Juneau Multi-Family Housing Program Feasibility Study

Volume I

Prepared for:

City and Borough of Juneau

Prepared by:

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July, 1994

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August 1, 1994

Subject: Contract No. RFP 94-217, Juneau Multi-Family Housing Program Feasibility Study

Dear Steve:

I am pleased to submit to you the Juneau Multi-Family Housing Program Feasibility Study prepared by Milton B. Barker, Thomas P. King & Associates, and the McDowell Group under Contract No. RFP 94-217 of the City and Borough of Juneau.

The study consists of two volumes. Volume I contains an executive summary and the study itself, divided into four sections. Volume II contains an appendix to the market analysis. Together, the two volumes contain:

The recommendations resulting from the study are contained in Section I, the Market Analysis, along with the findings and body of the market analysis. Detailed pro forma feasibility analyses and other information are contained in the Appendix. Findings of the Juneau Housing Demand Forecast are contained in that section, Section II. The last two sections, the Housing and Land Inventory and the Community Profile, stand on their own as baseline data for the study.

Sincerely,

Milton B. Barker

Milton B. Barker

Juneau Multi-Family Housing Program Feasibility Study

Executive Summary

The main purpose of this study is to determine the demand for, and economic feasibility of, new multi-family housing in Juneau. A housing demand forecast provides estimates of;

- the current pent-up demand;
- demand due to growth in population through the year 2000;
- additional units required to raise vacancy rates from less than 1 percent to 5 percent; and,
- demand necessary to replace multi-family housing destroyed or converted to other uses.

A market analysis assesses the feasibility of constructing new multi-family housing under current rental housing market conditions. It looks at feasibility under the terms and conditions of both currently available financing sources and a proposed Alaska Housing Financing Corporation (AHFC) financing program for market-rent multi-family housing.

Most importantly for Juneau City and Borough (CBJ) public policy deliberations, it examines the potential effectiveness of:

- municipal financing of multi-family housing; and,
- various changes in CBJ regulations that might reduce housing development costs.

Juneau currently has 2,281 multi-family housing units and 8,540 other types of housing units. Section II of this study, the Juneau Housing Demand Forecast, estimates demand for additional housing through the year 2000 as follows:

Juneau Housing Demand through 2000

	Multi-Family	Other Housing	Total Units
Pent-up demand	180	130	310
Growth in population			
1994	40	130	170
1995–2000	395	340	735
Vacancy rates @ 5 %	155	450	605
Replacement of housing	140	NA	140
Planned or in-progress	(158)	(146)	(304)
Net demand	752	904	1,656

The estimates of pent-up demand are conservative. Only a fraction of the pent-up demand of Juneau residents and none of the non-resident pent-up demand is included. Except for 1994, the demand attributable to growth in population is due entirely to the assumption of development of the Alaska-Juneau (AJ) and Kensington mines.

Section IV of the study, the Juneau Housing and Land Inventory, indicates that development of buildable acreage in the City and Borough of Juneau at the maximums allowed by current zoning could physically support construction of an estimated 12,400 additional housing units. This far exceeds the estimated demand of 1,656 units and is also more than the current stock of dwelling units in Juneau.

The feasibility of developing new multi-family housing is analyzed by evaluating four hypothetical projects—two market rent projects, one downtown and one in the Mendenhall Valley, and two affordable housing projects in the Valley. The affordable housing projects differ in the percentage of units having rents restricted for lower-income households.

The analysis reveals that none of the projects are feasible under the terms of any financing sources examined—either existing ones, AHFC's proposed program, or potential CBJ bond issuance. In all cases, total project costs far exceed the value of a project to investors as an income-producing property. This is reflected in the fact that estimated rates of return on equity are well below 10 percent before taxes. This would generally rule out for-profit developers from undertaking such projects.

High project costs also make for high equity requirements that could be expected to prevent either for-profits or non-profits from undertaking projects. Any development is likely to be on a scale well below the demand for multi-family housing estimated in Section II of this study, the Juneau Housing Demand Forecast.

