

Winning and the Drawing Board: The overlap of good ideas and funded proposals

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Agenda

- ❑ Introduction
 - ❖ Competitive Program Funding – Daniel
 - ❖ Lending Programs – Jan

- ❑ Market Dynamics Tracked by AHFC
 - ❖ Data Purpose and Use
 - ❖ The Data: rental and homebuyer markets

- ❑ Development Cost Trends across the State

- ❑ Housing Models
 - ❖ Alternative Designs - trends
 - ❖ Mixed Use Facilities: perceptions & financials
 - ❖ Alternative energy systems: perception & performance

Competitive Programs - Scope

- Develop, implement and manage programs that expand mission-focused housing opportunities for Alaskans through
 - Construction: Building, acquiring and / or renovation housing
 - Operating Support: Expanding shelter, supportive housing and intervention services for Alaskans
- Provide planning, research and analysis of Alaska's housing market conditions to inform program administration
- Funded proposals typically have three things in common:
 - They do work that needs doing, but otherwise wouldn't get done
 - They do the work in a cost effective way
 - They have buy-in from several stakeholders and / or funding partners

Programs - Outcomes

- Housing Production
 - Approximately 160 units per year for low-income families, seniors, the homeless and disabled Alaskans
 - Approximately 8-12 units per year for rural professionals
- Supportive Housing
 - Primarily focused on Alaskans who are disabled, homeless, at risk of homelessness, victims of domestic violence and / or human trafficking
 - Support approximately 300 units of supportive housing
 - Serve over 12,000 vulnerable Alaskans each fiscal year through homeless prevention, rapid re-housing, and shelter operations

Program Partners

- Alaska Mental Health Trust Authority
- Denali Commission
- Local Governments
- Rasmuson Foundation
- State of Alaska:
 - Department of Corrections
 - Department of Labor and Workforce Development
 - Department of Health and Social Services

Lending Programs - AHFC Advantage



Lending Partners – Approved Lenders

Lender	NMLS #	SF / MF / CCAP
Academy Mortgage	3113	SF, CCAP
Alaska USA Fed CU	409001	MF
Alaska USA Mtg. Company	157293	SF
Neighborworks Alaska Homeownership Center	1731415	SF
Cornerstone Home Lending	2258	SF
Denali Home Loans	445426	SF
Denali State Bank	311758	SF
First Bank	421662	SF, MF
First National Bank	640297	SF, MF, CCAP
Guild Mortgage	3274	SF, CCAP
Home Funding Corp.	91487	SF
Homestate Mortgage Co.	189191	SF
Kodiak Island Hsg. Authority	287823	SF, MF

Lender	NMLS #	SF / MF / CCAP
Mat Valley FCU	418470	SF
Mt. McKinley Bank	479281	SF, MF, CCAP
Northrim Bank	490464	MF
Primary Residential Mtg. Inc.	3094	SF
Prime Lending	13649	SF
Residential Mortgage, LLC	167729	SF, MF
Spirit of Alaska FCU	402231	SF, MF
Stearns Home Loans	1854	SF
Tlingit-Haida Reg. Hsg. Auth.		SF
Tongass FCU	519201	SF
True North FCU	440100	SF
Wells Fargo Bank Commercial Real Estate Grp		MF
Wells Fargo Home Mtg.	399801	SF

Market Dynamics Tracked by AHFC

Data Purpose and Use

- The data helps illustrate what program investments are needed, and where
- The data helps illustrate when program investments would crowd out or adversely impact the housing markets and / or property owners
- The data helps us set realistic and relevant program objectives, and scoring incentives for competitive funds

AHFC's Rental Market Survey

- Conducted by the Alaska Department of Labor since 1993
- Surveys sent out in early March each year
- Surveys sent to potential landlords, property managers, and owners of residential rental properties. These are found through tax files, business licenses, and classified advertisements
- Excludes rental units with income and affordability restrictions
- Vacant units determined by any unit that was “available or expected to be available” during the week of March 10th

