



**ASSOCIATION OF
ALASKA HOUSING AUTHORITIES**

Building communities, empowering Alaskans.

FY 2018

State Legislative Priorities

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The Association of Alaska Housing Authorities (AAHA) is a 501(c)(3) non-profit corporation whose current membership consists of 14 regional housing authorities (RHAs) created pursuant to Alaska State statute, plus the Alaska Housing Finance Corporation (AHFC). AAHA is dedicated to increasing the supply of quality, affordable housing in Alaska. In partnership with AHFC and our other state, federal and private sector partners, AAHA members serve residents and communities in every part of Alaska, both rural and urban. The regional housing authorities have built an estimated 12,000 housing units since their inception in 1971. Approximately 20,000 Alaskans live in housing built, improved and/ or managed by RHA's. *AAHA members, working with our partners, are one of the largest employers in rural Alaska and play a critical role in sustaining many local economies.* They are also a major player in the state's urban centers – Cook Inlet Housing Authority has built more new, affordable housing in Anchorage in the last ten years than any other organization.

Alaska RHA's statewide 2014 economic impacts:

- Generated approximately \$247 million direct & indirect statewide economic activity
- Employed approximately 1,700 individuals
- Constructed 141 highly energy-efficient homes
- Weatherized 575 homes
- Rehabbed 1,100 homes
- Provided direct & indirect benefits to an estimated 50,000 Alaskans

Another critical function that AAHA serves is to provide a forum for private market lenders, housing-related agencies, and other housing partners to share expertise and information with the purpose of developing effective strategies for increasing the supply of affordable housing in Alaska.

AAHA members greatly appreciate the ongoing efforts of Alaska's Governor, State Legislators and staff in supporting affordable housing, job creation and economic development in our state. We look forward to working with you to advance our mutual interest in improving the lives of those we have the privilege to serve.

**Association of Alaska Housing Authorities
Executive Summary of
FY 2018 State Legislative Priorities**

Priority #1: AAHA strongly supports the Governor’s Budget Request for the AHFC Supplemental Housing Development Grant (SHDG) Program for \$3 million.

Although the RHA’s have demonstrated an approximate annual need of \$12 - \$15 million for this critical housing program, acknowledging the severe budget constraints the state is facing, AAHA strongly supports the Governor’s request and seeks legislative support for maintaining the FY 2018 appropriated amount of \$3 million. The SHDG program provides a 20% match to federal HUD funds, and this investment results in the creation of hundreds of jobs, critically needed new and rehabilitated housing infrastructure and millions of dollars in construction related purchases in both rural and urban Alaska.

Priority #2: AAHA strongly supports continued state investment in the AHFC Weatherization Program.

The success of the Weatherization Program in reducing the use of fossil fuels (20-40%), reducing the energy bills of Alaskans (20-40%), improving housing stock across the state, creating jobs, and boosting struggling local economies has been unprecedented. While AAHA fully understands and appreciates the current state budget crisis, we also believe strongly that “maintenance” level funding is a critically important and economically sound state investment. AAHA urges the legislature to continue to capitalize on its existing investment and provide access to this critical program for the most needy Alaskans.

Priority #3: AAHA strongly supports the Governor’s Budget Request for the AHFC Senior Citizens Housing Development Grant Program (SCHDGP) for \$1 million to meet the rapidly growing need for senior housing in Alaska.

Keeping our seniors residing in Alaska is sound social and fiscal policy and another great investment of state resources. Again, notwithstanding state budget issues and the growing need for these funds, AAHA strongly supports maintaining minimum funding of \$1 million to help meet this rapidly growing need, and at least keep this important program “alive,” with the opportunity we hope, to grow as our state budget issues are resolved and our economy recovers and grows as well. AHFC estimates the requested funds will provide necessary “gap funding” which will result in funding three new projects consisting of the development of approximately 30 new senior housing units. It is also important to note that the Rasmussen Foundation matched the proposed legislative appropriation for FY 2017.

Priority #4: Support the passage of HB 81 which expands the eligibility for the Alaska Energy Efficiency Revolving Loan Fund (AEERLF) to include non-profit entities, federally recognized tribes and Regional Housing Authorities.