Breakeven analysis and a review of housing market conditions indicates that breaking the ice jam is likely to require changes in CBJ land development and building regulations. It also may require sale of land by CBJ with the buyer's payments deferred or limited to available cash flow. But CBJ help with raw land might be frustrated by a lack of readily buildable sites on most CBJ land.

If CBJ efforts to reduce multi-family housing development costs were as successful as postulated in the best breakeven cases analyzed, projects would begin to look feasible at monthly rents of $1,050–$1,250 for two-bedroom units. This is $200–$300 higher than current two-bedroom rents of $850–$950. It also is on par with the 1983 peak in real two-bedroom rents of $1,139 that occurred during the height of the last Juneau multi-family housing building boom.

The importance of reducing housing development costs rests on the fact that real wages in Juneau have declined over the last decade to 87 percent of their 1983 peak. For the rental market to reach rents $200–$300 higher than current rents will be difficult enough in the face of declining real incomes. Achieving even higher rents to foster multi-family construction under a regulatory status quo appears out of the question.

Preface

Given the depth of Juneau's housing problems and the complexity of rental housing markets, this study sought and received gracious assistance from many persons.

Many developers, both for-profit and non-profit, as well as bankers and other interested individuals shared their insights and knowledge about Juneau's housing market. Bill Baxandall of the City and Borough of Juneau's Housing Advisory Committee was a valuable source of information regarding construction costs in Juneau. A number of bankers were especially generous with their time or in responding to a lending survey. They include Craig Dahl with Alaska Federal Savings and Loan, Rich Monroe with Bank of America Alaska, Eric Bjella, Robert St. Clair, and Bill Moran with First Bank, Katrina Mitchell with First National Bank of Anchorage, Win Gruening with Key Bank, Larry Cooper with National Bank of Alaska, John Hinkle with Seattle Mortgage, and Ron Lehr with U.S. Bank.

Paul Kapansky, Jeff Judd, and Mark Romick at Alaska Housing Finance Corporation were very helpful in clarifying the workings of AHFC's several multi-family programs. Gene Dobrzynski and his staff at the U.S. Office of Housing and Urban Development in Anchorage did the same for HUD programs and FHA insurance.

The Alaska Department of Labor's Research and Analysis Section provided dependable assistance in gathering several series of statistics the study relies upon. Bob Elliott offered both ideas and numbers in his role as the section's housing economist.

Gregg Erickson of Erickson & Associates divined the regression relationships used as a model of the Juneau rental housing market in this study. Dan Dill and Dick Kennedy, financial advisors to the City and Borough of Juneau, illuminated the market for multi-family housing bonds.

Finally, this study could neither have gotten started nor have been finished without the support of Juneau City and Borough staff. They were instrumental in providing many pieces of information and reviewing drafts of the study. Singled out by the demands of this study were Kathleen Bailey, Craig Duncan, Steve Gilbertson, Shane Horan, Tim Maguire, Murray Walsh, and Vickie Williams.
Their assistance is greatly appreciated.

Milt Barker

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Juneau Multi-Family Housing Market Analysis

Introduction

Vacancy rates are nil, rents are higher than they've ever been, Juneau's population has set new highs every year since 1989, interest rates are half what they were in the early 1980's, and yet..., multi-family housing construction has been dead in the water since 1985, except for a handful of projects with a few handfuls of public money thrown in. What is going on here? It appears that an uplift in housing standards has lead to more gracious, but more costly, residential living for the community at the same time that residents' earnings have been drifting downward in real terms. Simply put, Juneau has arrived at a point where a large portion of its residents can't afford the higher quality of residential living that is the goal of the city's current land use ordinance.

Rents, as high as they are, are still not as high in real dollars as they were during the last building boom in the early 1980's. Yet, current incomes of residents suggest that efforts of landlords to increase rents across the board may become counterproductive, long before they reach the level that would stimulate new construction. Rent burdens are already so great for so many that general rent increases at some point may lose more customers than they gain in dollars. The outlook for the future does not hold promise of reversing this situation. With state oil revenues on the down escalator, real incomes are unlikely to start growing.

