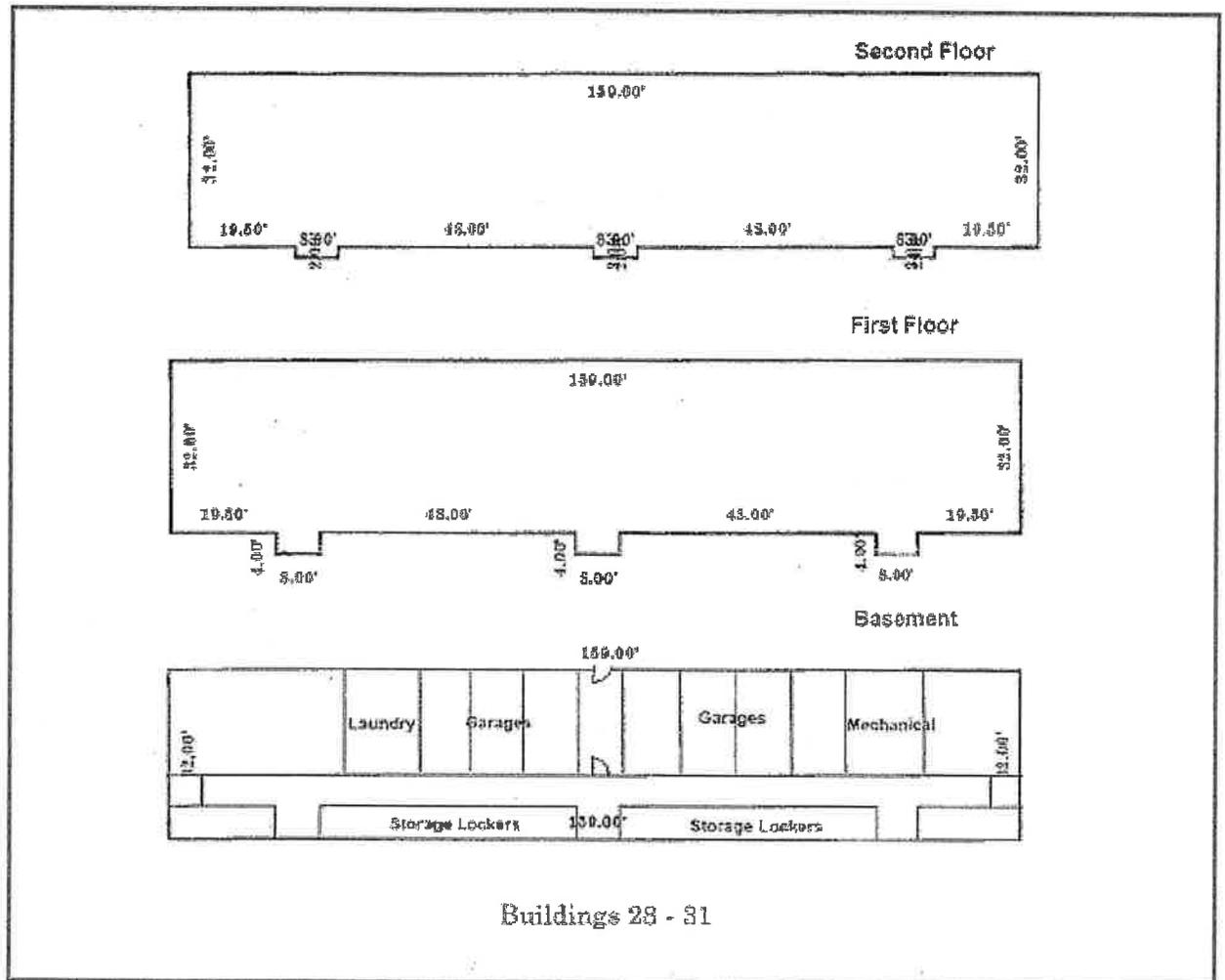
Given its small size and private ownership, it is not likely ADA jurisdiction applies to this property. *It is an express assumption of this appraisal that the property meets all pertinent sections of ADA regulations.*

Quality and Condition - Deferred Maintenance

Construction quality is good; condition is also good. No deferred maintenance was noted. It is possible there is some super-adequacy in the furniture quality/cost, even with increased durability.







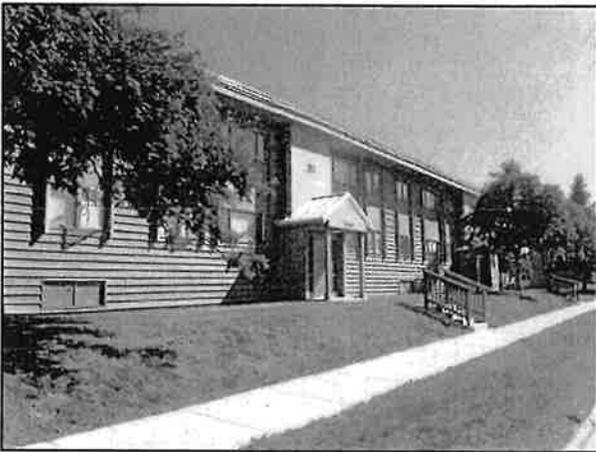
SUBJECT PHOTOS



Typical building front – facing Elm Street



Another example of building front



Typical building front facing Hollywood Drive



View across parking lot and back of building



New covered entries



New covered entries

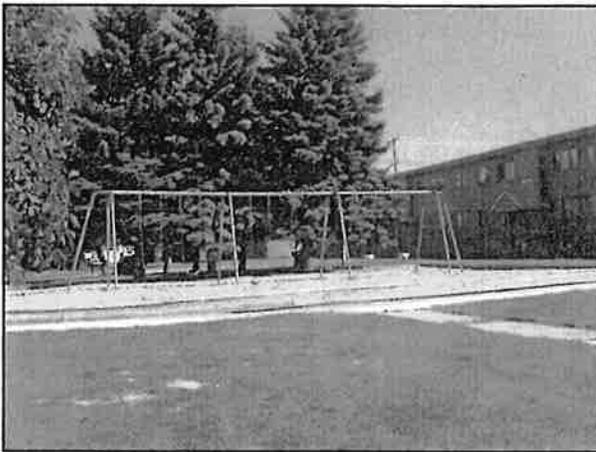
SUBJECT PHOTOS



Street scene looking east on Hollywood Drive with subject on left side of frame



View across property showing playground



Playground equipment and landscaping



Street scene looking north on Ivy Street with Panoramic View Apartments on left



Typical building front

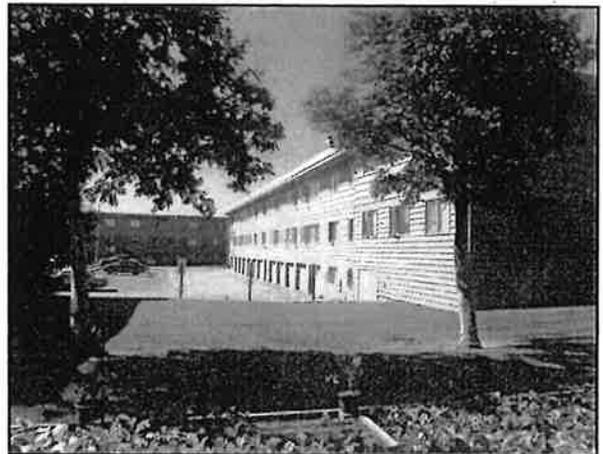


Landscaped courtyard between buildings

SUBJECT PHOTOS



Street frontage on East Bluff Drive with raised garden beds for tenants



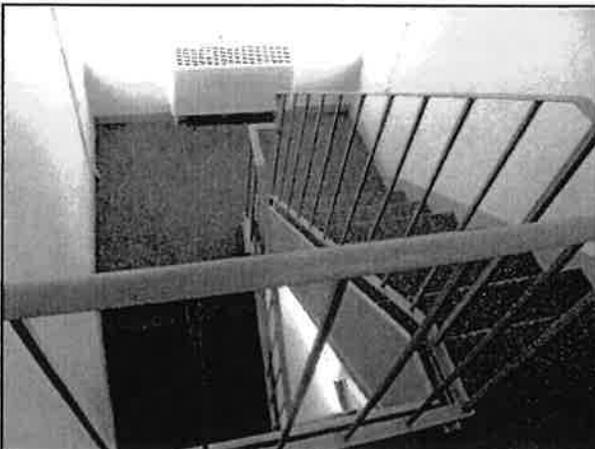
View of property from East Bluff Drive



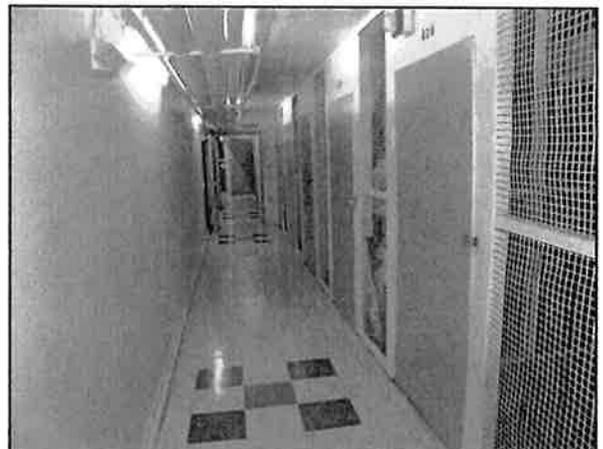
Elm Street Building with rental office



Rental office



Interior stairway



Lower level hall to storage closets and laundry

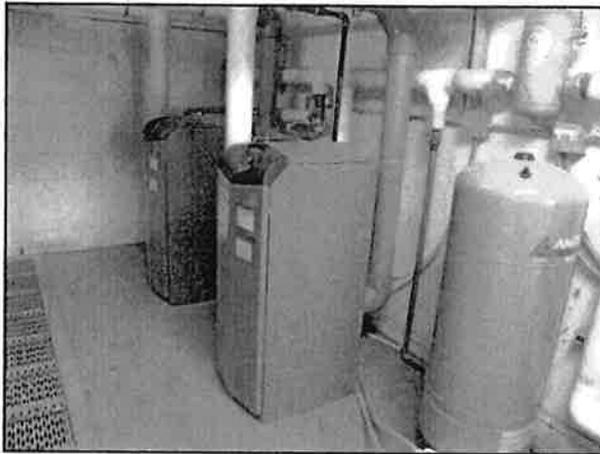
SUBJECT PHOTOS



Laundry room



Shared garage



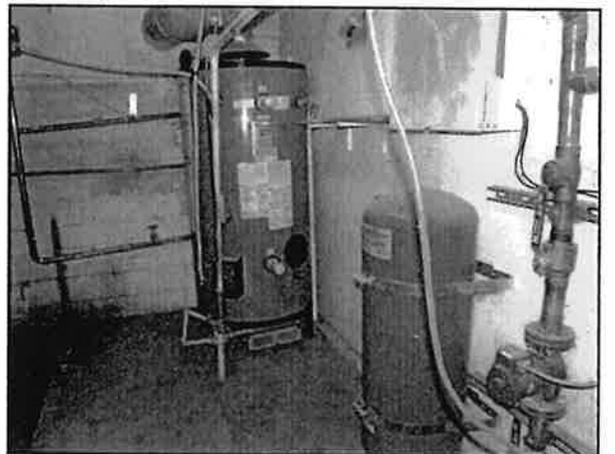
Newer boilers



Newer water heater



Older boilers

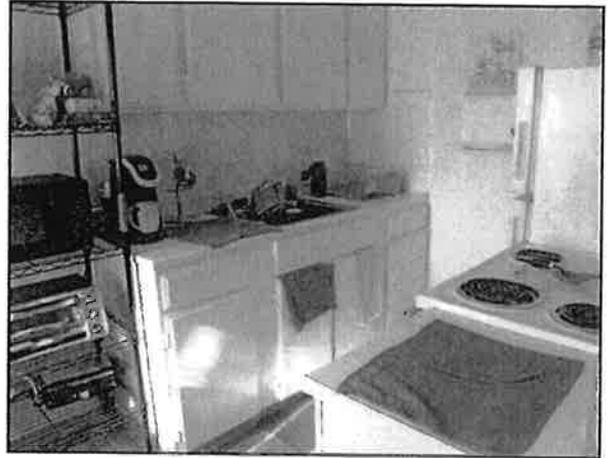


Older water heater

SUBJECT PHOTOS



Typical apartment kitchen



Typical apartment kitchen



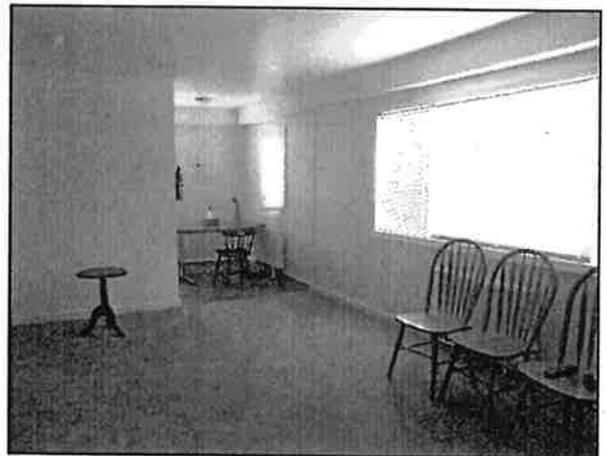
Typical apartment kitchen



Typical apartment kitchen



Typical dining area and kitchen



View from living room to dining area

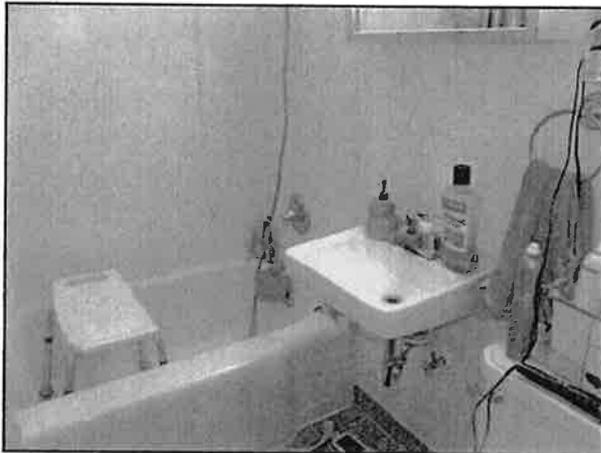
SUBJECT PHOTOS



Typical bath – with shower stall



Another example of bathrooms



Typical bathroom



Typical bathroom

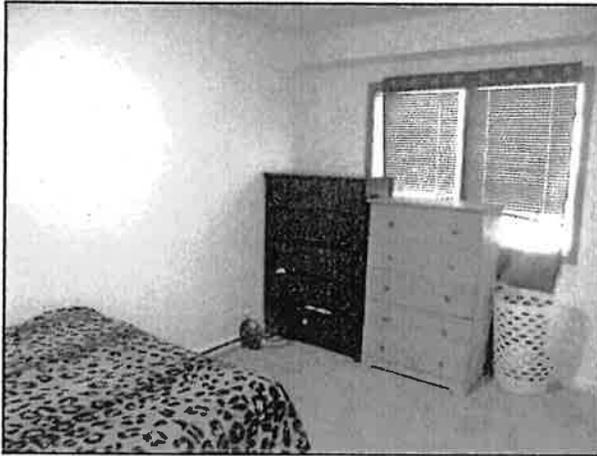


Living room in studio



Typical living room

SUBJECT PHOTOS



Typical bedroom



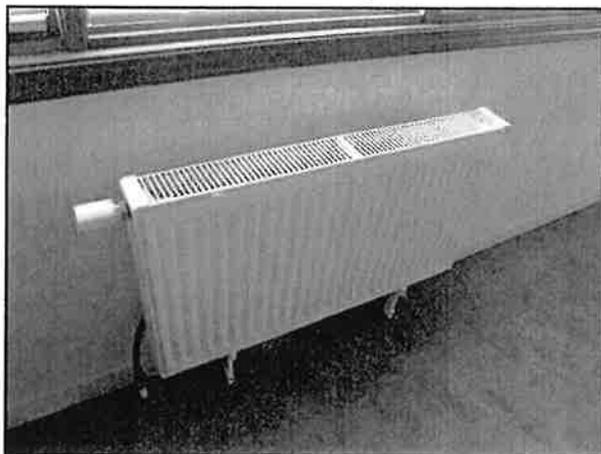
Typical bedroom



Typical bedroom



Walk-through closet in studio



New style radiator



Old style radiator

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Pro Forma AHFC #277190 NeighborWorks Alaska