Rental Market Published Summary

Rental Costs and Vacancy Rates 2020

All Units, Selected Boroughs and Census Areas

Survey Area	Median Rent (\$)		Number of Units		Vacancy Rate (%)	Heating: Natural Gas (%)	Percentage of Units with Utilities Included in Contract Rent						
	Contract	Adjusted	Surveyed	Vacant			Heat	Light	Hot Water	Water	Refuse	Sewer	Snow Removal
Municipality of Anchorage*	\$1,000	\$1,140	7,793	444	5.70%	95.42%	77.08%	22.61%	79.34%	45.80%	95.18%	45.76%	91.33%
<i>Anchorage</i>	\$1,000	\$1,135	7,381	425	5.76%	95.18%	78.34%	23.64%	80.79%	66.67%	38.89%	72.22%	93.19%
<i>Eagle River</i>	\$1,255	\$1,440	388	17	4.38%	100.00%	54.64%	2.58%	54.38%	24.48%	60.82%	23.20%	59.79%
Fairbanks North Star Borough*	\$1,095	\$1,239	3,351	636	18.98%	1.79%	88.70%	13.70%	77.53%	88.09%	83.41%	86.84%	64.10%
<i>Fairbanks</i>	\$1,053	\$1,215	2,753	534	19.40%	2.18%	93.10%	14.57%	82.78%	90.85%	90.30%	91.94%	64.15%
<i>North Pole</i>	\$1,200	\$1,418	562	90	16.01%	0.00%	67.62%	10.14%	56.41%	75.80%	54.45%	63.88%	64.77%
Juneau Borough*	\$1,175	\$1,257	1,116	49	4.39%	18.00%	53.32%	19.53%	49.19%	99.37%	93.64%	99.28%	85.04%
<i>City of Juneau</i>	\$1,180	\$1,260	957	43	4.49%	21.00%	53.08%	21.11%	50.26%	99.27%	92.79%	99.16%	85.58%
<i>Douglas</i>	\$1,200	\$1,260	135	6	4.44%	0.00%	46.67%	8.89%	32.59%	100.00%	98.52%	100.00%	78.52%
Kenai Peninsula Borough*	\$875	\$1,009	1,076	114	10.59%	80.67%	66.08%	23.79%	65.80%	86.99%	75.09%	84.76%	80.02%
<i>Homer</i>	\$900	\$1,200	315	21	6.67%	53.65%	45.40%	16.83%	38.73%	69.21%	67.30%	64.76%	68.25%
<i>City of Kenai</i>	\$825	\$918	357	39	10.92%	99.72%	82.91%	21.57%	85.43%	96.64%	84.31%	93.28%	88.24%
<i>Soldotna</i>	\$865	\$975	281	39	13.88%	97.51%	73.67%	23.13%	74.02%	97.15%	80.78%	97.51%	88.26%
Ketchikan Gateway Borough*	\$1,005	\$1,115	517	59	11.41%	0.58%	77.95%	32.69%	60.74%	51.64%	48.74%	51.84%	62.86%
Kodiak Island Borough*	\$1,200	\$1,264	476	54	11.34%	0.00%	69.75%	13.66%	62.61%	89.92%	89.92%	89.71%	55.46%
Matanuska Susitna Borough*	\$950	\$1,050	976	48	4.92%	95.80%	53.89%	12.40%	53.48%	91.80%	84.02%	80.33%	71.11%
<i>Palmer</i>	\$1,000	\$1,132	136	9	6.62%	96.32%	51.47%	16.18%	50.00%	81.62%	73.53%	70.59%	60.29%
<i>Wasilla</i>	\$945	\$1,044	808	33	4.08%	98.76%	54.08%	11.76%	53.96%	93.56%	86.63%	81.93%	73.02%
Sitka Borough*	\$1,000	\$1,300	289	40	13.84%	35.00%	24.91%	10.73%	26.30%	14.88%	10.03%	13.49%	46.37%
Valdez-Cordova CA*	\$1,100	\$1,255	284	21	7.39%	2.11%	70.42%	31.34%	61.97%	82.39%	80.99%	82.75%	81.34%
<i>Valdez</i>	\$1,175	\$1,305	214	10	4.67%	0.00%	70.09%	29.91%	58.41%	87.85%	87.85%	87.85%	82.24%
Wrangell-Petersburg CA*	\$745	\$904	154	14	9.09%	0.00%	50.65%	9.09%	31.82%	53.90%	58.44%	53.90%	64.29%
Balance of State*	\$1,400	\$1,400	187	9	4.81%	31.02%	73.26%	12.30%	59.36%	57.75%	52.41%	56.15%	65.24%
Survey Total	\$1,015	\$1,155	16,219	1,488	9.17%	57.77%	74.10%	19.77%	71.42%	65.51%	86.39%	64.35%	79.81%