In 2010, the state created the AEERLF (AS 18.56.855) permanent energy-efficient improvements to buildings owned by public entities such as schools, the University of Alaska, and municipal governments. To date, the AEERLF has seen exceptionally limited use, loaning less than 1% of the authorized \$250 Million. Representative Kreiss-Tomkins introduced HB 81 to expand the eligibility for the AEERLF to include non-profit entities, federally recognized tribes and Regional Housing Authorities, and thereby, increasing the utilization of the loan program.

**Association of Alaska Housing Authorities
2018 State Legislative Priorities
Supporting Information**

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Priority #1: AAHA strongly supports the Governor’s Budget Request for the AHFC Supplemental Housing Development Grant Program for \$3 million.

Background: The AHFC Supplemental Housing Development Grant Program (SHDGP) has been in existence since the late 1980’s and has appropriated more than \$201 million to augment billions of federal HUD funds and \$50 million in Public Health Service funds for the new construction and rehabilitation of 22,328 homes in 250 urban and rural communities. The program has been incredibly valuable in supplementing federal, other state and private resources directed at meeting Alaska’s low-income affordable housing needs and providing development “gap funding” that in many cases is “make or break” funding that allows a project to move forward. As documented by a third party for AAHA’s Economic Impact Study, a senior RHA Manager stated, “Making housing projects happen requires layering piece after piece into a capital stack that works. If you remove any of the pieces, it creates a development gap and the project can’t happen. State funds- like the 20% “match” that comes through AHFC’s supplemental grant program- are key to creating the foundation needed to keep moving forward and adding pieces to the stack.” Without this funding the number of housing projects initiated by RHAs would decrease significantly and the impact of that decrease would ripple through the state economy. Small rural communities would be particularly hard hit.

This funding will be used for:

- Construction of affordable homes in urban and rural communities;
- Providing critical infrastructure to housing developments such as:
 - On site water and sewer facilities
 - Road access
 - Electrical distribution systems
- Provided energy-efficient design features in newly constructed homes;
- Retrofit homes to provide a safe, healthy, livable home environment; and
- Providing safe, energy efficient, healthy and comfortable housing to Alaskans.

Alaska RHAs receive approximately \$90 million each year of HUD NAHASDA funds, the majority of which is spent for new development. The SHDGP provides up to 20% of the total development costs for: energy efficiency; water and sewer; electrical distribution; and, access roads for these HUD NAHASDA funded projects. That is a federal-state funding ratio of 5:1. It is a wise investment of state funds to be combined with matching federal and other funds, which result in a critical boost to struggling local economies throughout the state. Each year, the program is a critical component of RHA projects and create hundreds of jobs, resulting in millions of dollars in new infrastructure and construction related purchases in both rural and urban Alaska.

RHAs are the primary, and in most rural communities the sole developer of new housing units (approximately 150-200 units per year), and generally one of the only entities providing rehabilitation and modernization of existing units (approximately 700-750 units). The families and communities served each year would be significantly reduced without these critical funds. As noted above, many projects simply would not be feasible or built without these funds. This valuable program is a wise investment of state funds.

Priority #2: AAHA strongly supports continued state investment in the AHFC Weatherization Program.

Background: The Weatherization program has been overwhelmingly successful in meeting several important AAHA, Alaska Legislature and Administration objectives. These include:

- Providing the means to implement *the most cost effective method of addressing significant rural energy issues;*
- Stimulating significant job creation;
- Providing a major stimulus to the local cash economy of rural Alaska;
- Significantly reducing local communities dependence and the use of fossil fuels;
- Decreasing state expenditures on social service and other programs such as Alaska Affordable Heating Program (AAHP) and Power Cost Equalization (PCE);
- Improving the health and safety of Alaska residents; and
- Stemming out-migration of rural residents to urban centers.

A 2014 AHFC Alaska Housing Assessment (conducted by Cold Climate Housing Research Center in Fairbanks) contained alarming statistics on the poor state of housing in Alaska, and provides a platform for assessing the cost of *not* continuing to invest in this critical program. A couple of important data points include the following:

- 75,000 households in Alaska are cost-burdened, meaning the household spends more than thirty (30) percent of its income on heat and electricity; and
- Sixty (60) percent of households have inadequate ventilation, are potentially unsafe and the likely cause of significant health risks. One in five Alaska Native infants are hospitalized each year for serious, chronic, lower respiratory problems. Some regions are five times the national average.