<u>Rental In.</u>	<u>From</u>		<u># of Units</u>		
	Bedrooms	Sq.Ft.	Units	Unit Rent	Gross Annual
60% MFI	Eff	390	35	\$675.00	\$ 283,500.00
market	Eff	450	34	\$715.00	\$ 291,720.00
60% MFI	1	522	52	\$770.00	\$ 480,480.00
market	1	594	51	\$795.00	\$ 486,540.00
60% MFI	2	621	43	\$875.00	\$ 451,500.00
market	2	865	43	\$915.00	\$ 472,140.00
60% MFI	3	1030	5	\$1,185.00	\$ 71,100.00
market	3	1030	5	\$1,185.00	\$ 71,100.00

Common Area	77,686				
Total Square Footage	238,272		268		
Total Rental Income					<u>\$2,608,080.00</u>
					<u>\$2,608,080.00</u>
Less Vacancy & Credit Loss			5.0%		<u>\$ 130,404.00</u>
Effective Gross Income					\$2,477,676.00
Total Adjusted Income					\$2,477,676.00

EXPENSES

Management	\$260,800	10.00%	Gross Rents
Administration	\$17,856	0.72%	per unit
Insurance	\$81,000	\$ 302.24	per unit
Taxes	\$96,100	\$358.58	per unit
Utilities	\$529,000	\$2.22	per square foot
Maintenance & Repairs	\$459,540	18.55%	%EGI
Land Lease Rent	\$142,182		
Replacement Reserves	<u>\$80,400</u>	\$ 300.00	per unit
Total Expenses	\$1,666,878	\$6,219.69	per unit
% of EGI	67.28%		
Net Operating Income	\$ 810,798.00		
Mortgage	\$409,148	\$4,500,000 @ 5.0% over 16 years	

DSCR 1.98

Net Cash Flow \$401,650

Income Decrease= 16.21%

Expense Increase= 24.10%

Vacancy Increase= 20.40%

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Board Consideration Memorandum

Date: October 26, 2016

Staff: Melanie Smith

Item: Request for \$1,000,000 from Community Financial, Inc. under the Loans to Sponsors Loan Program (LTSP)

Background:

Established in 1993, the Loans to Sponsor Program (LTSP) provides low cost financing, subject to the availability of funds, to support an eligible sponsor's homeownership loan program. The intent of the program is to provide financing to lower income individuals or persons who might not otherwise qualify for financing due to income limitations, down payment requirements, loan-to-value or other considerations.

Under the LTSP, AHFC lends funds to a sponsor that in turn lends the monies to its borrowers (recipients) under terms and conditions approved by AHFC. An eligible sponsor is a non-profit corporation, regional housing authority, agency of the state or a municipality in the state. The sponsor's recipients are individuals or families whose income does not generally exceed 120% of the median income for the area, adjusted for family size. Loan funds were originally offered at 0%, subject to the availability of funds, to allow a sponsor to charge a nominal interest rate that covers its administrative overhead. An annual cap on total borrowing was implemented in 2003, limiting sponsor borrowing to \$625,000 per fiscal year. AHFC takes no oversight responsibilities other than for the sponsor's compliance with AHFC's regulations and guidelines for the program.

The LTSP was modified in 2014 to charge a nominal interest rate of 1.5%. Feedback from participating sponsors indicated support for additional borrowing above the \$625,000 fiscal year limit. In order to accommodate the request for additional borrowing, a revised interest rate structure was implemented to support the additional borrowing as follows: for the first \$500,000 borrowed, the rate will be 2.5%; for the second \$500,000 borrowed, the rate will be 3.0%; for the third \$500,000 borrowed, the rate will be 3.5%. Total fiscal year borrowing was therefore increased from \$625,000 to \$1,500,000. The following is the fourth proposal submitted under this revised pricing structure, and the first proposal for CFI.

Community Financial, Inc. (CFI) has applied for \$1,000,000 in sponsor funds for the purpose of providing home ownership with term financing or a second mortgage for down payment assistance for borrowers whose income does not generally exceed 120% of median income for the area, adjusted for family size.

Purpose of Request:

In its application letter, CFI states that AHFC approval of funding would allow it to achieve the following:

1. Provide funds for home ownership with term financing or a second mortgage for down payment assistance for persons earning up to 120% of the area median income or less
2. Funding would provide CFI with critical funds necessary to meet its plan for providing assistance to borrowers who would not qualify for home ownership due to changes in the market, which include higher housing costs, low inventory in target neighborhoods and lower interest rate subsidies resulting in an increase in the need for CFI assistance; and,



3. The development of the partnership between CFI and AHFC to provide assistance to families to help make homeownership possible for low-to-moderate-income borrowers.

Sponsor's Request:

The request is for \$1,000,000 under the current LTSP guidelines. The pertinent terms and conditions for the sponsor's loan are as follows:

1. Loan Amount: \$1,000,000
2. Interest Rate: 2.750%
3. Funding Term: Drawdown Period - One Year from Loan Closing
4. Repayment Term: Interest only payments shall be due and payable for the first year during the drawdown period. Beginning in year two, the monthly payment will be comprised of interest accrued on the Sponsor's unpaid principal balance during the previous month and any principal collections from the recipient loans in the previous month.

Note: Balloon payments: The payment from the Recipients and prepayments may not always be sufficient for the Sponsor to repay their loan by its maturity. If this occurs, a balloon payment for all remaining principal and accrued interest will be due when the Sponsor's loan matures.

5. A Loan Loss Reserve ("the Reserve") will be established and funded in an amount equal to 2% of each recipient loan closed the first year. The Sponsor's Loan loss reserve requirement after the first year will be 3% on the second anniversary, 4% on the third anniversary and 5% on the fourth anniversary. The Reserve may be funded from any source chosen by the sponsor.
6. Recourse: Loan is with recourse to: Community Financial, Inc.

Funding Requirements

1. Security for the Loan: An assignment to AHFC of the Notes and Deeds of Trust of the loans made to the program recipients.
2. Recipient Loan Funding: Recipient's loans will be funded at the time of their closing.
3. An executed Summary of Building Inspection (AHFC Form PUR-102) or an unconditional Certificate of Occupancy unless otherwise approved by AHFC; and
4. Evidence that the construction of the project was in compliance with the thermal and lighting energy standards as required by AS 46.11.040 and the building and energy efficiency standards of AHFC's regulations delineated in 15 AAC 155.010 - 155.030; in the form of a duly completed Home Energy Rating Certificate (HERC) (AHFC Form PUR-101);

Sponsor Information:

Community Financial, Inc.:

Community Financial, Inc. (CFI) was incorporated as a non-profit corporation by the State of Alaska on January 16, 2007. In 2008, the IRS approved Community Financial, Inc. as a tax-exempt 501 (c) (3) organization. CFI has been a certified Community Development Financial Institution (CDFI) since 2001 and has net assets of \$1,015,931. CFI's mission is to promote community and economic development in the Aleut and Bristol Bay regions by providing access to capital for the purpose of homeownership and small business development, CFI enhances the quality of life for all communities and residents served. The combined investment area includes 46 villages, is 100% rural and accessible only by airplane from Anchorage or from hub communities to outlying villages, and spans approximately 140,000 square miles.

CFI is a certified Native CDFI, a designation indicating that more than 51% of the beneficiaries served in its investment area are Alaska Native, American Indian or Native Hawaiian. CFI is managed by a nine-member board. CFI's Board of Directors President is Thomas Mack; the Executive Director is Cindy Mittlestadt.

Sponsor's Loan Program to Its Recipients:

- The program has a maximum loan amount of up to \$325,000.
- Use of Proceeds: Home ownership with term financing or a second mortgage for down payment assistance. Proceeds are to be used for owner-occupied residential housing only.
- 2% loan origination fee. The loan fee may be included in the loan at closing and repaid over time.
- A minimum 2% cash contribution will be required from the recipient. For borrowers who are elderly or disabled, the minimum down payment is reduced to 1% of the purchase price.
- Interest rate of 4%.
- LTV Limits for Purchase Mortgages: 100%. With AHFC's approval, LTV may be allowed up to 120% with rehab, if the property is deemed to be important to revitalization effort as determined by CFI.
- Maximum loan term will be 30 years.
- Fixed monthly payments of principal and interest. Where income is seasonal, principal and interest may be paid during peak period of economic activity with interest only during remaining months.
- Targets low-to-moderate area income at 80% of area median income or less. CFI expects that on a case-by-case basis, recipients in remote, underdeveloped or blighted areas may exceed the income limits of lower-to-moderate income (never to exceed 120% of area median income adjusted for family size) on the condition that the dollar amount of all loans made by the sponsor to the recipient whose income exceeds lower-to-moderate income does not exceed 25% of the total dollar amount of all loans the sponsor has made to recipients in the Loan Fund.
- Mortgage insurance will not be required (it is anticipated that the Loan Loss Reserve, when fully funded, should be adequate to cover any losses).

- Ratios: payment/income 30% and total debt/income 41% (compensating factors may allow for higher ratios with the approval of CFI's senior management).
- The sponsor's loans to the recipients must comply with all fair housing requirements.
- Loans will be assumable with a qualifying assumption.

Recipient counseling provided will be in compliance with the U.S. Department of Housing and Urban Development (HUD) and align with CFI housing counseling work plan (required by HUD), which includes providing the customer with an action plan, budgeting, affordability, the rights and responsibilities of home ownership, fair housing, predatory lending, home maintenance and benefits of "green" and, if necessary, foreclosure intervention.

Loan Origination and Servicing:

AHFC will require that the recipient loans be underwritten by CFI and serviced by First National Bank Alaska.

Financial Information: Based on a recently submitted audited financial statement, staff is of the opinion that CFI is a financially solvent organization. At this time, CFI does not have a loan with AHFC.

Credit: A recent credit report indicates acceptable credit.

Program Administration: In accordance with the Loan Agreement, AHFC's internal audit department will conduct an audit every three years after loan closing.

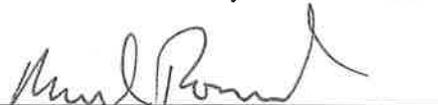
Loan Relationship: CFI is a first-time sponsor.

Summary and Recommendation: The Loans to Sponsor program (LTSP) was designed to provide financing for low to moderate income individuals or persons who might not otherwise qualify for financing due to income limitations, down payment requirements, loan-to-value or other considerations. The request for funds allows CFI the ability to offer a beneficial program in facilitating home ownership and improving the quality of housing.

Staff recommends approval of the \$1,000,000 loan, subject to the terms and conditions of the Loans to Sponsors Guidelines. In accordance with the fee schedule, a \$5,000 loan fee will be charged.

Reviewed and accepted by senior staff as substantively stated in this memorandum, subject to Board Approval:


Bryan D. Butcher
CEO/Executive Director


Mark Romick
Deputy Executive Director


Michael Strand
Chief Financial Officer

Date: 10-14-16

Date: 10-14-16

Date: 10/14/16

Alaska Housing Finance Corporation

Resolution 16- 28

**Resolution Approving a \$1,000,000 Loan to Provide Funds
under the Loans to Sponsors Program**

BE IT RESOLVED BY THE ALASKA HOUSING FINANCE CORPORATION AS FOLLOWS:

I. Findings:

- A. There is a need to provide housing for and to improve the quality of housing for persons of low-to-moderate income.
- B. The Loans to Sponsor Program continues to be in demand.
- C. Community Financial, Inc. has applied for \$1,000,000 to fund its "home ownership with term financing or a second mortgage for down payment assistance Program" under the new guidelines.
- D. The proposed financing falls within the established Loans to Sponsors program regulations; and
- E. The proposed financing is found to be an acceptable risk to Alaska Housing Finance Corporation.

II. Conclusion:

Pursuant to the forgoing findings, the Board hereby approves the request substantively as stated in the October 26, 2016, Board Consideration Memorandum prepared in support of the application.

This resolution shall take effect immediately.

Dated the 26th day of October, 2016.

Brent LeValley
Board Chair

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BOARD CONSIDERATION MEMORANDUM

Date: October 26, 2016

Staff: Jan Miyagishima

Item: Final adoption of amendments to 15 AAC 151.535(b)(2)(A) and 15 AAC 151.535(b)(2)(B) Fee Schedule and Commitment Period

Background:

At the July 27, 2016 Board of Directors meeting, proposed amendments (changing the fee structure) to the Multi-Family Loan Program were discussed (Board Memorandum is attached). The Board passed a resolution directing staff to hold a public hearing. A public hearing was held in Anchorage at 2:00 p.m. on August 23, 2016.

Public Comment:

There were no members of the public that wished to provide testimony and the transcript from the hearing is attached.

There were no written comments received in support of or in opposition to the proposed amendment.

Staff Recommendation:

The intent of the amendments are to amend the fee structure associated with long term multifamily loan commitments. Staff recommends the Board's adoption of the attached resolution amending the regulations as proposed.