* These lines show the total survey results for each Borough or Census Area

Italics - These are sub-areas of each Borough or Census Area, and contain 100 or more survey responses. Sub-area responses are included in the respective Borough or Census Area totals.

Rental Market Surveyed Unit Trends

Borough or Census Area	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	1-Year Change
ANCHORAGE	7750	7,910	7,886	8,389	8,247	8,215	8,306	8,210	8,055	7,793	-3.25%
FAIRBANKS	3206	2,962	2,912	2,885	3,034	2,956	3,002	2,941	3,126	3,351	7.20%
JUNEAU	1141	1,009	936	1,000	1,084	1,062	1,003	989	1,087	1,116	2.67%
KENAI	804	903	1,017	1,022	1,043	1,001	1,109	1,113	1,038	1,076	3.66%
KETCHIKAN	408	437	407	394	422	389	473	383	430	517	20.23%
KODIAK	343	385	400	349	390	363	375	502	499	476	-4.61%
MAT-SU	885	940	916	1,018	1,198	1,134	1,212	1,162	1,077	976	-9.38%
SITKA	304	313	308	291	298	276	345	348	327	289	-11.62%
VALDEZ-CORDOVA	163	161	161	231	236	236	257	418	274	284	3.65%
WRANGELL-PETERSBURG	162	158	152	143	132	134	157	154	139	154	10.79%
BALANCE OF STATE	265	239	219	167	295	259	415	409	344	187	-45.64%
SURVEY TOTAL	15431	15,417	15,314	15,889	16,379	16,025	16,654	16,629	16,396	16,219	-1.08%

Percentages in red show a decrease in survey responses for a given area

Rental Market Vacancy Rates 10-year Trends

Borough or Census Area	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	1-year Change	10-year Average
Anchorage	2.28%	2.59%	3.28%	3.21%	3.92%	3.79%	5.08%	6.20%	5.18%	5.70%	0.52%	4.12%
Fairbanks	8.23%	8.27%	9.20%	15.60%	15.99%	11.16%	12.23%	13.67%	18.97%	18.98%	0.01%	13.23%
Juneau	3.16%	3.17%	3.53%	3.40%	3.41%	3.30%	5.68%	4.15%	5.98%	4.39%	-1.59%	4.02%
Kenai	8.21%	5.54%	4.62%	6.65%	6.81%	8.79%	11.27%	10.69%	9.25%	10.59%	1.35%	8.24%
Ketchikan	11.52%	8.24%	9.83%	10.41%	13.27%	9.25%	9.94%	10.97%	7.21%	11.41%	4.20%	10.20%
Kodiak	2.04%	2.34%	4.50%	5.73%	4.62%	7.99%	6.93%	8.96%	14.63%	11.34%	-3.28%	6.91%
Mat-su	4.86%	3.51%	5.13%	5.30%	3.34%	3.62%	7.59%	7.31%	5.85%	4.92%	-0.93%	5.14%
Sitka	8.22%	7.67%	8.44%	7.22%	8.72%	8.33%	7.54%	5.75%	8.26%	13.84%	5.58%	8.40%
Valdez-Cordova	1.23%	3.11%	9.32%	3.46%	3.39%	5.93%	4.67%	4.55%	5.47%	7.39%	1.92%	4.85%
Wrangell-Petersburg	3.09%	4.43%	7.89%	5.59%	3.79%	9.70%	12.74%	12.99%	12.23%	9.09%	-3.14%	8.15%
Survey-wide	4.39%	4.38%	5.15%	6.22%	6.69%	5.81%	7.34%	7.93%	8.62%	9.17%	0.56%	6.57%

Notes:

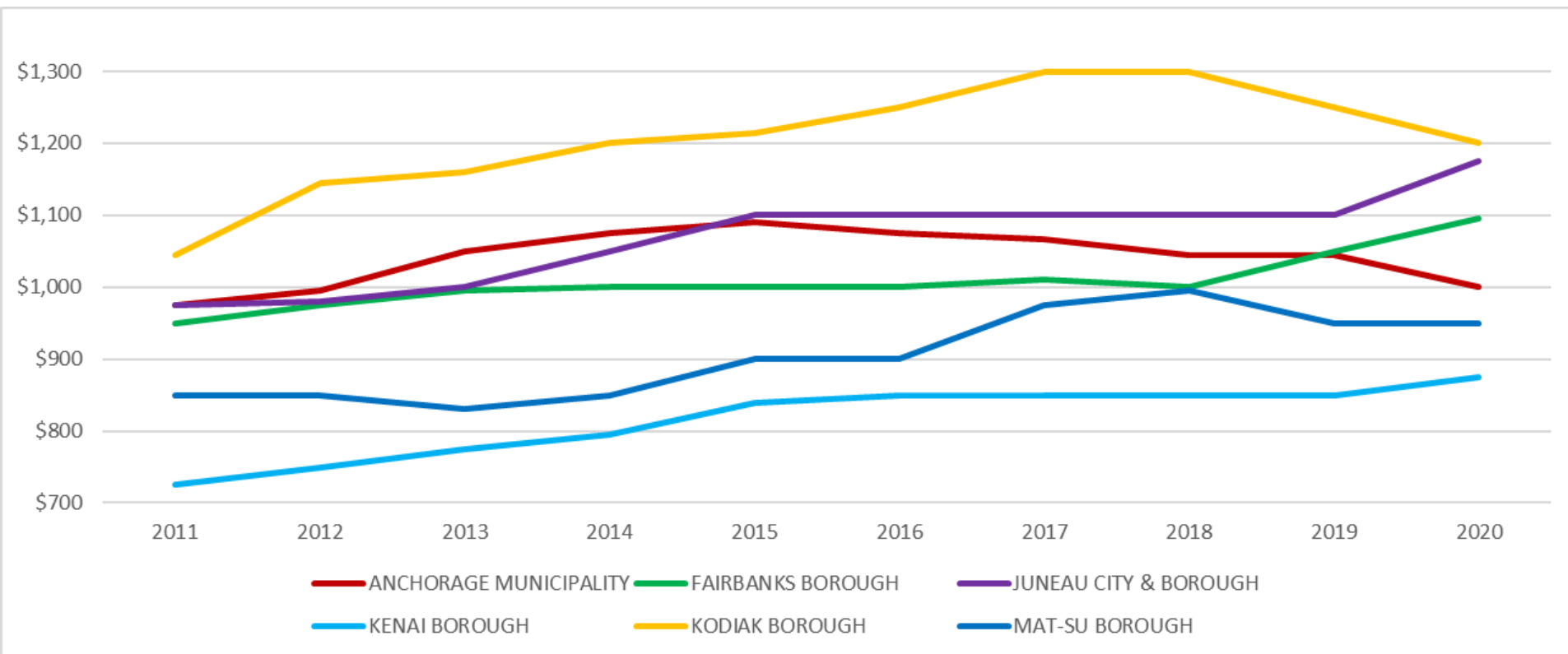
-1-year change percentages in red show an increase in vacancy rates

