

# **State of Alaska FY2002 Governor's Operating Budget**

Department of Revenue  
Alaska Housing Finance Corporation  
Budget Request Unit

## **Alaska Housing Finance Corporation Budget Request Unit**

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### **BRU Mission**

To provide access to housing and the Alaska dividend.

### **BRU Services Provided**

Provide, purchase, and/or participate in Mortgage Loan programs statewide:

- Conventional loan programs;
- First-time Home Buyer program;
- Veteran loan programs;
- Multi-family Housing programs;
- Rural loan programs.

Manage, operate, and maintain Public Housing and Rental Assistance programs;

Administer the State's Senior Housing programs;

Administer the State's Weatherization programs;

Administer the State Energy Program (SEP);

Coordinate Alaska's Housing Strategy and Homeless programs;

Administer State and Federal housing grants;

Develop and modernize public housing;

Administer Low-Income Tax Credits;

Provide workshops and training (i.e. Home Choice, Grant writing, Energy, etc.);

Provide access to low cost capital.

### **BRU Goals and Strategies**

**PROVIDE PROGRAMS AND SERVICES THAT ARE RESPONSIVE TO THE DIVERSE HOUSING NEEDS STATEWIDE:**

- Increase housing and finance options for rural areas;
- Define AHFC's role in meeting infrastructure needs;
- Review and update existing regulations;
- Review statutes and identify any needed changes;
- Increase leveraging of housing-related grants and other resources from various federal sources;
- Expand and promote family self-sufficiency.

**INCREASE HOME OWNERSHIP:**

- Identify needs (existing gaps) and educate public;
- Match needs to AHFC home ownership programs;
- Streamline loan application process;
- Identify supporting infrastructure needs in coordination with other housing professionals (inspectors, energy raters, etc.).

**INCREASE SPECIAL NEEDS HOUSING:**

- Work cooperatively with consumers, advocates and special needs service providers to identify and address needs;
- Work with Alaska Mental Health Trust Authority in addressing the housing need of Trust beneficiaries;
- Establish process and financing mechanisms to help address "reasonable accommodation" for persons with disabilities.

**EXPAND PARTNERSHIPS TO STRENGTHEN PROGRAM AND SERVICE DELIVERY:**

- Strengthen relationships with regional housing authorities and other housing delivery organizations;

Plan and organize statewide housing conference;  
Network with other agencies and non-profits for assistance.

**STRENGTHEN COMMITMENTS TO AHFC HOUSING PROGRAMS, FUNCTIONS, AND BENEFITS:**

Strengthen cooperative relationships with governmental constituencies;  
Strengthen cooperative relationships with public constituencies;  
Develop and implement a public relations plan;  
Promote jobs and employment in housing-related fields.

**PROMOTE OPERATIONAL EXCELLENCE:**

Strengthen staff knowledge and skills in addressing customer's special needs (environmental, cultural, economic, etc.);  
Identify and implement new or improved work processes that benefit operations;  
Utilize a mix of internal and external audit and feedback methodologies to measure and evaluate AHFC performance;  
Develop and implement affirmative action plan;  
Develop strategy to enhance customer service;  
Identify survey mechanism most suitable for corporation purposes;  
Modernize and rehabilitate corporate-owned and -operated public housing in accordance with the 10-Year Plan.

**MANAGE ASSETS TO GENERATE SUFFICIENT PROFIT TO MEET AHFC'S FINANCIAL COMMITMENTS:**

Incorporate capital/grants budget levels into 6-year Plan;  
Develop strategy to meet existing commitment for transfers to and financing for the benefit of the State;  
Implement capital project bonding for the State;  
Carry out AHFC's capital budget;  
Prioritize AHFC financial and program obligations and commitments;  
Formalize the process by which available and projected "arbitrage" is identified and allocated to specific programs.

### **Key BRU Issues for FY2001 – 2002**

It remains essential for AHFC to maintain an equitable balance between AHFC's ability to meet its mission of ensuring quality and affordable housing opportunities for Alaskans, and to maintain levels of net income sufficient to meet our financial obligations to the State of Alaska. AHFC is recognized as one of the leading housing authorities in the nation for its strong management, innovative programs, excellent bond ratings, and financial strength. AHFC must be allowed to operate in a manner that both responds to the state's fiscal needs while meeting the requirements of the Corporation's mission. AHFC has played an active role in assisting the State with its deferred maintenance, capital construction, and other financing needs. To date, this has been done in a manner that preserves the physical assets and investment portfolio of the Corporation in order to ensure our ability to continue to attract investors through the issuance of debt.

Due to changes in federal housing programs, AHFC is able to take advantage of new program funding that becomes available. AHFC will add 370 Section 8 Home Choice Vouchers and increase Low Rent Subsidies from 92.5% to 98.5%, adding about one million dollars. Housing Operations cannot absorb the increase in expenses at the current budget levels. Increments using available federal funds have been requested to cover these expenses.