ALASKA HOUSING FINANCE CORPORATION
Resolution No. 16-29

**Resolution Amending 15 AAC 151.535(b)(2)(A) and
15 AAC 535(b)(2)(B) Fee Schedule and Commitment
Period, under the Multifamily, Special Needs and
Congregate Housing Loan Program**

WHEREAS, 15 AAC 151.535(b)(2)(A) is proposed to be amended to increase loan fees charged to non-profit corporations, an agency of the state, a municipality, a regional housing authority, or a corporation organized under 43 U.S.C. 1601 - 1629e for a term loan commitment exceeding 12 months; and

WHEREAS, 15 AAC 151.535(b)(2)(B) is proposed to be amended to increase loan fees charged to an individual, partnership, joint-venture, or for-profit corporation for a term loan commitment exceeding 12 months; and

WHEREAS, on July 27, 2016 staff presented to the Board of Directors a draft of the proposed amendments; and

WHEREAS, the Board of Directors authorized staff to conduct a public hearing for the purpose of obtaining public comment on the proposed amendments, staff conducted the hearing on August 23, 2016 at which no member of the public testified, and staff received no written comments on the proposed amendments; and

WHEREAS, a copy of the final draft of the amendments to 15 AAC 155.610(a), Loan Terms, and 15 AAC 155.620, Security has been presented to the Board of Directors at this meeting; and all necessary steps have been taken to permit the adoption of the proposed amendments:

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Alaska Housing Finance Corporation as follows:

A. That the amendments to 15 AAC 151.535(b)(2)(A) and 15 AAC 535(b)(2)(B) Fee Schedule and Commitment Period, are hereby adopted by the Board of Directors in the form as presented at this meeting; and

B. This resolution shall take effect immediately.

DATED THIS 26th day of October, 2016.

Brent LeValley
Chair

BOARD CONSIDERATION MEMORANDUM

Date: July 27, 2016

Staff: Jan Mlyagshlma

Item: Authorization to hold public hearings regarding proposed amendments to 15 AAC 151.535(b)(2)(A) and 15 AAC 151.535(b)(2)(B) Fee Schedule and Commitment Period

Background:

AHFC's multifamily loan commitment fee structure is established by the Board of Directors. Historically, loans originated by AHFC under the Multifamily, Special Needs and Congregate Housing Program carry a sliding commitment fee schedule commensurate to the amount to borrowing regardless of the term of the commitment. The fee schedule differentiates between for-profit and not for-profit applicants by having the not for-profit fees set at one-half of the for-profit fee structure. Not for-profit entities include a non-profit corporation, an agency of the state, a municipality, a regional housing authority, and, corporations organized under the Alaska Native Claims Settlement Act.

Discussion:

AHFC's Multifamily, Special Needs and Congregate Housing Program provides term financing for multifamily properties in Alaska that serve low to moderate income tenants. AHFC receives a loan application from an eligible borrowing entity with no application fee requirement. Upon loan committee or board of director's approval, AHFC issues a term loan commitment that details the terms and conditions under which AHFC will fund the loan. AHFC charges a commitment fee, which is intended to provide AHFC with remuneration for the associated risk of forward locking interest rates and loan terms over time. The commitment fee is one-half of the loan fee, and is collected within 30 days of the date of the commitment. The remaining balance of the loan fee is collected at the time of loan closing.

Commitment time periods can be as little as 90 days and up to two years. Typically, a 90-day commitment is used for a purchase or refinance transaction with little or no property rehabilitation. Longer commitments are issued based on the development plan for the project. A 12 month commitment is typically issued for projects that require rehabilitation where the borrower is obtaining interim financing for the rehabilitation time period. A 24 month commitment is typically used for new construction and is primarily used for loans coming through the GOAL program that are supported by low income housing tax credits, HOME funds, or senior housing development grant funding. The 24 month commitment is offered so as to cover two construction seasons.

AHFC's 1-4 family programs offer a sliding scale for commitment fees based on the requested term of the commitment. Under the urban loan programs, a 60-day commitment carries a .25% fee; a 120-day commitment carries a .375% fee; and the maximum 180-day commitment carries a .5%

fee. Under the subject multifamily fee structure, there is no incentive for the applicant to close the loan with AHFC until the expiration of the commitment. Staff is of the opinion that a sliding scale will encourage timely loan closings, and compensate AHFC for the interest rate risk associated with longer termed commitments.

Staff Recommendation:

Staff recommends regulation amendments to amend 15 AAC 151.535(b)(2)(B) to provide a range of loan fees that correspond to the term of the loan commitment. The proposed for-profit entity fee structure for a 24 month commitment is 2% on the first million dollars borrowed; 1.5% on the next four million dollars borrowed; 1% on the next ten million dollars borrowed; and .5% on the next 15 million dollars borrowed. The fee structure for a 12 month commitment will be half of these amounts, which matches the current fee structure. Loan proposals for not for-profit entities will be one-half of the for-profit fee structure and are addressed in proposed amendments to 15 AAC 151.535(b)(2)(A). The fee for commitment extensions will remain unchanged.

Staff requests authorization to hold a public hearing to obtain any testimony regarding the proposed amendments. The results of the public hearing and staff's recommendation will be brought back to the board for consideration prior to enactment of these recommendations.

Board Action Requested:

Staff requests the Board's consideration of the recommendation to increase loan fees on term loan commitments that are between 12 and 24 months and authorization to schedule a public hearing to obtain testimony regarding the proposed amendments to the commitment fee structure for the Multifamily, Special Needs and Congregate Housing loan program.

A copy of the proposed regulation amendments is attached.

ALASKA HOUSING FINANCE CORPORATION

Resolution No. 16-23

**RESOLUTION AUTHORIZING PUBLIC HEARINGS
FOR PROPOSED AMENDMENTS TO
15 AAC 151.535(B)(2)(A) AND 15 AAC
151.535(B)(2)(B) FEE SCHEDULE AND
COMMITMENT PERIODS**

WHEREAS, the Corporation's regulations 15 AAC 151.535(b)(2)(A) and 15 AAC 151.535(b)(2)(B) Fee Schedule and Commitment Periods, is proposed to be amended to include a revised loan fee structure; and

WHEREAS, 15 AAC 151.535(b)(2)(A) is proposed to be amended to increase loan fees charged to non-profit corporations, an agency of the state, a municipality, a regional housing authority, or a corporation organized under 43 U.S.C. 1601 - 1629e for a term loan commitment exceeding 12 months; and

WHEREAS, 15 AAC 151.535(b)(2)(B) is proposed to be amended to increase loan fees charged to an individual, partnership, joint-venture, or for-profit corporation for a term loan commitment exceeding 12 months; and

WHEREAS, the provisions of AS 18.56.088 mandate that a public hearing must be conducted prior to amendment of regulations; and

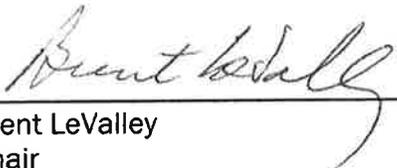
WHEREAS, a copy of the draft amendments to 15 AAC 151.535(b)(2)(A) and 15 AAC 151.535(b)(2)(B) has been presented to the Board of Directors at this meeting;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Alaska Housing Finance Corporation as follows:

A. Staff is directed to hold a public hearing pursuant to the provisions of AS 18.56.088 for considerations of amendments to regulations as prepared and attached in support of this resolution; and

B. This resolution shall take effect immediately.

DATED THIS 27th day of July, 2016



Brent LeValley
Chair

NOTICE Under AS 18.56.088(d), the agency's final regulations, or amendments of regulations, may vary in content from this proposal as long as the subject matter remains the same. If your interests could be affected by agency action on the subject of this proposal, you should make public comment to the agency during the time allowed.

HOW TO READ THESE PROPOSED REGULATIONS:

The introduction to each section will show whether it is an existing regulation being amended, an existing regulation being repealed and readopted, or a new regulation.

In amendments to existing regulations:

Underlined and bold language is new.
[UPPERCASE LANGUAGE WITHIN BRACKETS IS DELETED]

A proposed new regulation or replacement of an existing regulation will not be underlined.

15 AC 151.535(b)(2)(A) is amended to read:

(A) for a term loan to a non-profit corporation, an agency of the state, a municipality, a regional housing authority, or a corporation organized under 43 U.S.C. 1601 - 1629e, as amended, or any wholly-owned subsidiary of such corporation:

(i) for a commitment period not to exceed 12 months:

the first \$1,000,000 .50%

the next \$ 4,000,000 .375%

the next \$10,000,000 .25%

the next \$15,000,000 .125%

(ii) for a commitment period exceeding 12 months but not to exceed 24 months:

the first \$1,000,000 1.0%

the next \$ 4,000,000 .75%

the next \$10,000,000 .5%

the next \$15,000,000 .25%

15 AAC 151.535(b)(2)(B) is amended to read:

(B) for a term loan to an individual, partnership, joint-venture, or for-profit corporation:

(i) for a commitment period not to exceed 12 months:

the first \$1,000,000 1.0%

the next \$ 4,000,000 .75%

the next \$10,000,000 .50%

the next \$15,000,000 .25%

(ii) for a commitment period exceeding 12 months but not to exceed 24 months:

the first \$1,000,000 2.0%

the next \$ 4,000,000 1.5%

the next \$10,000,000 1.0%

the next \$15,000,000 .5%

(Eff. 5/7/93, Register 130; am 8/3/94, Register 132; am 7/14/2010; Register 204; am

___/___/2016, Register ___)

Authority: AS 18.56.088

AS 18.56.090

AS 18.56.099

Editor's note: Even though the amendment of 15 AAC 151.535(b)(4) was effective 7/14/2010, it was not published until Register 204, January 2013.

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**ALASKA HOUSING FINANCE CORPORATION
PUBLIC HEARING**

**PROPOSED AMENDMENTS TO REGULATIONS 15 AAC 151.535(b)(2)(A)
and 15 AAC 151.535(b)(2)(B) FEE SCHEDULE and COMMITMENT PERIODS**

**August 23rd, 2016
4:00 o'clock p.m.**

**4300 BONIFACE PARKWAY
ANCHORAGE, ALASKA**



P R O C E E D I N G S

(On record - 2:01 p.m.)

HAVELOCK: For the record it is one minute past 2:00 o'clock on August 23rd. My name is Eric Havelock. I'm the Lending Officer for Alaska Housing Finance Corporation.

On July 27, 2016 AHFC's Board of Directors issued authorization to hold Public Hearings regarding proposed amendments to the fee schedule and commitment period for the Multi-family Direct Loan Program.

For some background AHFC's Multi-family loan commitment fee structure is established by the Board of Directors. Historically, loans originated by AHFC under the Multi-family, special Needs and Congregate Housing Program carry a sliding commitment fee schedule commensurate to the amount to borrowing regardless of the term of the commitment.

The fee schedule differentiates between for profit and not for profit applicants by having the not for profit fee set at one half of the for profit fee structure.

Not for profit entities include a nonprofit corporation, an agency of the state, a municipality, a regional housing authority and corporations organized under the Alaska Native Claims Settlement Act.

The proposed amendment to the fee regulation adjusts



1 the fee structure for commitment terms exceeding 12
2 months. The fees being proposed mirror the existing
3 fees for the commitment up to 12 months and they are
4 remaining at half of the proposed fee structure for the
5 commitments exceeding 12 months.

6 The purpose of the Public Hearing is to seek
7 feedback from the public regarding the proposed change
8 to the regulations on the fee structure.

9 At this time the hearing is open for public
10 comments. Is there anyone on line? Anyone on
11 Web-X? Seeing no one in the room, we will go off the
12 record and remain available until 4:00 o'clock today at
13 which time we'll come back on the record or should
14 someone call in, we'll come back on the record to
15 document their comments.

16 (Off record - 2:04 p.m.)

17 (On record - 3:00 p.m.)

18 HAVELOCK: It's now 3:00 o'clock on August 23rd. We're
19 continuing with the Public Hearing for proposed
20 amendments to Fee Schedule and Commitment Period
21 regulations for Alaska Housing Multi-family Special
22 Needs and Congregate Housing Loan Program.

23 No one is on line and no one is in the room. We'll
24 remain available for another hour to collect any public
25 comments. At this time we'll go back off line.

(Off record - 3:01 p.m.)

(On record - 4:00 p.m.)

HAVELOCK: Okay. We're back on the record. It's 4:00 o'clock on August 23rd. There have been no public comments made at this Public Hearing.

 The Public Comment period begins August 23rd, which is today and ends on September 2nd. Comments may be faxed, mailed or e-mailed to Eric Havelock in care of Alaska Housing Finance Corporation, P. O. Box 101020, Anchorage, Alaska, 99510.

 The concludes our Public Hearing process for today and we will go off the record.

(Adjourned - 4:01 p.m.)

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C E R T I F I C A T E

1
2 UNITED STATES OF AMERICA)
) ss
3 STATE OF ALASKA)

4 I, Suzan K. Olson, Notary Public in and for the State
5 of Alaska, residing at Anchorage, Alaska, and Electronic Reporter,
do hereby certify:

6 THAT the annexed and foregoing Public Hearing for
7 **PROPOSED AMENDMENTS TO REGULATIONS 15 AAC 151.535(b) (2) (A) and**
8 **15 AAC 151.535(b) (2) (B) FEE SCHEDULE and COMMITMENT PERIOD**
was taken on the 23rd day of August, 2016, commencing at the hour of
2:00 o'clock p.m., and recorded at the offices of AHFC, 4300
Boniface Parkway, Anchorage, Alaska, pursuant to Notice;

9 THAT this Transcript, as heretofore annexed, is a true
10 and correct transcription of said Public Hearing recorded and
transcribed by Suzan Kay Olson to the best of her ability;

11 THAT the original of the Transcript will be lodged with
12 the Alaska Housing Finance Corporation;

13 THAT I am not a relative, employee or attorney of any
14 of the parties, nor am I financially interested in this action.

15 IN WITNESS WHEREOF, I have hereunto set my hand and
affixed my seal this 24th day of August, 2016.

16
17
18 _____
Notary Public in and for Alaska
My Commission Expires: 08/13/19

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ALASKA HOUSING FINANCE CORPORATION
BOARD CONSIDERATION MEMORANDUM

Date: October 26, 2016

Staff: Les Campbell & James Wiedle

Item: Review and Approval of AHFC's FY2018 Operating and Capital Budgets

Background:

The Budget Department has the responsibility for gathering and compiling information received from all departments, then preparing summary information to review and discuss with the AHFC's Executive Office. Based on the timelines of the prior year, a tentative schedule was developed. FY2018 budget forms and instructions were distributed in late August with completion deadlines set for September 16, 2016. Both the Operating and Capital budgets were developed concurrently. Once received, the information was entered into spreadsheets, then combined, calculated, adjusted, and recalculated. Justification was required for all anticipated major contracts or other changes, as well as any changes from the prior year's budget request.

All departments were required to develop and maintain Business Improvement Plans which included mission statements and descriptions for the services they provide. The department's goals and strategies became the department's action plan. Each department developed performance measures for the services they provide to measure their success in reaching their goals. After their action plans were developed, budgets were built to ensure that their plan would be implemented and achieved.

The Budget Director presented the preliminary FY2018 Operating and Capital budgets to the Executive Office and after carefully considering funding levels and changes developed by staff; a "Heads-up Meeting" overview was presented to the Office of Management and Budget (OMB) on September 26, 2016. The Budget processes, including these documents, have continued to develop into this presentation for Board review, discussion and approval.

Contained in this presentation are the results of this phase of the FY2018 budget process:

- Board Resolution to approve the FY2018 Operating and Capital Budgets for submission;
- AHFC's FY2016 Operating Budget Final Authorizations and Actuals;
- AHFC's Performance Management Program:
 - Performance Measures,
 - Key Challenges,
 - Prior Year's Accomplishments;
- AHFC's FY2018 Operating Budget Request Summary with major change details;
- AHFC's FY2018 Capital Budget Request Summary; and
- AHFC's FY2018 Ten-Year Plan.