AAHA members have been at the forefront of the Weatherization program implementation across the State since the inception of the expanded program, and are making a significant impact on improving these statistics. It is unclear how many homes contractors will continue to weatherize each year given the current budget proposals, but in the recent funding cycle it was approximately 600-650 homes every year. Prior to budget cuts of almost 50% a couple of years ago, this number was 1000-1200 homes per year. Thousands have been completed and many more remain on waitlists. Far less than half of the eligible homes have been weatherized so far. *The program has been phenomenally successful in reducing energy usage and costs, on average by 33%, with many saving 40% or more.* The impact of the annual savings for families and communities can hardly be overestimated.

An average homeowner savings of 33% represents approximately \$1500 in cash savings. *In a community with 100 weatherized homes, that is an additional community wide savings of \$150,000. Given the number of homes weatherized to-date statewide (approximately 15,300), that's an incredible statewide savings of approximately \$23 million per year – year after year.* These savings are re-circulated to help support additional employment, infrastructure and struggling local economies. *These savings represent a significant return on the state's investment.*

AAHA greatly appreciates the broad based political support the Weatherization program has received and looks forward to being an active partner with AHFC, the Legislature and the Administration in continuing to build and deliver what we believe to be the best weatherization program in the nation, and perhaps most importantly, *the proven most cost effective solution to meeting the energy crisis, particularly in rural Alaska.*

Priority #3: AAHA strongly supports the Governor's Budget Request for the AHFC Senior Citizens Housing Development Grant Program (SCHDGP) for \$1 million to meet the rapidly growing need for senior housing in Alaska.

Background: The Alaska Housing Finance Corporation's *Senior Citizens Housing Development Fund* was created for the purpose of providing funding to qualified organizations to develop senior citizen housing. Eligible program activities include acquisition, rehabilitation, accessibility modification, new construction and pre-development costs. Although the SCHDGP has historically had very limited program funding, these limited funds have remained an important component to make most senior new development projects possible. It is unlikely any senior housing will be constructed without this component of funding.

Although AHFC receives application requests for this program that have historically exceeded \$10 million, AAHA appreciates the prior Legislative and Administration support to keep this program operating at minimal levels. The program was "zeroed out" in FY 2016, and AAHA was pleased to see the funding reinstated in FY 2017 at a level \$1.75M. Recognizing this critical need, it is important to note that the Rasmussen Foundation has made a commitment to match the proposed legislative appropriation of FY 2017.

More & more Alaska seniors are expressing a desire to remain in the State as they age and are playing an increasingly important role in the Alaska economy and all other aspects of life here in our great State. Statistics verify the cost-effectiveness of the program. Providing quality senior housing greatly reduces the state financial burden of potential health care and other senior related costs such as assisted living. It is critical that the needs and role of seniors be recognized by supporting one of the most critical of all senior needs – affordable housing.

Priority #4: Support the passage of HB 81 which expands the eligibility for the Alaska Energy Efficiency Revolving Loan Fund (AEERLF) to include non-profit entities, federally recognized tribes and Regional Housing Authorities.

Background: In 2010, the state created the AEERLF (AS 18.56.855) for permanent energy-efficient improvements to buildings owned by certain types of entities. The program was established to make loans to public entities such as schools, the University of Alaska, and municipal governments. To date, the AEERLF has seen exceptionally limited use, loaning less than 1% of the authorized \$250 Million. Representative Kreiss-Tomkins introduced HB 81 to expand the eligibility for the AEERLF to include non-profit entities, federally recognized tribes and Regional Housing Authorities, and thereby, increasing the utilization of the loan program.

AAHA supports the expansion of access to the AEERLF program and looks forward to utilizing the program as originally intended to improve energy efficiency on eligible Alaska buildings. Expanding this program will bring essential energy efficiencies to communities across the state while not costing the state a dime. There is not an appropriation for this program, and the expansion is a win-win situation for the state and non-profit, tribal entities and regional housing authorities.

Alaska RHAs have a proven track record of implementing the most popular energy efficiency program ever sanctioned and funded by the Alaska Legislature, the AHFC Weatherization Assistance Program. The Weatherization Program has created an estimated 2,700 short-term and 300 permanent jobs across Alaska. The work force trained for the Weatherization Program will transfer nicely for the implementation requirements of the AEERLF program. If utilized on a broader level, through passage of HB 81, there is potential that the AEERLF program can allow for some stability of this work force. RHA's look forward to assisting the state with the expansion and more expanded utilization of the AEERLF Program and furthering the State's commitment to the More Energy Efficient Buildings Act.

Thank you for your consideration of our concerns and priorities.

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