Just as importantly, the ebbing of Prudhoe Bay oil flow raises the risks of population declines that would jeopardize lenders' and investors' commitments to housing. The re-emergence of the capital move issue and uncertainty about developments in Juneau's mining industry may be transitory, but currently very real, throttles on housing investment. Local mortgage lenders, mindful of the lessons of the mid-1980's real estate crash, are more averse to risk than ever. Not only are the current economics of the Juneau housing market in question but the sources of capital willing to confront the risks posed by this market are unknown.

The purpose of this report is to determine if current and projected demand for multi-family housing can be met by the existing housing market and, if not, whether actions by the City and Borough of Juneau (CBJ) could partially or completely fulfill unmet demand. The assessment of the market's response to demand for multi-family housing is based on examination of:

- historical trends in housing market conditions, including the level of rents, development costs, population, building permits, and other factors;
- current affordability of multi-family housing;
- the current structure of the mortgage market and the risk posture of lending sources;
- specific financing sources and programs for multi-family housing; and,
- feasibility analyses of four pro forma multi-family projects, based on current costs, rents, and financing terms.

CBJ's potential role in solving Juneau's housing crunch is based on:

- results of the feasibility analyses for cases involving CBJ financing or regulatory changes;
- the availability of credit enhancement for CBJ financing;
- potential changes in CBJ development regulations; and,
- potential changes in CBJ taxes and fees imposed on housing.

Findings

Historical Trends in Housing Market Conditions

- population has been growing since 1988, at a strong 3.7 percent annual clip, reaching new all-time highs;

- the costs of land, labor, construction, and financing have fallen in real dollars since the last housing boom in the early 1980's;

- yet, almost no new multi-family construction has taken place since 1986 until this year; only 27 units were permitted from 1985 through 1993;

- multi-family vacancy rates have been on the floor as a result, essentially below one percent since 1990;

- the failure of these conditions to reignite multi-family construction is probably due to:

    - rents in real dollars have not regained their peaks of the early 1980's;

    - average real wages of Juneau households have fallen since the early 1980's;

    - regulatory requirements for housing development have become more demanding, including the 1987 Land Use Ordinance's downzoning of densities, dropping the CABO One- and Two-Family Dwelling Code, and addition of paved street requirements;

    - heightened uncertainty over future growth in population and incomes as a result of declining state revenues, reappearance of the capital move issue, and uncertainty regarding resumption of production and new development in the mining sector; and,

    - the conservative complexion of the mortgage market, chastened by the real estate crash of the mid-1980's;

- regression analysis of historical market relationships indicates that:
  - the number of new multi-family units constructed each year when real rents for two-bedroom apartments are above $838 is likely to be one unit for every dollar that real rents exceed $838; currently two-bedroom units rent for about $850 to $950;
  - based on the Juneau Housing Demand Forecast's estimated need for an additional 242 multi-family units through 1995 over and above units planned or in-progress, rents would have to increase $130 to $230 to stimulate enough construction to fully meet pent-up demand;
  - real rents would be likely to decline about $30 in 1993 dollars for each 1.0 percent decline in population; a 4.0 percent decline in population, such as that experienced during the worst year following the mid-1980's oil crash, could cause rents to drop $120; if this occurred when the supply of rental units had caught up with demand, the population decline could send rents as low as $635 in 1993 dollars;

Current Affordability of Multi-Family Housing

- more than half of rental households—56.0 percent—can afford housing costs (rent and utilities) of only $625 or less a month; but, less than ten percent of multi-family units—8.7 percent— have costs in this range;
- slightly over half of all renters have housing costs exceeding 30 percent of their income and 17 percent of all renter households pay more than 50 percent of their income for shelter; 30 percent generally is considered to be the portion of income that households can afford to pay for housing;
- the exaggerated rent burdens are concentrated in the lower income levels; only for incomes above $35,000 does one find a majority of rental households with housing costs below 30 percent of their incomes;
- national comparisons also indicate that Juneau has a serious affordability problem; the 1992 per capita income for Alaska was 111 percent of the national average, while construction costs for Juneau were 151 percent of the national average;
- units with larger numbers of bedrooms are progressively less affordable by the households that would need them; the percentage of units affordable to roughly half of the relevant households declines from 17.0 percent of the efficiency or one-bedroom units, to 10.3 percent of the two-bedroom units, and to a bare 3.9 percent of the three-or-more-bedroom units;