Recommendation:

Staff recommends that the FY2018 Operating and Capital budget requests be approved for submission and authorizes the Executive Director to submit these budgets through the Department of Revenue to the Office of Management and Budget for inclusion in the Governor's FY2018 Budget submitted to the State Legislature.

ALASKA HOUSING FINANCE CORPORATION

Resolution No. 16-30

RESOLUTION OF THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION AUTHORIZING AHFC TO SUBMIT THE FY2018 OPERATING AND CAPITAL BUDGETS THROUGH THE DEPARTMENT OF REVENUE TO THE GOVERNOR'S OFFICE FOR SUBMITTAL TO THE STATE LEGISLATURE

WHEREAS, the Budget Director of the Alaska Housing Finance Corporation has prepared the proposed FY2018 Operating and Capital budgets submitted by staff; and

WHEREAS, the Budget Director presented the proposed FY2018 Operating and Capital budgets to the Executive Office;

WHEREAS, the Executive Director reviewed and discussed the budgets with the Office of Management and Budget on September 26, 2016; and

WHEREAS, this budget complies with HUD's Asset Management format with project-based Asset Management Properties (AMPs), as well as, the Central Office Cost Center (COCC) concept; and

WHEREAS, the AHFC Dividend to the State, according to the established Transfer Plan, has been calculated at **\$30,448,400** (*Contingent on final Audited Financials*); and

WHEREAS, the Executive Office, after carefully considering funding levels developed by staff, recommends to the full Board of Directors, the proposed Operating and Capital budgets developed for FY2018; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation that the FY2018 Operating and Capital budget request be hereby approved for submission and authorizes the Executive Director to submit these budgets through the Department of Revenue to the Office of Management and Budget for inclusion in the Governor's Budget submitted to the State Legislature.

PASSED AND APPROVED by the Board of the Alaska Housing Finance Corporation this Twenty-sixth day of October, 2016.

Brent LeValley - Board Chair

AHFC Operations FY2016

FY2016 Final Authorized Expenditures

Total		FY2016 Authorized Corporate Receipts		FY2016 Authorized Federal Receipts		FY2016 Authorized CIP Receipts w/RSA		FY2016 Authorized I/A & Other Receipts	
41,127,456	44%	Personal Services	24,802,300	Personal Services	13,945,300	Personal Services	2,349,800	Personal Services	30,056
1,031,710	1%	Travel	774,300	Travel	235,300	Travel	0	Travel	22,110
15,691,519	17%	Contractual	6,971,200	Contractual	8,472,500	Contractual	0	Contractual	247,819
1,820,500	2%	Supplies	589,600	Supplies	1,228,900	Supplies	0	Supplies	2,000
327,100	0%	Equipment	138,100	Equipment	189,000	Equipment	0	Equipment	0
0	0%	Land/Building	0	Land/Building	0	Land/Building	0	Land/Building	0
33,876,184	36%	Grants	0	Grants	33,000,000	Grants	0	Grants	876,184
0	0%	Miscellaneous	0	Miscellaneous	0	Miscellaneous	0	Miscellaneous	0
93,874,470		Total:	33,275,500	Total:	57,071,000	Total:	2,349,800	Total:	1,178,170
									301,986
57,071,000	61%	Federal Receipts							
1,178,170	1%	Inter-Agency & Other Receipts							
2,349,800	3%	Capital Improvement Project Receipts							
33,275,500	35%	AHFC Corporate Receipts							
93,874,470	100%	Total Funding Source							

Final FY2016 Actuals (w/ Encumbrances)

Total		FY2016 Authorized Corporate Receipts		FY2016 Authorized Federal Receipts		FY2016 Authorized CIP Receipts		FY2016 Authorized I/A & Other Receipts		
38,686,258	94%	Personal Services	24,793,030	100%	Personal Services	12,110,835	87%	Personal Services	30,056	0%
385,514	37%	Travel	305,863	40%	Travel	57,541	24%	Travel	22,111	0%
14,747,343	94%	Contractual	6,906,960	99%	Contractual	7,592,564	90%	Contractual	247,819	0%
1,607,524	88%	Supplies	560,737	95%	Supplies	1,044,787	85%	Supplies	2,000	0%
324,336	99%	Equipment	136,913	99%	Equipment	187,423	99%	Equipment	0	0%
0	0%	Land/Building	0	0%	Land/Building	0	0%	Land/Building	0	0%
32,553,566	96%	Grants	0	0%	Grants	32,177,382	98%	Grants	376,184	43%
0	0%	Miscellaneous	0	0%	Miscellaneous	0	0%	Miscellaneous	0	0%
88,304,542	94%	Total:	32,703,503	98%	Total:	53,170,532	93%	Total:	1,752,337	75%
										58%
			32,703,503			53,170,532				
53,170,532	93%	Federal Receipts		0	0				Full-time PCNs:	313
678,170	58%	Inter-Agency & Other Receipts							Part-time PCNs:	23
1,752,337	75%	Capital Improvement Project Receipts							Seasonal PCNs:	14
32,703,503	98%	AHFC Corporate Receipts							Total PCN's:	350
88,304,542	94%	Total Funding Source								

Unused FY2016 Authority

Total		Unused FY2016 Corporate Receipts		Unused FY2016 Federal Receipts		Unused FY2016 CIP Receipts		Unused FY2016 I/A & Other Receipts		
(2,441,198)	-6%	Personal Services	(9,270)	0%	Personal Services	(1,834,465)	-13%	Personal Services	(597,463)	-25%
(646,196)	-63%	Travel	(468,437)	-60%	Travel	(177,759)	-76%	Travel	0	0%
(944,176)	-6%	Contractual	(64,240)	-1%	Contractual	(879,936)	-10%	Contractual	0	0%
(212,976)	-12%	Supplies	(28,863)	-5%	Supplies	(184,113)	-15%	Supplies	0	0%
(2,764)	-1%	Equipment	(1,187)	-1%	Equipment	(1,577)	-1%	Equipment	0	0%
0	0%	Land/Building	0	0%	Land/Building	0	0%	Land/Building	0	0%
(1,322,618)	-4%	Grants	0	0%	Grants	(822,618)	0%	Grants	(500,000)	-57%
0	0%	Miscellaneous	0	0%	Miscellaneous	0	0%	Miscellaneous	0	0%
(5,569,928)	-6%	Total:	(571,997)	-2%	Total:	(3,900,468)	-7%	Total:	(597,463)	-25%
										-42%
(3,900,468)	-7%	Federal Receipts								
(500,000)	-42%	Inter-Agency & Other Receipts								
(597,463)	-25%	Capital Improvement Project Receipts								
(571,997)	-2%	AHFC Corporate Receipts								
(5,569,928)	-6%	Total Funding Source								

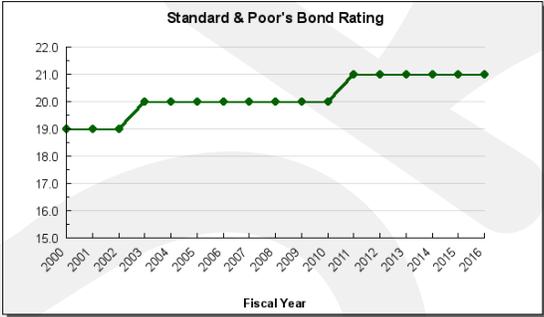
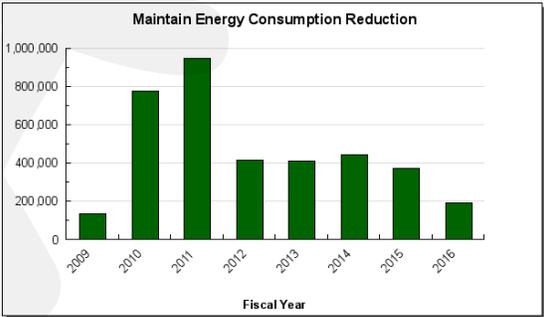
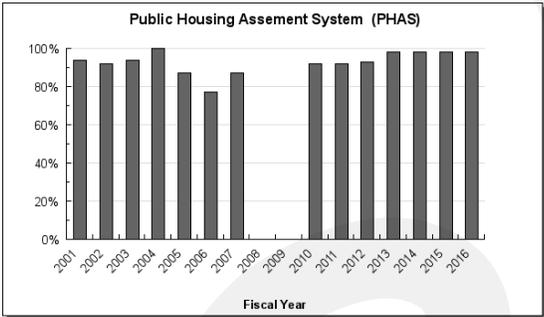
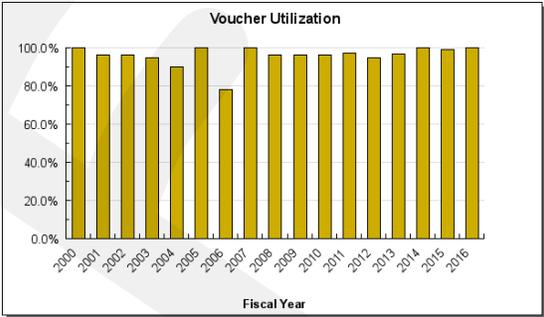
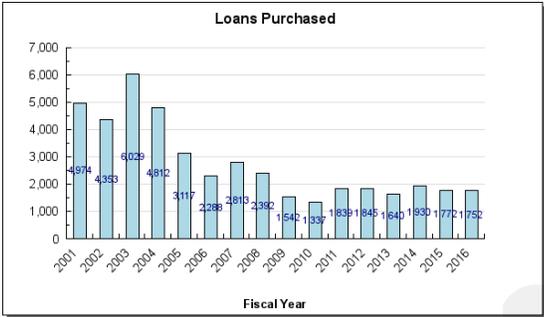
Alaska Housing Finance Corporation Component

Mission

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

Results

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)



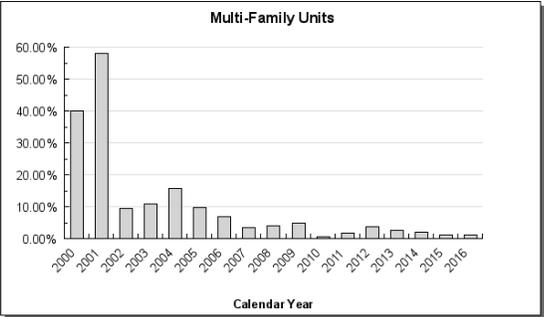
Core Services

- Provide programs and service that are responsive to the diverse housing needs statewide
- Increase and sustain homeownership
- Increase special-needs housing
- Manage finances to maximize Alaska Housing Finance Corporation's (AHFC) profits

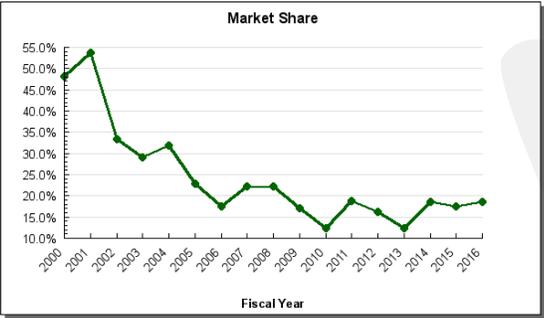
Measures by Core Service

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)

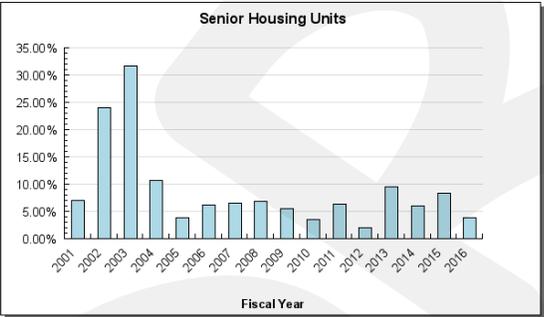
1. Provide programs and service that are responsive to the diverse housing needs statewide



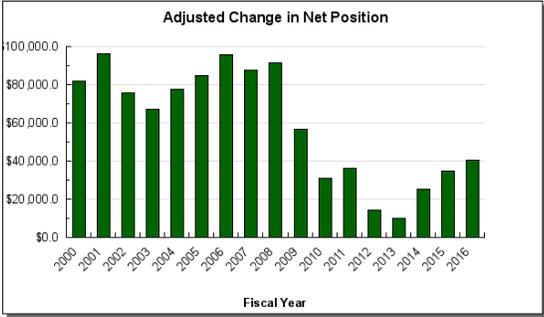
2. Increase and sustain homeownership



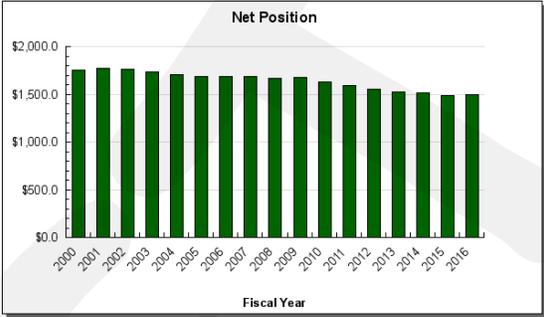
3. Increase special-needs housing



4. Manage finances to maximize Alaska Housing Finance Corporation's (AHFC) profits



* Pending Audited Annual Financial Statements



* Pending Audited Annual Financial Statements

Alaska Housing Finance Corporation

Performance Management Program

Key Challenges

Overall Key Component Challenges for 2018

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:

It is 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 two years the percentage of working families has increased by 13% and those working full time have increased by 7%. Further gross incomes for Step households has increased from an average of \$20,000 to \$27,000. For those on their third year of the Step program income has increased from \$21,000 to \$31,000.

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:

- Promote self-sufficiency among assisted families;
- Achieve programmatic efficiency and reduce costs; and
- 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.);
- Flat funding;
- 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.

Prior Year's Major Accomplishments For FY2016

Overall Major Component Accomplishments in FY2016

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;
- 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 and 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 which 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 FY2016 accomplishments include:

1. Provided \$435.4 million to finance mortgages for about 1,698 Alaskan families.
2. Provided \$71.2 million to 392 families for low-interest rate loans under the "First-Time Home-Buyer" program.
3. Provided another \$54.2 million in low interest rate mortgages to 223 Alaskans to purchase homes under the Rural Loan program.
4. Provided \$6.8 million for 19 Veterans to purchase homes under the Veterans Mortgage Program.
5. In addition to these loan programs, last year AHFC invested \$58.3 million to lower mortgage interest rates for 241 families who either qualified under the low-income family loan program, or who participated in AHFC's energy efficiency home loan program.
6. Families are being accommodated in the privately-owned, multi-family housing facilities financed by the Corporation last year. Some of these multi-family complexes include apartment set-asides specifically for low-income families, the elderly, and for special needs individuals, including those with severe mental disorders.
7. Assisted over 4,560 head of households each month with vouchers to help defray costs of leasing privately-owned rental units from participating landlords, under AHFC's Housing Choice Voucher Program; 221 vouchers under the Veteran's Administration and 45 vouchers under the Non-elderly with Disabilities program were also administered successfully.
8. Additionally, over 13,500 individuals and/or families received help under the Corporation's Homeless Assistance Program, GOAL Program, HOME Development, or any of a number of other grant programs that address housing requirements for Alaskans who have special needs.
9. Rural families are benefiting from grants distributed to Native regional housing authorities and used to leverage additional dollars in federal funding. The state's contribution is used for water and sewer systems, access roads and other infrastructure; while federal HUD money is being used to build homes.
10. About 600 seniors and disabled individuals reside in the 11 senior facilities owned and operated by AHFC (with funding from HUD).
11. Another 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.