-10-year average in red shows where 2020 vacancy is above average

These data exclude rental units with income and / or affordability restrictions

Rental Market

Median Contract Rents 2011-2020



Rental Market Median Rent and Income Trends

Borough or Census Area	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	1-year change	Rent Change 2011-2020	Median Income Change 2011-2020
ANCHORAGE	\$1,085	\$1,109	\$1,154	\$1,178	\$1,189	\$1,214	\$1,200	\$1,197	\$1,165	\$1,140	-2.15%	5.07%	15.83%
FAIRBANKS	\$971	\$1,045	\$1,104	\$1,138	\$1,113	\$1,115	\$1,120	\$1,133	\$1,190	\$1,239	4.12%	27.60%	1.53%
JUNEAU	\$1,072	\$1,066	\$1,100	\$1,173	\$1,201	\$1,253	\$1,243	\$1,261	\$1,167	\$1,257	7.71%	17.26%	26.80%
KENAI	\$835	\$865	\$900	\$909	\$940	\$993	\$987	\$987	\$983	\$1,009	2.64%	20.84%	22.21%
KETCHIKAN	\$944	\$972	\$995	\$944	\$1,000	\$1,094	\$1,096	\$1,125	\$1,149	\$1,115	-2.96%	18.18%	13.38%
KODIAK	\$1,172	\$1,357	\$1,365	\$1,350	\$1,419	\$1,419	\$1,433	\$1,370	\$1,366	\$1,264	-7.50%	7.81%	45.35%
MAT-SU	\$898	\$1,004	\$940	\$1,017	\$1,044	\$1,072	\$1,105	\$1,139	\$1,050	\$1,050	0.00%	16.93%	2.24%
SITKA CITY	\$1,035	\$1,039	\$1,092	\$1,136	\$1,136	\$1,163	\$1,227	\$1,300	\$1,241	\$1,300	4.75%	25.60%	19.28%
VALDEZ-CORDOVA	\$1,090	\$1,150	\$1,150	\$1,202	\$1,202	\$1,300	\$1,252	\$1,300	\$1,241	\$1,255	1.17%	15.14%	55.28%
WRANGELL-PETERSBURG	\$861	\$861	\$861	\$822	\$853	\$865	\$886	\$912	\$874	\$904	3.38%	4.94%	29.35%
SURVEY-WIDE	\$1,042	\$1,065	\$1,119	\$1,146	\$1,152	\$1,175	\$1,157	\$1,178	\$1,165	\$1,155	-0.86%	10.84%	

*Data Sources: AHFC Rental Market Survey (rents), US Department of Housing and Urban Development (income)

Rental Market

2-Bedroom Units: Income Restricted and Market Rents

2020	AHFC Median Rents Surveyed	HUD Published Fair Market Rents	Rent Limits at 50% of the Area Median Income
Anchorage	\$1,119	\$1,305	\$1,122
Fairbanks	\$1,093	\$1,325	\$1,047
Juneau	\$1,141	\$1,482	\$1,326
Kenai	\$910	\$1,192	\$1,010
Ketchikan	\$1,030	\$1,414	\$982
Kodiak	\$1,306	\$1,432	\$1,107
Mat-su	\$989	\$1,043	\$1,028
Sitka City	\$1,136	\$1,293	\$1,002

*Data Sources: AHFC Rental Market Survey (rents), US Department of Housing and Urban Development (income and Fair market rents)