Senior housing remains a concern to the Corporation. Housing needs for senior Alaskans continue to grow larger as the senior population increases faster than affordable housing can be provided. Developers, contractors, and nonprofit agencies continue to work 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 are hesitant to go through the long expensive process only to see their efforts dashed at the tail end of proposals.

AHFC is having difficulty attracting and retaining quality employees with its current salary schedule. Over the past year, the employee turnover rate was 14.7%. Over the previous 12 months, the rate was 10%. Historically, the turnover rate has fluctuated annually between 7% and 8%. Turnover has occurred with critical positions in Construction, Information Systems, Accounting, and Housing Management. Additionally, key personnel had to be

replaced in Mortgage, Finance, Personnel, and Internal Audit. Other key personnel have also announced intentions to leave Rural Development, Procurement, and Construction. Recruiting efforts for Information Systems and Accounting have not attracted the number or quality of applicants necessary to adequately fill the positions. Employees leaving the Corporation and recruits who have turned down positions have consistently referenced the opportunity for career advancement and higher wages and benefits. AHFC has restructured its salary schedule to attract and retain quality employees.

A key component of AHFC's Strategic Plan is to "plan and organize a statewide housing conference" to "expand partnerships to strengthen program and service delivery." AHFC feels it is important to strengthen relationships with regional housing authorities and other housing delivery organizations. A statewide housing conference will give AHFC an opportunity to network with other agencies and nonprofits to develop partnerships to enhance AHFC's housing programs and delivery systems.

Several important programs, formerly found in the Capital Budget, have been moved into the Operating Budget. These programs are considered on going and are important to the Corporation. To facilitate AHFC's energy loan programs, it is extremely important that builders and raters, especially those who certify compliance, are trained and certified by the Corporation as receiving the qualified training. AHFC feels it is important to provide a measure of support to the Association of Alaska Housing Authorities (AAHA) to coordinate activities and training to all Regional Housing Authorities. The Corporation also supports the Rural Alaska Sanitation Task Force to insure that rural community members are active participants on the Governor's Sanitation Task Force. Other important projects include the Rural Housing Needs Assessment Study and the analysis of the current census data related to housing.

### **Major BRU Accomplishments for FY2000**

Received a STRONG ranking with STABLE outlook from Standard & Poor's Public Housing Authority Evaluation.

Developed, published, and distributed agency-wide second annual Missions and Measures for results-oriented budgeting for the Corporation.

Maintained and continued to expand our website to include more information and notices (programs, grants, jobs, workshops/classes, etc.), applications (grants, jobs, etc.), and financials (balance sheets, bonds, etc.). The website received the highest possible rating (4\*) from MuniNet Guide & Review, an independent research company intended to help government users stay abreast of new and/or improving Internet sites.

Reduced documentation required and streamlined procedures for loan commitments and purchases and worked toward implementing electronic submission of loan files.

Provided \$561 million for 4,295 Alaskans to purchase homes (does not include Streamlined Refinance loans).

Maintained a delinquency rate of less than 4%.

Purchased 2,205 new Tax-Exempt First Time Home Buyer loans totaling \$229.3 million, an increase of 21%.

Implemented the Taxable First-Time Home Buyer Program and purchased 285, totaling \$42.4 million.

Provided lower mortgage rates to 1,530 low-income borrowers under the Interest-Rate Reduction for Low-Income Borrowers Program, a 24% increase.

Increased mortgage loan activity by 20% in the urban loan programs.

Purchased 76 Multi-Family Loans totaling \$54.5 million, an increase of 57%.

Completed planning and development of the Annual Action Plan for the Housing & Community Development Plan (HCD) and the Annual Performance Report (APR), bringing \$7 million HUD funds to Alaska.

Additional accomplishments listed in the Appendix of FY2002 Missions & Measures.

## Key Performance Measures for FY2002

**Measure: The administrative costs per dollar of investment.**  
*(Developed jointly with Legislature in FY2000.)*

**Current Status:**

FY00: 5.82% (Operating Expenses/Mortgage Purchases)  
FY99: 5.21% (Operating Expenses/Mortgage Purchases)  
FY98: 7.65% (Operating Expenses/Mortgage Purchases)

**Measure: The net income of the corporation.**  
*(Developed jointly with Legislature in FY2000.)*

**Current Status:**

FY2000 Net Income: \$81,802,000  
FY1999 Net Income: \$79,850,000  
FY1998 Net Income: \$95,916,000

**Measure: The percentage of AHFC-owned housing compared to privately owned housing in the marketplace.**  
*(Developed jointly with Legislature in FY2000.)*

**Current Status:**

FY00 Market Share: 43%  
FY99 Market Share: 33%  
FY98 Market Share: 30%

**Measure: The public housing management assessment score.**  
*(Developed jointly with Legislature in FY2000.)*

**Current Status:**

FY2000 PHAS Score: Waiting Federal Action.  
FY1999 PHMAP Score: 100% (fourth year in a row).  
FY1998 PHMAP Score: 100% (third year in a row).  
FY1997 PHMAP Score: 100% (second year in a row).  
FY1996 PHMAP Score: 100%