12. The Loussac Place development project has been leased up to capacity this past year. The project is a 120-unit mixed-income property. The developments on the Mountain View and San Roberto properties, recently renamed Ridgeline Terrace and Susitna Square, have been completed and are nearly leased up to their capacities.
13. The Weatherization program expensed \$22.0 million in the past fiscal year. Since April 2008, 18,116 units have been weatherized.
14. Although the Home Energy Rebate Program participation waitlist was closed, activity has resulted in 40,700 ratings to date. Over 25,065 rebates have been paid out since the program started in April 2008. The average rebate is \$6,960. In the past fiscal year, \$15.15 million was paid out. The average annual energy saved is estimated at 34%.
15. Since the FY2008 AHFC Energy Programs appropriation, the total number of housing units that have been retrofitted is 43,623, representing 17% of the eligible housing units Statewide. The increase in the estimate energy savings for this past fiscal year totals 192,419 MMBTUs, this increase bring the total annual savings to 3.7 trillion BTUs, equivalent to 633,729 barrels of oil.
16. Under the Supplemental Housing Program, \$7,754,809 grants were awarded to regional housing authorities throughout the State. Projects that included 96 new construction and 199 rehab work were completed for units to provide safer, decent and more affordable housing.
17. Sixteen of Alaska Housing Finance Corporation owned facilities are now on the Building Monitoring System (BMON.) Materials for 23 more buildings have been purchased and will be added this fiscal year. 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.

Finally, last year AHFC made another substantial contribution of more than \$25.9 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 \$1,957,183,600.

FY2018 Management Plan

Partners in Achieving Results

AHFC partners with a multitude of entities, including: commercial banks, Realtors, home builders, construction contractors; municipal, state and federal agencies and various nonprofit groups that deliver housing services across the state.

Significant Changes in Results to be Delivered in FY2018

AHFC is requesting an additional **\$3,503,400** federal authority for the Federal housing programs to provide additional administrative assistance to process Housing Assistance Payments and other program related expense. No increases are requested for Corporate Receipts. However, AHFC is reducing to **\$0** the budget for the Atwood State Office Building due to the anticipated transfer of ownership of the property in June 2017.

Major Change Detail for FY2018

AHFC Operations

Changes from FY2017 Management Plan (OMB)

• Add Federal funding for additional Admin/Maintenance support	\$3,503,400
○ Personal Services	\$3,201,000
○ In-State Travel – Site Visits	\$59,100
○ Maintenance Contracts	\$224,900
○ Maintenance Material	\$18,400
Total Operations Changes:	\$3,503,400

Current Operations FY2017 Funding Authority	\$94,660,500
Proposed Operations FY2018 Funding Authority	\$98,163,900

State Office Building (Atwood Building)

Changes from FY2017 Management Plan (OMB)

• Reduction (Corporate Receipts)	-\$100,000
Total State Office Building Changes:	-\$100,000

Current State Office Building FY2017 Funding Authority	\$100,000
Proposed State Office Building FY2018 Funding Authority	\$0

Alaska Corporation for Affordable Housing (ACAH)

Changes from FY2017 Management Plan (OMB)

• No Changes	\$0
Total ACAH Changes:	\$0
Current ACAH FY2017 Funding Authority	\$479,400
Proposed ACAH FY2018 Funding Authority	\$479,400

FY2018 Operating Bill - Narrative Section

* Sec. 9. ALASKA HOUSING FINANCE CORPORATION. (a) The board of directors of the Alaska Housing Finance Corporation anticipates that **\$30,448,400** of the adjusted net income from the second preceding fiscal year will be available for appropriation during the fiscal year ending June 30, 2016.

(b) A portion of the amount set out in (a) of this section for the fiscal year ending June 30, 2015, will be retained by the Alaska Housing Finance Corporation for the following purposes in the following estimated amounts:

- (1) \$1,000,000 for debt service on University of Alaska, Anchorage, dormitory construction, authorized under ch. 26, SLA 1996;
- (2) \$7,217,757 for debt service on the bonds described under ch. 1, SSSLA 2002;
- (3) \$3,786,256 for debt service on the bonds authorized under sec. 4, ch. 120, SLA 2004.

(c) After deductions for the items set out in (b) of this section, \$0 of the remainder of the amount set out in (a) of this section is available for appropriation.

(d) After deductions for the items set out in (b) of this section and deductions for appropriations for operating and capital purposes are made, any remaining balance of the amount set out in (a) of this section for the fiscal year ending June 30, 2018, is appropriated to the budget reserve fund (AS 37.05.540(a)).

(e) All unrestricted mortgage loan interest payments, mortgage loan commitment fees, and other unrestricted receipts received by or accrued to the Alaska Housing Finance Corporation during the fiscal year ending June 30, 2018, and all income earned on assets of the corporation during that period are appropriated to the Alaska Housing Finance Corporation to hold as corporate receipts for the purposes described in AS 18.55 and AS 18.56. The corporation shall allocate its corporate receipts between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under procedures adopted by the board of directors.

(f) The sum of \$800,000,000 is appropriated from the corporate receipts appropriated to the Alaska Housing Finance Corporation and allocated between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under (e) of this section to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2018, for housing loan programs not subsidized by the corporation.

(g) The sum of \$30,000,000 is appropriated from the portion of the corporate receipts appropriated to the Alaska Housing Finance Corporation and allocated between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund

(AS 18.56.710(a)) under (e) of this section that is derived from arbitrage earnings to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2018, for housing loan programs and projects subsidized by the corporation.

Narrative Descriptions for Changes Records from FY2017

AHFC Operations Changes from FY2017 Management Plan (OMB)

Add Federal funding for additional Administrative/Maintenance Expense authority - \$3,503,400

AHFC will receive an additional \$3,503,400 federal funds from HUD to administer the federal housing programs. Therefore, AHFC is requesting an additional \$3,503,400 federal authority for the Federal housing programs to provide additional administrative assistance to process Housing Assistance Payments and other program related expenses.

AHFC's housing programs helps eligible low-income Alaskans lease privately owned rental units from participating landlords. The Alaska Housing Finance Corporation (AHFC) Public Housing Division administers these programs in 15 communities throughout Alaska.

Families whose income is at or below 50 percent of the area median income are encouraged to apply. Income limits are set by HUD and are based on family size and the community where the family resides. Families may apply at any AHFC voucher program location with an open waiting list.

Subject to meeting program and income requirements, the family is placed on an AHFC waiting list based on date and time of application. As vouchers, or housing units become available, families are invited to a briefing session, provided detailed information about the program, and issued a voucher or lease and AHFC owned unit.

Once a family finds and leases an AHFC-owned or -approved rental unit, AHFC breaks the rent into a family portion and a subsidy portion. Families pay their portion of the rent directly to their landlord. AHFC pays the subsidy portion directly to the landlord or uses the subsidy to operate AHFC-owned housing units.

Increased Federal expense authority - \$3,503,900:

- | | |
|---------------------------------|-------------|
| ○ Personal Services | \$3,201,000 |
| ○ In-State Travel – Site Visits | \$59,100 |
| ○ Maintenance Contracts | \$224,900 |
| ○ Maintenance Material | \$18,400 |

Total Operations Changes: \$3,503,400

Current Operations FY2017 Funding Authority	\$94,660,500
Proposed Operations FY2018 Funding Authority	\$98,163,900

State Office Building (Atwood Building)
Changes from FY2017 Management Plan (OMB)

Reduction **-\$100,000**

The Atwood building's debt service is scheduled to be completed prior to the start of FY2018 and ownership will be transferred to the State. Since ownership will be with the Department of Administration, AHFC will no longer have the responsibility of collecting rents and transferring the proceeds to the State.

Current State Office Building FY2017 Funding Authority	\$100,000
Proposed State Office Building FY2018 Funding Authority	\$0

Alaska Corporation for Affordable Housing (ACAH)
Changes from FY2017 Management Plan (OMB)

No Changes **\$0**

Alaska Housing Finance Corporation
 FY2018 Budget Worksheet

October 10, 2016

*** Component: Operations ***

Budget Summary

**** Draft **** **** Draft **** **** Draft ****

	FY2017				FY2018 Transfer	FY2018 Inc/Dec	Total Change	Total FY2018
	Operations	Public Housing	Rural Housing	Total				
Salaries	20,134,764	17,847,535	3,115,101	41,097,400	-	3,201,000	3,201,000	44,298,400
Travel	431,091	274,409	30,500	736,000	-	59,100	59,100	795,100
Contractual	8,208,575	6,314,893	254,732	14,778,200	-	224,900	224,900	15,003,100
Supplies	687,950	1,232,800	16,050	1,936,800	-	18,400	18,400	1,955,200
Equipment	138,100	174,000	-	312,100	-	-	-	312,100
Grants	-	35,000,000	800,000	35,800,000	-	-	-	35,800,000
Total Budget:	29,600,480	60,843,637	4,216,383	94,660,500	-	3,503,400	3,503,400	98,163,900
Corporate	27,218,532	3,225,807	1,995,361	32,439,700	-	-	-	32,439,700
Federal	2,381,948	56,689,052	-	59,071,000	-	3,503,400	3,503,400	62,574,400
Interagency	-	-	800,000	800,000	-	-	-	800,000
CIP	-	928,778	1,421,022	2,349,800	-	-	-	2,349,800
Total Funding Sources:	29,600,480	60,843,637	4,216,383	94,660,500	-	3,503,400	3,503,400	98,163,900
							Increase/(Decrease)	3.70%
Department Detail								
Housing Operations	-	3,025,683	-	3,025,683	(2,675,673)	2,675,673	-	3,025,683
Project-based Operations	-	21,546,600	-	21,546,600	-	485,151	485,151	22,031,751
Administrative Services	6,596,362	-	-	6,596,362	(694,090)	-	(694,090)	5,902,272
Information Services	4,535,140	-	-	4,535,140	1,227,678	-	1,227,678	5,762,818
Executive Office	1,763,282	-	-	1,763,282	67,245	-	67,245	1,830,527
Human Resources	1,346,632	-	-	1,346,632	1,840	-	1,840	1,348,472
Governmental Relations	1,749,248	-	-	1,749,248	-	-	-	1,749,248
Internal Audit	1,597,433	-	-	1,597,433	8,865	-	8,865	1,606,298
Unallocated	-	-	-	-	-	-	-	-
Budget	2,330,900	-	-	2,330,900	8,865	-	8,865	2,339,765
Board	65,878	-	-	65,878	8,475	-	8,475	74,353
Finance	1,004,457	-	-	1,004,457	3,680	-	3,680	1,008,137
Accounting	2,535,104	35,000,000	-	37,535,104	366,446	-	366,446	37,901,550
Facilities Mgmt	-	1,271,354	-	1,271,354	700,000	342,576	1,042,576	2,313,930
Planning & Program Dev.	2,116,412	-	-	2,116,412	2,760	-	2,760	2,119,172
Research & Rural Dev.	-	-	4,216,383	4,216,383	-	-	-	4,216,383
Mortgage	2,785,405	-	-	2,785,405	610,418	-	610,418	3,395,823
Servicing	1,174,227	-	-	1,174,227	363,491	-	363,491	1,537,718
Total Departments:	29,600,480	60,843,637	4,216,383	94,660,500	-	3,503,400	3,503,400	98,163,900
From Total Funding Sources:	29,600,480	60,843,637	4,216,383	94,660,500	-	3,503,400	3,503,400	98,163,900
								0
Full-time PCNs:	144	147	22	313	-	-	-	313
Part-time PCNs:	-	23	-	23	-	-	-	23
Seasonal PCNs:	-	14	-	14	-	-	-	14
Total PCNs:	144	184	22	350	-	-	-	350

Alaska Corporation for Affordable Housing (ACAH)
 FY2018 Budget Worksheet

Budget Summary

**** Draft **** **** Draft **** **** Draft ****

October 3, 2016

	FY2017			FY2018 Transfer	FY2018 Inc/Dec	Total Change	Total FY2018
	Operations	Public Housing	Rural Housing				
Salaries	-	264,900	-	264,900	-	-	264,900
Travel	-	25,000	-	25,000	-	-	25,000
Contractual	-	125,000	-	125,000	-	-	125,000
Supplies	-	29,500	-	29,500	-	-	29,500
Equipment	-	35,000	-	35,000	-	-	35,000
Grants	-	-	-	-	-	-	-
Total Budget:	-	479,400	-	479,400	-	-	479,400
Corporate	-	-	-	-	-	-	-
Federal	-	307,200	-	307,200	-	-	307,200
Interagency	-	-	-	-	-	-	-
CIP	-	172,200	-	172,200	-	-	172,200
Total Funding Sources:	-	479,400	-	479,400	-	-	479,400
						Increase/(Decrease)	100.00%
Department Detail							
Operations	-	479,400	-	479,400	-	-	479,400
Total Departments:	-	479,400	-	479,400	-	-	479,400
From Total Funding Sources:	-	479,400	-	479,400	-	-	479,400
Full-time PCNs:	-	2	-	2	-	-	2
Part-time PCNs:	-	-	-	-	-	-	-
Seasonal PCNs:	-	-	-	-	-	-	-
Total PCNs:	-	2	-	2	-	-	2

FY 2018 Short List 9-26-2016

***AHFC Corporate Dividend is Preliminary Estimate Until GASB State Pension Liability is Settled

		Preliminary DRAFT - FY2018 Capital Budget Request						
		Pre-Board Capital Budget						
		@ October 5, 2016						
Programs/Projects		Federal	Other	GF/MH	MHTAAR	State GF	Corp	Total
***Preliminary Estimate of AHFC FY2016 @ 75% of Adjusted Net Income:							\$30,448.4	\$30,448.4
Transfer Type Funding								
UAA Student Hsg Debt Service (FY1999 - FY2024)							\$1,000.0	\$1,000.0
State Capital Project Bonds (FY2005 - FY2041)							\$3,786.3	\$3,786.3
PHD Capital Project Bonds (FY2003 - FY2022)							\$7,217.8	\$7,217.8
Total Other (Transfer Type) Funding:							\$12,004.1	\$12,004.1
Capital Project Budget								
1	Rental Assistance for Victims - Empowering Choice (1330)*		\$1,500.0					\$1,500.0
2	Housing Loan Prg/Teacher/Health/Pub. Safety (2020)						\$1,750.0	\$1,750.0
3	Cold Climate Housing Research Center (CCHRC) (2260)						\$1,000.0	\$1,000.0
4	Senior Housing Development Program						\$1,000.0	\$1,000.0
5	HUD Federal HOME Grant Program (2000)	\$3,750.0					\$750.0	\$4,500.0
6	HUD Capital Fund Program (CFP) (1190)	\$2,500.0						\$2,500.0
7	Federal & Other Competitive Grants (1600)	\$13,700.0					\$1,500.0	\$15,200.0
8	Competitive Grants for Public Housing (1500)	\$750.0					\$350.0	\$1,100.0
9	Supplemental Housing Development Program (2200)						\$3,000.0	\$3,000.0
10	Energy Program - Weatherization (2230)	\$1,500.0					\$4,950.0	\$6,450.0
Total AHFC's Capital Project Budget:		\$22,200.0	\$1,500.0	\$850.0	\$1,050.0	\$3,355.7	\$18,444.3	\$47,400.0
Grand Total Capital Budget Project with Debt Service Funding:		\$22,200.0	\$1,500.0	\$850.0	\$1,050.0	\$3,355.7	\$30,448.4	\$59,404.1
Total AHFC Funding Cap:							\$30,448.4	
Over/(Under):							\$0.0	

State GF Needed for AHFC Programs:	\$3,355.7
State GF for Energy Programs:	\$0.0
MHTAAR & State GF Mental Health Programs:	\$1,900.0
Other Funds / (Alcohol and Other Drug Abuse Treatment and Prevention Fund:)*	\$1,500.0
AHFC Corporate Dividends & Debt Service:	\$30,448.4
Total State UGF, AK Capital & AHFC:	\$37,204.1
Total Federal:	\$22,200.0
Total:	\$59,404.1

Capital Projects & Program Synopsis

The Capital Budget is a plan for the distribution of AHFC's financial resources for items that have an anticipated life exceeding one year and a cost exceeding \$25,000. Unlike the Operating Budget which lapses at the end of one year, capital budget appropriations lapse only if funds remain after the project is completed, and/or if funds are lapsed administratively or legislatively, usually after five years.