Home Ownership



Covid-19



Millennial Borrowers

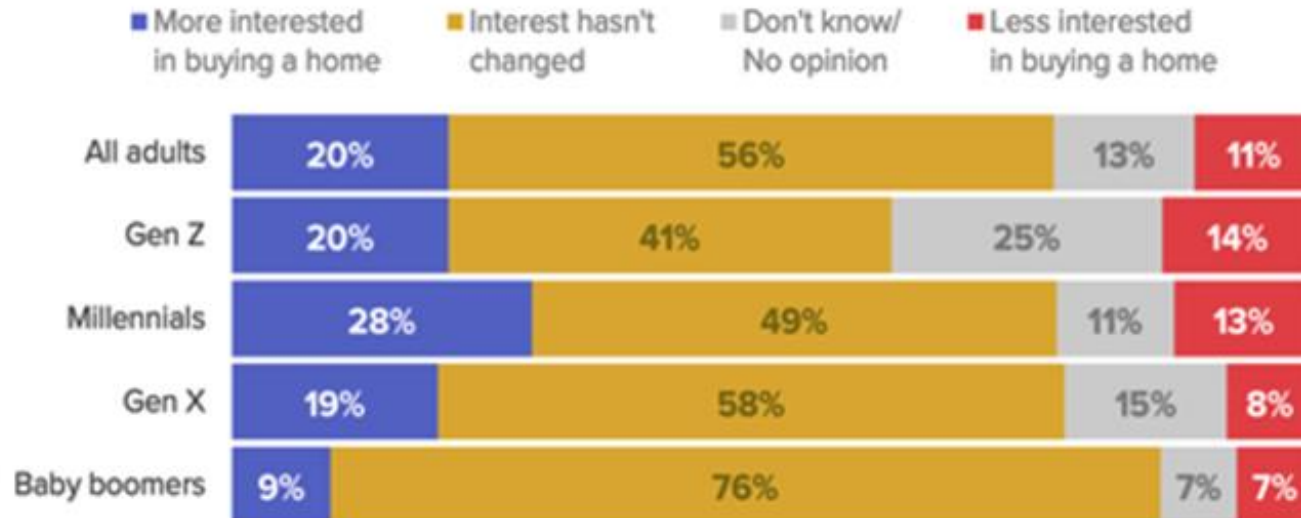


Millennial Borrowers

	<u>Silent</u>	<u>Boomer</u>	<u>Gen X</u>	<u>Millennial</u>	<u>Gen Z</u>	
	<u>(1925-1945)</u>	<u>(1946-1964)</u>	<u>(1965-1980)</u>	<u>(1981-1996)</u>	<u>(1997-2012)</u>	
Age Range:	95-75	74-56	55-40	39-24	23-8	TOTALS:
2015	18	303	650	832	0	1,803
2016	18	239	513	757	4	1,531
2017	11	249	454	796	9	1,519
2018	20	287	611	1159	33	2,110
2019	13	215	441	917	53	1,639
2020	11	169	368	673	45	1,266

How COVID-19 Affected Views on Homeownership

Share of non-homeowning groups who said the coronavirus pandemic has impacted their interest in owning a home in the following ways:



MORNING CONSULT

Poll conducted Sept. 8-10, 2020, among 1,853 adults who aren't homeowners, with a margin of error of +/-2%.

Real Estate



Development Cost Trends: New Construction

Observations

- 52% of our funded developments are in small communities
- Output varies year to year, largely in response to available leverage funds
- Types of facilities funded are changing with the costs
- Costs of funded developments vary from year to year – i.e. no straight lines
- Sponsors are doing more with less
- No silver bullet design has emerged for the higher development costs

Year Funded	Proposals Funded	Units Funded	Average of Cost / Unit	Total Project Costs
Mid to Large Community				
2010	6	79	\$284,265	\$26,560,885
2011	5	164	\$249,156	\$46,939,849
2012	3	94	\$280,529	\$27,633,456
2013	5	128	\$278,893	\$36,438,570
2014	6	207	\$292,231	\$63,597,510
2015	5	187	\$283,378	\$54,199,451
2016	6	142	\$282,407	\$40,038,841
2017	5	172	\$260,446	\$45,811,296
2018	4	104	\$254,538	\$25,965,798
2019	6	145	\$231,169	\$31,781,045
2020	8	212	\$274,266	\$57,014,671
Small Community				
2010	5	30	\$441,346	\$14,439,284
2011	6	19	\$427,546	\$7,919,929
2012	8	24	\$360,338	\$8,413,129
2013	6	47	\$389,487	\$15,360,008
2014	7	24	\$405,221	\$9,596,177
2015	6	15	\$451,699	\$6,615,907
2016	5	16	\$411,776	\$6,946,323
2017	5	29	\$338,541	\$10,127,455
2018	5	41	\$410,060	\$14,563,315
2019	7	57	\$337,538	\$18,087,970
2020	6	43	\$298,897	\$15,785,500
Grand Total	125	1,979	\$331,601	\$583,836,369

*Data Sources: application budgets of AHFC funded proposals for new construction

** Small communities are 6,500 or less off the road system, or 1,600 or less on the road system

Development Cost Trends

Budgeted Costs versus Actuals at Completion

Year Funded	Funded Proposals	Average of Forecast Error
2010	15	-3.15%
2011	12	2.13%
2012	14	3.89%
2013	19	-0.28%
2014	15	1.43%
2015	17	2.33%
2016	12	2.40%
2017	11	1.39%
Summary	115	1.15%

*Data Sources: application budgets of AHFC funded proposals compared to the final cost certifications provided at project completion.