**Measure: Increase the loan portfolio.**  
*(Not yet addressed by Legislature.)*

**Current Status:**

Loan portfolio @6/30/00: 28,325 loans / \$2,714,816,145  
Loan portfolio @6/30/99: 26,776 loans / \$2,367,754,000  
Loan portfolio @6/30/98: 26,159 loans / \$2,119,516,000

**Measure: Increase the number of loan applications.**  
*(Not yet addressed by Legislature.)*

**Current Status:**

FY2000 Loan applications:  
Urban: 3,940 loans / \$600,240,636  
Rural: 609 loans / \$92,034,078

FY1999 Loan applications:  
Urban: 3,954 loans / \$526,391,308

Rural: 825 loans / \$128,060,289

FY1998 Loan applications:

Urban: 4,045 loans / \$465,561,468

Rural: 825 loans / \$117,697,768

**Measure: Increase mortgage loan purchases.**

*(Not yet addressed by Legislature.)*

**Current Status:**

FY2000 Mortgage loan purchases: 4,421 / \$618,626,813

FY1999 Mortgage loan purchases: 5,187 / \$639,980,000

FY1998 Mortgage loan purchases: 3,503 / \$431,440,000

**Benchmark:**

FY2002 construction schedule.

**Measure: Maintain or increase the rating of the Section 8 Management Assessment Program (SEMAP) score.**

*(Not yet addressed by Legislature.)*

**Benchmark:**

Not yet established.

**Measure: Maintain timely completion of construction projects.**

*(Not yet addressed by Legislature.)*

**Current Status:**

FY2002 construction schedule.

**Benchmark:**

FY2002 construction schedule.

**Status of FY2001 Performance Measures**

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• The administrative costs per dollar of investment.		X			
• The net income of the corporation.		X			
• The percentage of AHFC-owned housing compared to privately owned housing in the marketplace.		X			
• The public housing management assessment score.		X			
• Increase the loan portfolio.			X		
• Increase the number of loan applications.		X			
• Increase mortgage loan purchases.		X			
• Maintain or increase the rating of the Section 8 Management Assessment Program (SEMAP) score.			X		
• Maintain timely completion of construction projects.			X		

**Alaska Housing Finance Corporation  
BRU Financial Summary by Component**

*All dollars in thousands*

	FY2000 Actuals				FY2001 Authorized				FY2002 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<b>Formula Expenditures</b>												
None.												
<b>Non-Formula Expenditures</b>												
Operations	0.0	17,657.6	16,336.9	33,994.5	0.0	18,866.1	16,146.1	35,012.2	0.0	20,218.6	17,311.6	37,530.2
Anc. State Office Building	0.0	0.0	1,984.7	1,984.7	0.0	0.0	1,984.7	1,984.7	0.0	0.0	1,984.7	1,984.7
<b>Totals</b>	<b>0.0</b>	<b>17,657.6</b>	<b>18,321.6</b>	<b>35,979.2</b>	<b>0.0</b>	<b>18,866.1</b>	<b>18,130.8</b>	<b>36,996.9</b>	<b>0.0</b>	<b>20,218.6</b>	<b>19,296.3</b>	<b>39,514.9</b>

**Alaska Housing Finance Corporation**  
**Proposed Changes in Levels of Service for FY2002**

- A. Add Corporate funds for programs transferring from the Capital Budget to Operating Budget:  
     Alaska Association of Housing Authorities (AAHA) Support  
     Rural Alaskan Sanitation Task Force Support  
     Builder & Rater Education
- B. Add Corporate, Federal, and CIP funds to restructure the Salary Schedule.
- C. Add three PCNs & Federal funds to administer 370 new Section 8 Vouchers.
- D. Add additional Federal funds to administer the Conventional Low Rent Program.
- E. Add two PCNs for Compliance Auditors to monitor projects in the HOME and Tax Credit programs.
- F. Add Corporate and Federal funds for increases in fixed costs.
- G. Miscellaneous Line Item Transfers.

**Alaska Housing Finance Corporation**  
**Summary of BRU Budget Changes by Component**  
**From FY2001 Authorized to FY2002 Governor**

*All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2001 Authorized</b>	<b>0.0</b>	<b>18,866.1</b>	<b>18,130.8</b>	<b>36,996.9</b>
<b>Adjustments which will continue current level of service:</b>				
-Operations	0.0	73.9	101.4	175.3
<b>Proposed budget increases:</b>				
-Operations	0.0	1,278.6	1,064.1	2,342.7
<b>FY2002 Governor</b>	<b>0.0</b>	<b>20,218.6</b>	<b>19,296.3</b>	<b>39,514.9</b>