AHFC Capital Improvement Projects (CIP) reflects the needs of the Corporation and the pursuit of its mission through the Goals and Objectives of the Corporation's Strategic Plan. Departments review prior Capital budgets to determine if there are any unfinished projects/programs that need to be completed or extended.

This Capital Budget was developed by AHFC staff and recommended for inclusion in the Governor's budget submission to the Legislature. Each project/program has been reviewed, prioritized and presented to the AHFC Board of Directors for approval. The Board will pass a resolution approving AHFC's proposed budget and instructed the Chief Executive Officer to submit the budget to the Governor's Office of Management and Budget (OMB) through the Department of Revenue.

- 1. Rental Assistance for Victims – Empowering Choice Housing Program (ECHP) – \$1,500,000**
Alcohol and Other Drug Abuse Treatment and Prevention Funds to address the needs of homeless or near-homeless families who are victims of domestic violence or sexual assault. These same families might otherwise qualify economically for the federal Housing Choice Voucher program. However, because demand for vouchers far exceeds supply, the targeted families are unlikely to receive assistance in time to address their immediate needs. AHFC will administer the funds through essentially the same mechanisms and same locations as the federal Housing Choice Voucher program.
- 2. Housing Loan Program - Teacher/Health/Public Safety Housing – \$1,750,000** in AHFC Corporate Dividend funding to allow AHFC to continue current programs and expand business opportunities with new Teacher Housing, Health Professionals, and Public Safety housing programs.
- 3. Cold Climate Housing Research Center – \$1,000,000** in AHFC Corporate Dividend Receipts for a designated grant to the Cold Climate Housing Research Center to conduct housing construction research, analysis, and information dissemination among the housing industry and the public. Data gathering and analysis is continually being related to energy efficiency technology for homes constructed in northern building and market conditions.

4. **Senior Citizens Housing Development Program – \$1,000,000** in AHFC Corporate Dividend Receipts for the development of senior citizen housing. Competitively awarded grants are provided for the purchase of building sites, site preparation, materials, construction, and rehabilitation of existing housing. Organizations qualified to apply include municipalities and public or private nonprofit corporations.
5. **HUD Federal HOME Grant Program – \$4,500,000** including \$3,750,000 Federal (HUD) and \$750,000 AHFC Corporate Dividend matching funds for the HOME Investment Partnership Program. The purpose of the HOME program is to expand the supply of affordable, low- and moderate- income housing and to strengthen the State’s ability to design and implement strategies to achieve an adequate supply of safe, energy-efficient, and affordable housing in the balance of the State. The Municipality of Anchorage has their own separate HOME program.
6. **HUD Capital Fund Program (CFP) – \$2,500,000** Federal (HUD) grants that provides Public Housing Authorities with funds each year to help build, operate, maintain, renovate or modernize public housing units. These funds have flexibility under the Moving-To-Work (MTW) program and may be used in conjunction with other MTW programs, including helping fund new affordable housing. This request is intended to cover the spending authority required for the amount of funds anticipated to be available this next fiscal year, including any other financial incentives that may become available as a “High Performing” public housing authority.
7. **Federal and Other Competitive Grants – \$15,200,000** including \$13,700,000 Federal (HUD, USDA, DOE), or other private funds, and \$1,500,000 AHFC Corporate Dividend for matching available housing grants. Nationwide, grants are made available annually by the Federal government or private institutions or foundations that target the housing needs of low-income families, special needs groups, senior citizens, the mentally ill, disabled, the homeless, and others. In cases where grants require a match, AHFC funds will be used to the extent necessary. Grant funds received are often passed through to local nonprofit organizations, municipalities, and other organizations that deliver housing-related services. This year’s request includes an increment of anticipated federal funding for two new one-time programs that include: \$3,000,000 - National Housing Trust and \$7,700,000 – HUD’s Section 811 program funding.
8. **Competitive Grants for Public Housing – \$1,100,000** including \$750,000 Federal (HUD, USDA, DOE), or other private funds, and \$350,000 AHFC Corporate Dividend for matching funds available housing grants for public housing facilities and residents. Annually, HUD makes available grants that target the needs of public housing facilities and residents in areas such as crime and substance abuse prevention and economic self-sufficiency. When

required, AHFC will provide the needed match. Some of the funds received will be passed through to local nonprofit organizations that deliver the services.

9. **Supplemental Housing Development Program – \$3,000,000** in AHFC Corporate Dividend Receipts to construct decent, safe and sanitary housing through regional housing authorities. Funds are used to cover housing development costs related to water distribution; sewer hookups; electrical distribution systems; road construction to project site; site development; and energy efficiency improvements.
10. **AHFC's Energy Programs Weatherization – \$6,450,000** including \$4,950,000 in AHFC Corporate Dividend Receipts and \$1,500,000 in Federal U. S. Department of Energy (DOE) funds to assist low- and moderate- income families attain decent, safe and affordable housing through the weatherization and rehabilitation of existing homes. These funds provide energy efficiency upgrades to homes using the latest building science tools to target heat loss areas and correct them. Installed measures must be cost effective. The program addresses health and safety through tune ups for heating systems, electrical and chimney repairs and woodstove improvements.

*****Mental Health Bill *****

1. **Homeless Assistance Program – \$7,900,000** including \$2,644,300 in AHFC Corporate Dividend, \$850,000 General Fund/Mental Health (GF/MH) , \$1,050,000 Mental Health Trust Authority (MHTAAR), and \$3,355,700 General Fund receipt authority to grant local communities/agencies to: 1) provide safe shelter for persons experiencing homelessness; 2) provide assistance to households transitioning from homelessness to permanent housing or to households at risk of displacement due to financial hardship; and, 3) help develop community strategies and programs designed to reduce homelessness. All funds will be combined and administered as one program by AHFC.
2. **Beneficiary & Special Needs Housing – \$1,500,000** in AHFC Corporate Dividend Receipts for a continuing program to serve populations with special housing needs. The program provides funds to Alaskan nonprofit service providers to increase housing opportunities for Mental Health Trust beneficiaries and other special needs populations throughout the state. The funds may be used for housing development and/or services designed to achieve long-term residential stability.

ALASKA HOUSING FINANCE CORPORATION

Resolution No. 16-30

RESOLUTION OF THE BOARD OF DIRECTORS OF THE ALASKA HOUSING FINANCE CORPORATION AUTHORIZING AHFC TO SUBMIT THE FY2018 OPERATING AND CAPITAL BUDGETS THROUGH THE DEPARTMENT OF REVENUE TO THE GOVERNOR'S OFFICE FOR SUBMITTAL TO THE STATE LEGISLATURE

WHEREAS, the Budget Director of the Alaska Housing Finance Corporation has prepared the proposed FY2018 Operating and Capital budgets submitted by staff; and

WHEREAS, the Budget Director presented the proposed FY2018 Operating and Capital budgets to the Executive Office;

WHEREAS, the Executive Director reviewed and discussed the budgets with the Office of Management and Budget on September 26, 2016; and

WHEREAS, this budget complies with HUD's Asset Management format with project-based Asset Management Properties (AMPs), as well as, the Central Office Cost Center (COCC) concept; and

WHEREAS, the AHFC Dividend to the State, according to the established Transfer Plan, has been calculated at **\$30,448,400** (*Contingent on final Audited Financials*); and

WHEREAS, the Executive Office, after carefully considering funding levels developed by staff, recommends to the full Board of Directors, the proposed Operating and Capital budgets developed for FY2018; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Alaska Housing Finance Corporation that the FY2018 Operating and Capital budget request be hereby approved for submission and authorizes the Executive Director to submit these budgets through the Department of Revenue to the Office of Management and Budget for inclusion in the Governor's Budget submitted to the State Legislature.

PASSED AND APPROVED by the Board of the Alaska Housing Finance Corporation this Twenty-sixth day of October, 2016.

Brent LeValley - Board Chair

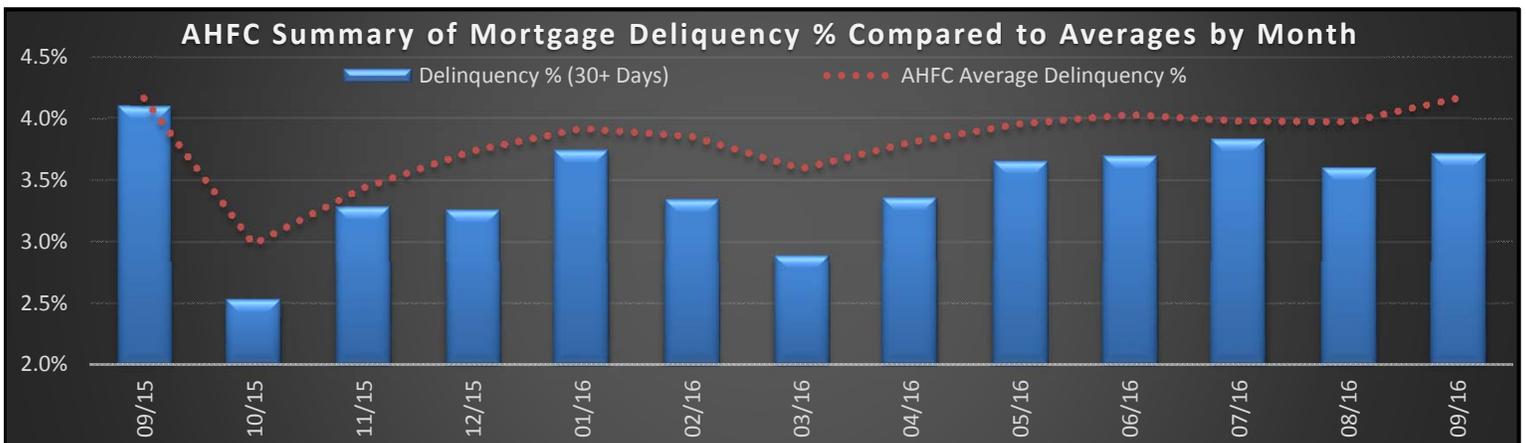
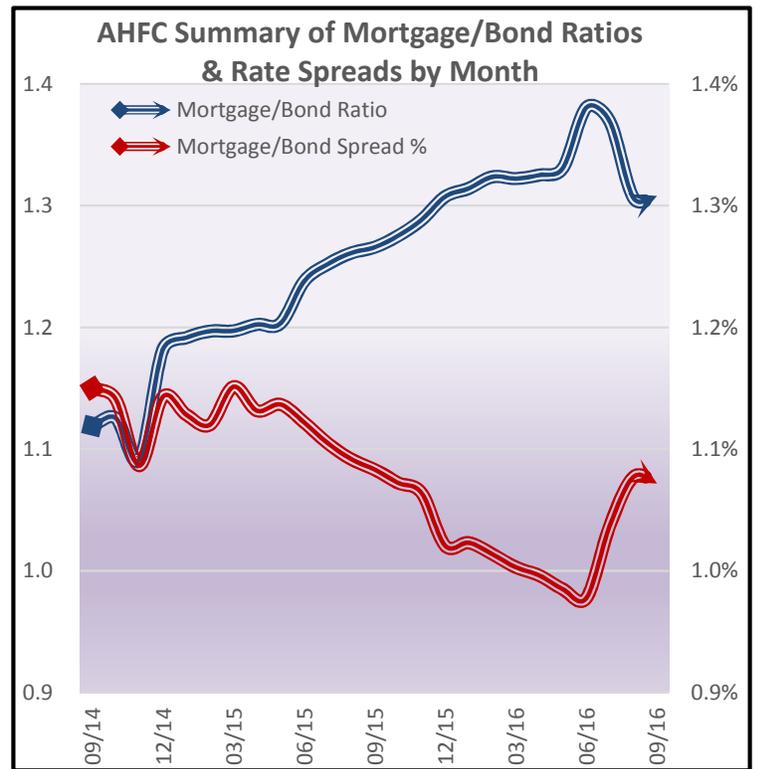
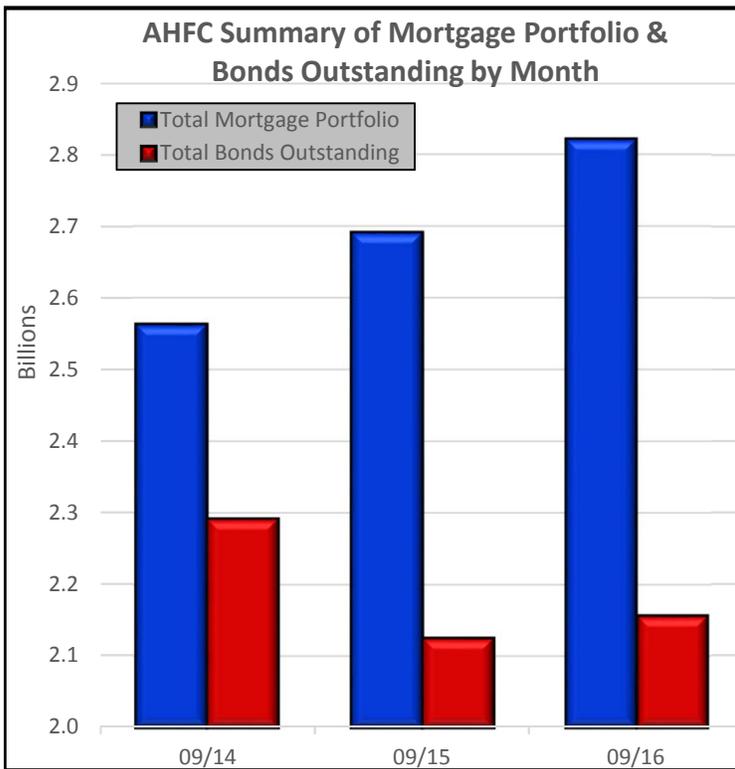
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ALASKA HOUSING FINANCE CORPORATION