**Data includes BOTH new construction and rehabilitation proposals

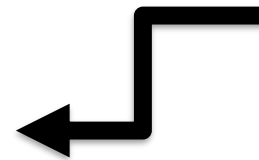
Development Cost Trends

Notes on Costs

- Costs reported to AHFC can differ in format from private sector building costs reported in public discussions
- Affordable housing include costs for programmatic requirements and financing requirements triggered by restrictive uses
- Cost per square foot v cost per unit
 - Smaller units tend to have the higher cost per square foot
 - Cost per unit skews towards the average market size

Housing Models

Mixed Use: perception = reality?



Housing Models

Mixed-Use - Considerations

- Pro's
 - Single financing plan
 - Single building plan
 - Accomplishes multiple objectives within shared infrastructure budget
 - Maximizes scarce space
- Con's
 - Complicated financing
 - Combines disparate risks
 - Volatility of margins
 - Combines historically distinct operators into single proposal

Housing Models: Mixed-Use in Alaska

Wrangell: Dental Clinic & Health
Professional Housing



Funded through AHFC's Rural
Professional Housing program

Anchorage: Northrim bank
downstairs, apartments upstairs



Funded through AHFC's
affordable housing programs

Housing Models

Alternative Energy Systems

Starting in 2013, AHFC provided incentives to rental proposals that incorporated renewable energy sources

- 27 developments incorporated solar energy into the design
- Communities include: Anchorage, Delta Junction, Juneau, Kodiak, Nome, Palmer and Wasilla
- The early word: It pays back sometimes, it doesn't always, and the outcomes might surprise you



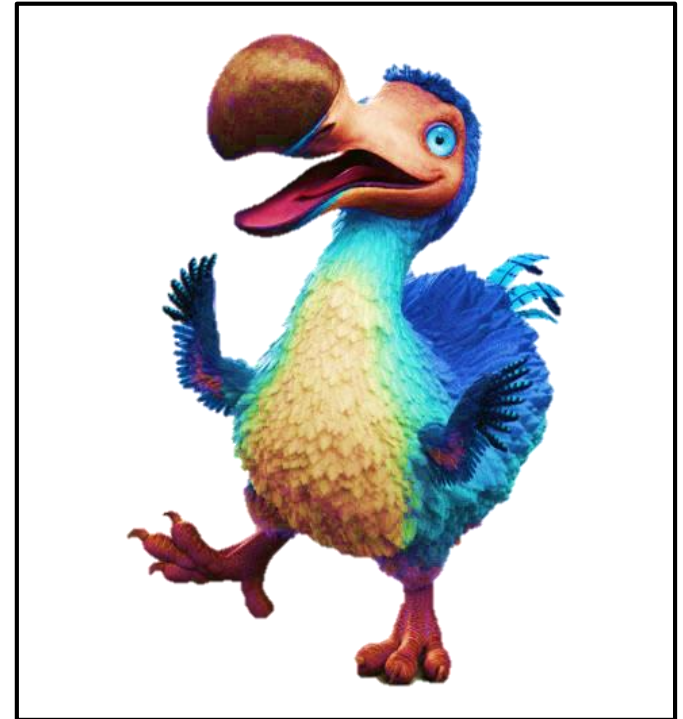
Housing Models Alternative Energy Systems

Beating the modeled performance average matters, but

- Installation cost matters more
- Energy prices matter even more
- Staff training matters too...
- The margin's are relatively small, and...
- Lender requirements might offset the benefit from a system that otherwise pays back over time

Payback Years: Average Production and Average Energy Price	Payback Years: Average Production w Residential Energy Price	Payback Years: Highest Production and Highes Non- Residential Energy Price
20	9	6
24	10	7
26	11	8
33	14	10
43	19	13
43	19	13
43	19	13
46	20	14
47	21	14
48	21	14
48	21	14
50	22	15
64	28	19
53	24	16
58	25	17
60	26	18
61	27	18
68	30	20
70	31	21
81	36	24
82	36	25
82	36	25
93	41	28
110	49	33
112	49	34
124	55	37
159	70	47

Housing Models Tiny Homes



Housing Models Continued



FEMA Trailers, Quonset Huts, Container and Modular homes

Thank You