Finance Board Report

SEPTEMBER 2016

	Current Month	1 Year Ago	2 Years Ago	1 Year Ago	2 Years Ago
	09/30/16	09/30/15	09/30/14	% Change	% Change
Total Mortgage Portfolio	2,821,517,455	2,691,382,949	2,563,827,596	5%	10%
Mortgage Changes (through FY)	30,611,960	42,135,952	43,049,000	(27%)	(29%)
Mortgage Average Rate %	4.68%	4.73%	4.89%	(1%)	(4%)
Delinquency % (30+ Days)	3.72%	4.10%	5.13%	(9%)	(27%)
Foreclosure % (Annualized)	0.29%	0.40%	0.56%	(28%)	(48%)
Total Bonds Outstanding	2,157,020,000	2,126,120,000	2,291,415,000	1%	(6%)
Bond Changes (through FY)	135,690,000	(14,060,000)	12,870,000	1065%	954%
Bond Average Rate %	3.60%	3.65%	3.74%	(1%)	(4%)
Unhedged Variable Rate %	8.8%	8.9%	8.3%	(1%)	6%
Mortgage/Bond Spread %	1.07%	1.08%	1.15%	(1%)	(7%)
Mortgage/Bond Ratio	1.31	1.27	1.12	3%	17%
Total Cash & Investments	720,464,187	856,407,277	1,066,160,280	(16%)	(32%)
Annualized Return %	0.62%	0.46%	0.45%	34%	37%



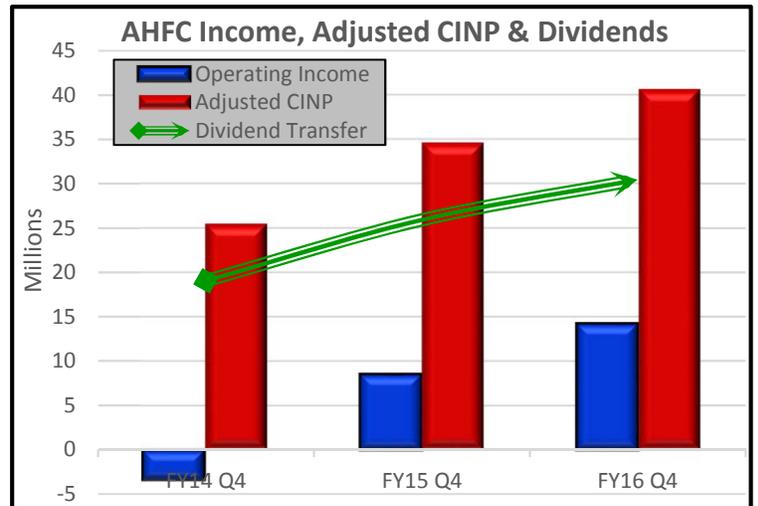
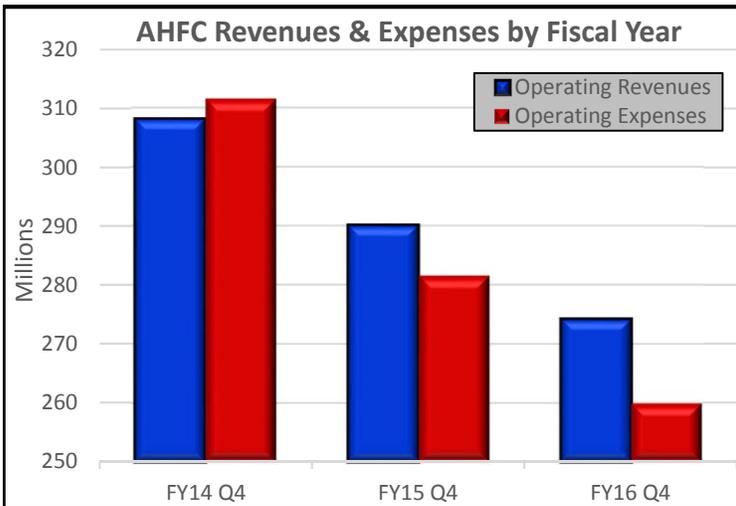
ALASKA HOUSING FINANCE CORPORATION

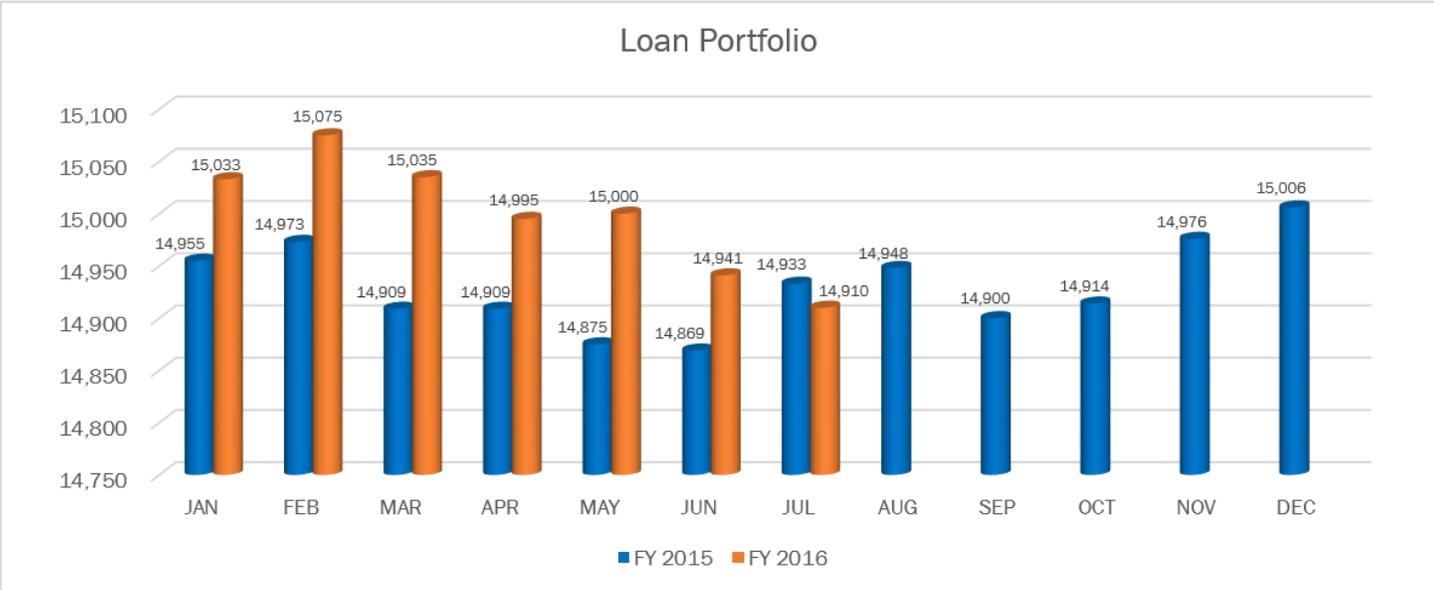
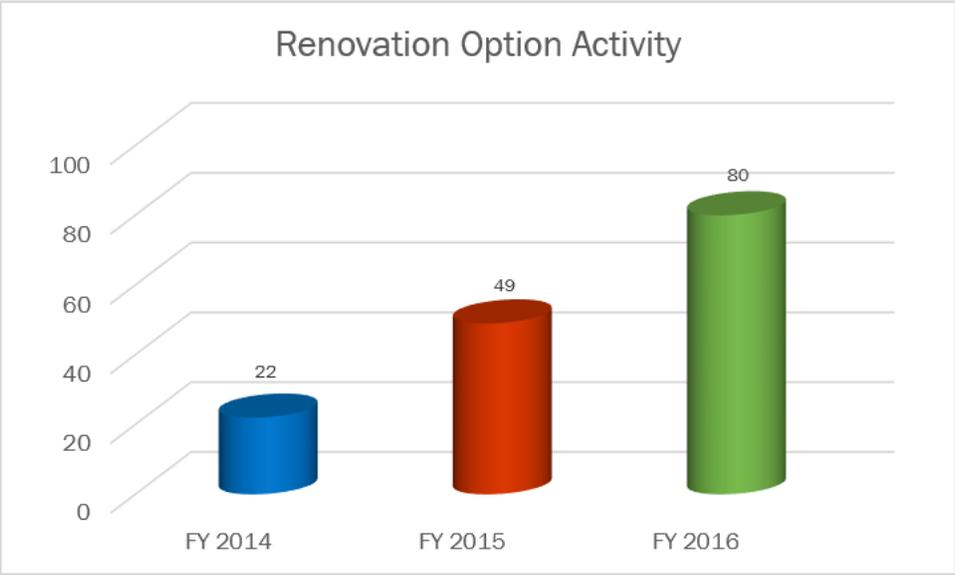
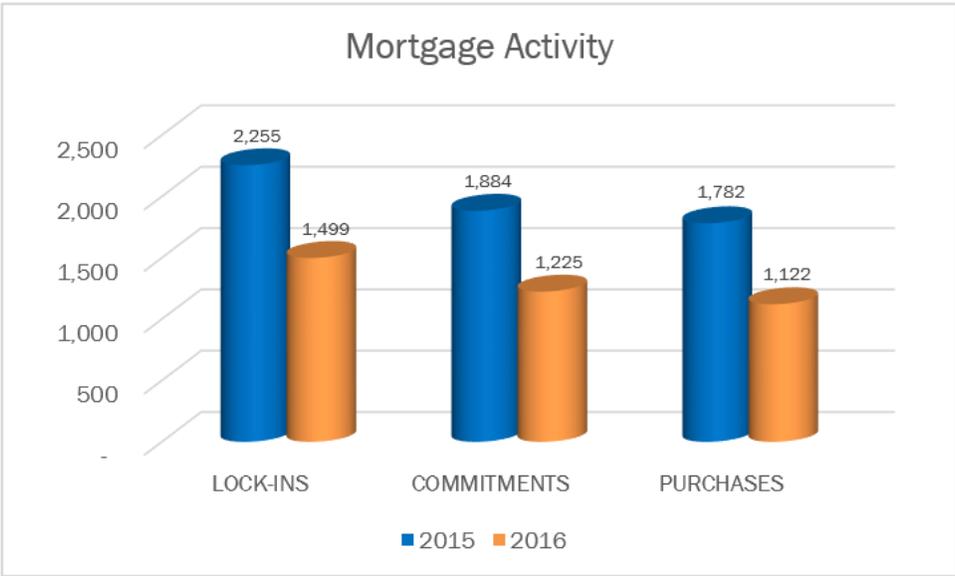
Financial Statement Report

SEPTEMBER 2016
(in Thousands of Dollars)

	Current Year FY2016 Q4 *	1 Year Ago FY2015 Q4	2 Years Ago FY2014 Q4	1 Year Ago % Change	2 Years Ago % Change
Mortgage and Loan Revenue	128,942	126,140	120,740	2%	7%
Externally Funded Programs	123,782	146,236	163,739	(15%)	(24%)
Total Investment Income	5,797	6,026	9,019	(4%)	(36%)
Rental Revenues	10,707	9,342	8,951	15%	20%
Other Revenues	4,952	2,355	5,637	110%	(12%)
Total Operating Revenues	274,180	290,099	308,086	(5%)	(11%)
Interest Expenses	70,357	75,349	81,184	(7%)	(13%)
Housing Grants and Subsidies	107,054	125,222	149,188	(15%)	(28%)
Operations and Administration	58,373	53,287	58,771	10%	(1%)
Rental Expenses	15,634	17,086	14,159	(8%)	10%
Other Expenses	8,561	10,650	8,169	(20%)	5%
Total Operating Expenses	259,979	281,594	311,471	(8%)	(17%)
Total Operating Income/(Loss)	14,201	8,505	(3,385)	67%	520%
State Contributions	(149)	(3,825)	(1,380)	96%	89%
Change in Net Position	14,052	4,680	(4,765)	200%	395%
Adjusted Change Net Position	40,598	34,567	25,412	17%	60%
Dividend (75% Adjusted CINP)	30,448	25,925	19,059	17%	60%
Total Assets/Deferred Outflows	3,930,554	3,916,302	4,055,203	0%	(3%)
Total Liabilities/Deferred Inflows	2,431,021	2,430,821	2,545,295	0%	(4%)
Net Position	1,499,533	1,485,481	1,509,908	1%	(1%)

* FY 2016 financial statements are not audited because final GASB 68 numbers for our portion of the state's net pension liability have not been audited yet.

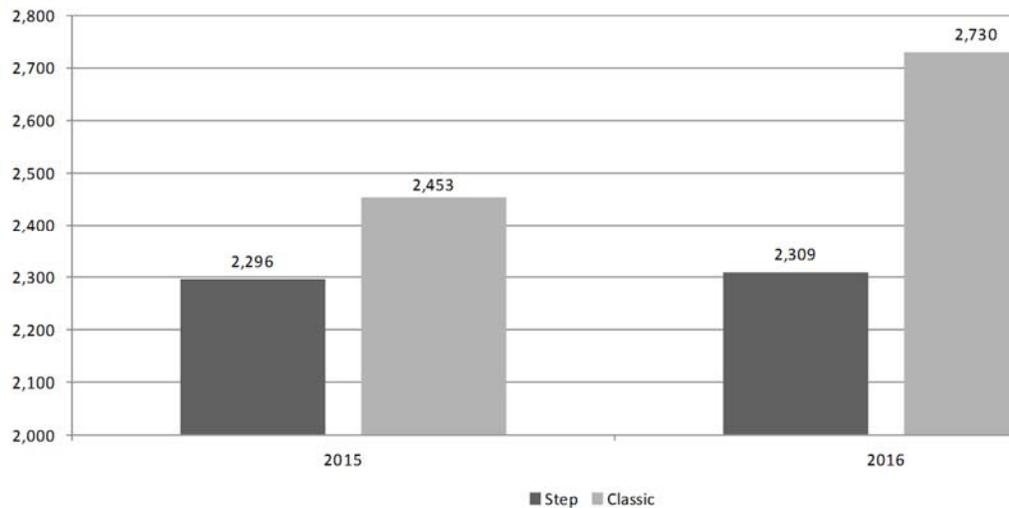




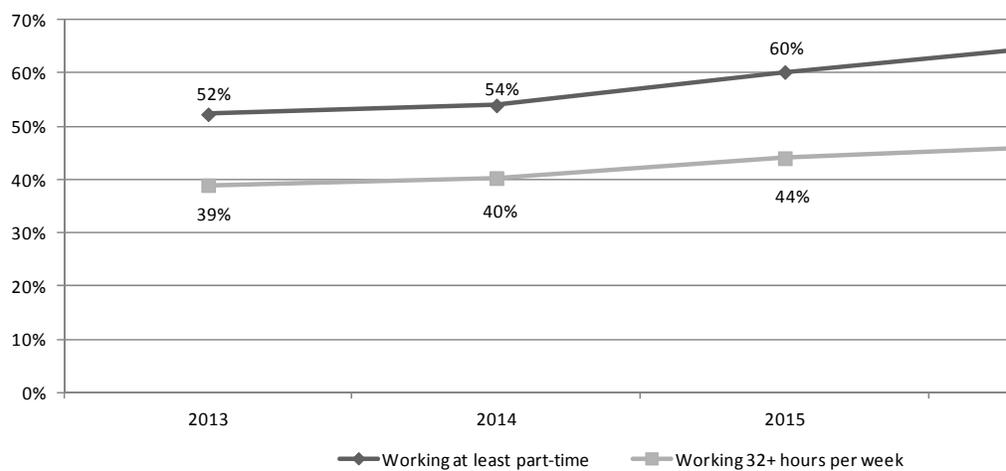
Public Housing Operations Update

October 2016

Step vs Classic Households (2015 - 2016)



Breakdown of Working Step Households (2013 - 2016)



Operations Updates:

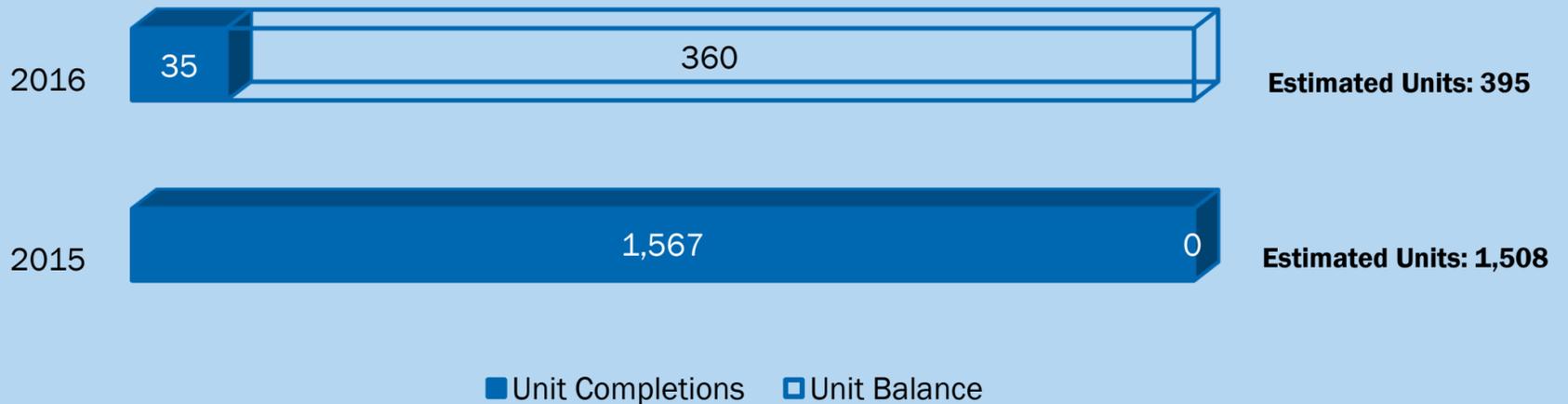
- Conducted Annual Statewide Staff training, instruction included facilities management, voucher housing quality standards review, and a day long Mental Health First Aid course to give staff skills in assessing client needs
- Step Program Evaluation began, including focus group discussions and data download analysis.
- Submitted applications for the Governor's *Great Alaska Energy Challenge* for several locations statewide
- Average gross income for Step households has increased from \$20k to \$27k since 2014. For those currently on Step 3, it has increased from \$21k to \$31k (48%)

Facilities Management & Construction Updates:

- Bethel – Foundation Project: Final inspection complete; punch list generated; coordinator and contractor discussing timeline to repair (awaiting cost impact of design error) (Slow to no change).
- Fairbanks – Golden Ages Sprinkler/Fire Alarm, work ongoing with sprinkler subcontractor mobilizing week of 8/8/2016 to install new devices and wire guards, RFP to contractor for new water service, Fairbanks Right-of-Way department is closed for winter, and the contract is in winter shut down.
- Juneau –Local Staff is working to complete VCA/ADA upgrades to the Riverbend property (one unit left to upgrade resident being relocated this month), EMTs project being prepared to correct the VCA/ADA site work at Cedar Park for next Summer construction season (continuing progress).
- Wrangell – Contacting City of Wrangell to add paving work for Etolin Heights to their contract with SECON (work complete).
- Sitka – Swan Lake Security system upgrade/replacement contract is being developed for an informal ITB (No Change); Project being created to remediate site imperfections from abandon piles at Paxton Manor and inconsistent site settling (adjusting scope for third party contractor).
- Valdez – Harris Sand and Gravel currently working to correct site drainage issues and remove and replace areas of flexible and nonflexible paving's, contract to be completed at the end of August, contract was extended to the end of September, work is now complete.
- Cordova – Project Siding/Soffit/Window replacement at Sunset View; RFP from Wolverine Supply is working on the finalization of the construction drawings, 90% of the windows are replaced, east wall is being sided.
- Anchorage –Scattered site infrastructure repair/replacement project is in progress, contractor encountered delays project has been extended, contractor is 95% complete, one additional property was added; Chugach Manor Sprinkler/Fire Alarm upgrade project has schematic design due before 23 October.
- Facilities Management Extraordinary Maintenance Team (Road Crew): EMT Crew is now back to two Mechanics; Ptarmigan Park side walk repair project has been determined to be too large for the EMT's and is being developed for work next summer construction season, EMT's will support with site control and resident safety measures; Alpine Terrace building exterior painting project is developed work to commence in the spring; EMT's have been helping a local AMP with a unit Modifications; Nome maintenance shop interior wall framing to start third week of October; Alpine Terrace Unit remediation and rehab to start first week of November; Team is currently in Juneau replacing a 275 gallon indirect water heater with two 85 gallon units at the Mt View Senior complex.

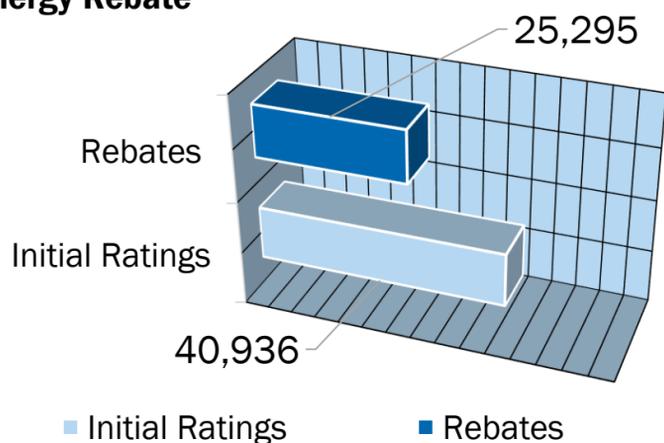
Research and Rural Development

Weatherization Program Unit Completions



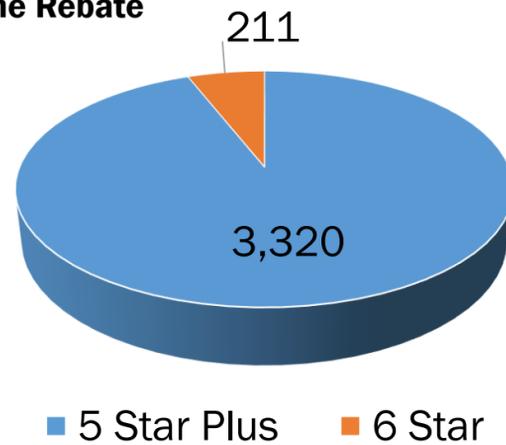
8.31.16

Home Energy Rebate



8.31.16

New Home Rebate



8.31.16

Healthy Home Evaluator Training

During the week of October 10-14, Research and Rural Development hosted a stakeholder meeting and Healthy Home Evaluator (HHE) training for weatherization and health professionals in response to a national initiative to include home evaluations under Medicaid.

Supplemental Housing Development Grant Program

\$2.25 million, the total FY17 state appropriation, was awarded to nine Regional Housing Authorities.

Building Monitoring System

Primarily developed to pinpoint energy waste, AHFC's Building Monitoring System has recently been used to diagnose operations and maintenance efficiencies as well as aid in building and system design considerations. 16 AHFC properties currently have the system installed with additional properties planned.

Great Alaska Energy Challenge

A competition among State of Alaska facilities to reduce energy usage over a six month period (Oct 16 - Mar 17). 6 AHFC buildings are entered into the contest

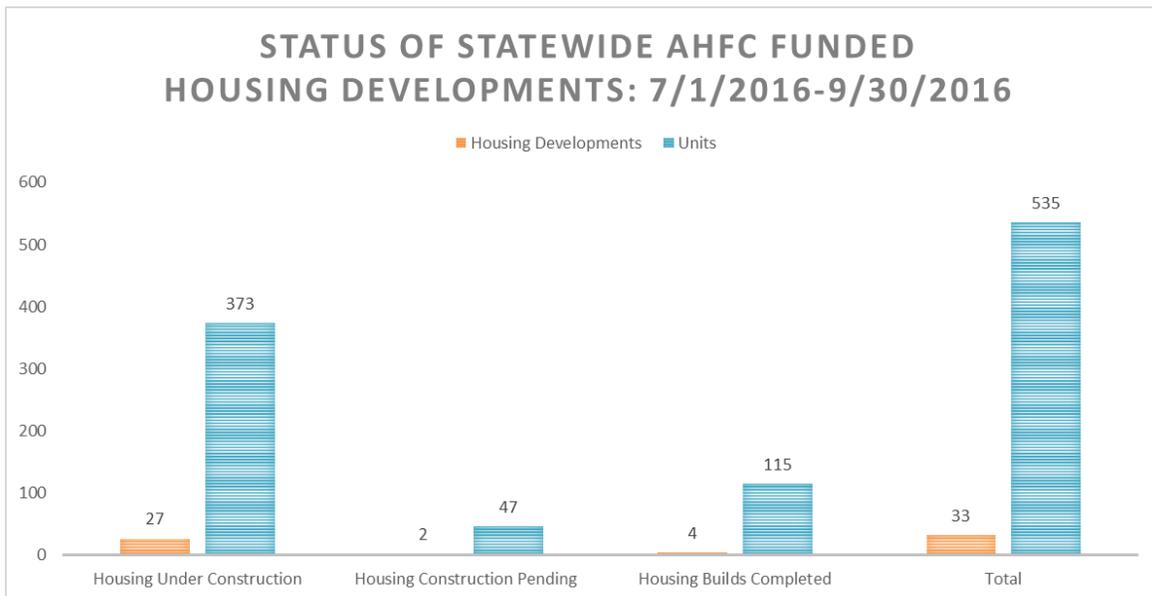
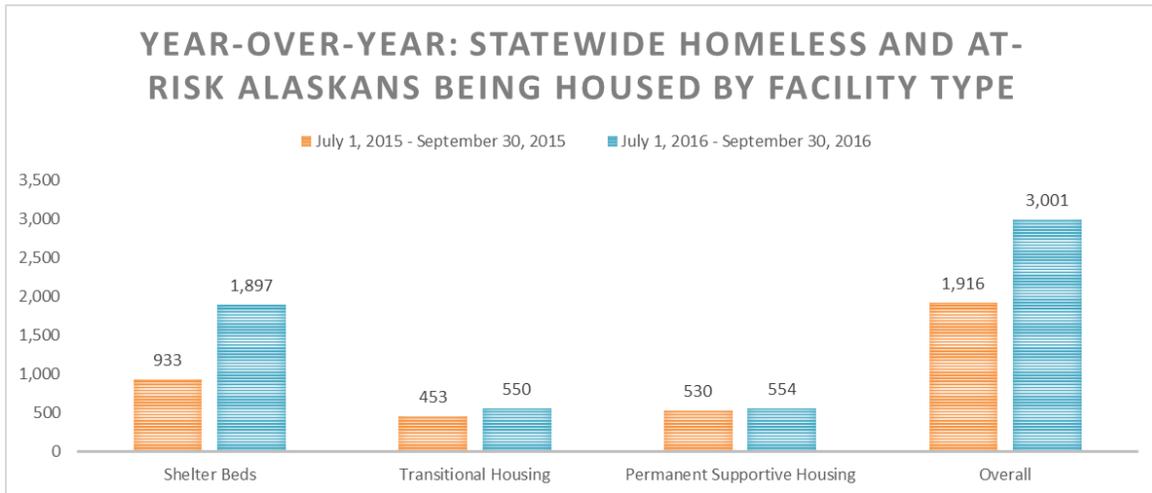
Notice of Funding Availability for Efficiency Projects

Up to \$10,000, total funding allocation of \$150,000 from a Department of Energy Competitive Award, is being made available to public facility owners for developing energy efficiency upgrade projects. Eligible entities include school districts, regional education attendance areas, tribes, and municipalities with a population of 20,000 or less.

October 26, 2016 Board Report

Planning and Program Development Update

October, 2016



Since the last Board Meeting, our Department has:

- Provided staffing support for the Alaska Council on the Homeless.
- Hosted Applicant Training workshops for the THHP and GOAL rounds.
- Submitted the Consolidated Annual Performance and Evaluation Report (CAPER) to the Department of Housing and Urban Development for AHFC's Federal Grant Programs.
- Consolidated six operating and support service grant programs into a single award administration format for agencies with multiple activities funded through AHFC. This has eliminated over 30 redundant award agreements for AHFC and its partner agencies.



AHFC BOARD OF DIRECTORS
SCHEDULE 2016

~~January 27, 2016 (AHFC regular & AHCC Annual)~~ **CANCELLED**

~~February 24, 2016 (Audit Committee, AHCC (Membership & BOD)
Annuals & AHFC Regular)~~

~~April 27, 2016 (AHFC Regular)~~

~~May 25, 2016 (AHFC Regular)~~

~~June 29, 2016 (Audit Committee & AHFC Regular)~~

~~July 27, 2016 BOD (AHFC Regular)~~

~~August 24, 2016 (AHFC Annual)~~

October 26, 2016
Audit Committee &
ACAH Membership &
ACAH BOD Annual &
AHFC Regular

November 30, 2016 (NTSC Annual & AHFC regular)



AHFC BOARD OF DIRECTORS
SCHEDULE 2017 DRAFT

January 25, 2017 (AHFC regular & Audit Committee & AHCC Annual Membership & Board)

February 22, 2017 (AHFC Regular)

April 26, 2017 (AHFC Regular & Audit Committee)

May 31, 2017 (AHFC Regular)

June 28, 2017 in FAIRBANKS (AHFC Regular)

July 26, 2017 BOD (AHFC Regular & Audit Committee)

August 23, 2017 (AHFC Annual)

(NCSHA Annual Conference September dates TBD)

October 25, 2017 (AHFC Regular & Audit Committee & ACAH Annual Membership & Board)

November 29, 2017 (AHFC Regular & NTSC Annual Membership and Board)