- the price elasticity of demand for rental housing, calculated according to affordability, changes from inelastic to elastic above $875 per month for housing costs; current housing costs for renters average $849 and a majority of existing units already are above the estimated point at which demand becomes elastic; this suggests rents may be stuck below levels that would provide a large inducement to build new rental housing; efforts to raise rents may reduce landlords' net income, as increased vacancies more than offset increased rents from occupied units;

The Current Structure of The Mortgage Market and the Risk Posture of Lending Sources

- banks are the main source of multi-family construction financing;
- banks and savings and loans originate over 80 percent of permanent mortgage loans for multi-family housing;
- multi-family mortgage lending by Juneau financial institutions is generally very conservative; this is a result of:
    - risks in the Juneau housing market;
    - survival of the fittest (the more conservative institutions) and lessons learned from the mid-1980's real estate crash; and,
    - heightened scrutiny and greater restrictions from regulators under legislation known as FIRREA that stemmed from the financial distress and failures of banks, and more calamitously, savings and loans, during the 1980's;
- the most critical aspect of current mortgage lending policies is a reluctance to provide construction financing underwritten on secondary market terms, without a firm take-out commitment that locks in the interest rate;
- capital adequacy standards and some other regulatory controls limit or shape depository financial institutions' participation in the mortgage markets as long-term lenders;
- regulatory authorities do not have any objections per se to construction lending that lacks forward commitments for take-out financing, or to construction loans that extend to cover a lease-up period; the lending must be consistent with institution policy that provides guidelines for safe and sound loans and addresses overall risk and liquidity concerns;

- at the same time that they face heightened financial regulation, depository financial institutions are subject to countervailing pressure under the Community Reinvestment Act (CRA) to meet the credit needs of their local communities; their performance in so doing and public comments on their performance are taken into account when an institution applies to its regulatory agency for expansion or relocation of branches, or merger with or acquisition of another depository institution;

- through 1990, there have been at least 195 CRA agreements in 63 metropolitan areas and 10 statewide areas negotiated between lending institutions and community organizations that resulted in over $8 billion in lending[1];

Specific Financing Sources and Programs For Multi-Family Housing

- local mortgage lenders offer permanent financing from their own funds for multi-family housing, but typically loans are variable-rate with terms limited to 15 years; the Federal Home Loan Bank of Seattle (FHLB) offers advances with terms up to 20 years to member financial institutions wanting a long-term source of funds to match their mortgage lending;

- there are a number of sources of long-term fixed-rate financing for multi-family mortgage loans that offer amortization periods of 30 years or more, including AHFC, Fannie Mae, Freddie Mac, and mortgage bankers representing life insurance companies and pension funds or issuing mortgage-backed securities (MBS's) including GNMA's;

- the government-sponsored agencies—AHFC, Fannie Mae, and Freddie Mac, as well as the Federal Home Loan Bank—have financing programs for affordable multi-family housing that offer more favorable terms than their regular lending;

- currently, FHA-insured loans are the only market rent multi-family financing generally available with forward commitments and interest rate-locks; AHFC and Fannie Mae have programs with forward commitments with rate-locks for affordable housing; AHFC has proposed a market rent multi-family program that would have forward commitments and rate-locks;

[1] "Not In My Back Yard, Removing Barriers to Affordable Housing", HUD, July 1991, page 3-13.

- although take-out or permanent financing is potentially available, the nexus between local mortgage lenders and long-term sources appears to have atrophied because;
  - many of these long-term lenders may have experienced losses in Alaska's real estate crash and are believed to be less eager to consider Alaska financings;
  - the costs, loan fees, and work involved in securing secondary market financing may be too great in relation to the size of loans needed for Juneau projects; and,
  - no local, market rent multi-family projects have been undertaken since 1985;

Feasibility Analyses of Pro Forma Multi-Family Projects

- a return on equity below 10 percent and the large amount of equity required makes all pro forma projects analyzed—both market rent and affordable projects— infeasible for for-profit developers under current market conditions;
- all financing sources for market rent projects produce similar rates of returns on equity; the best financing, judged by return, would be the proposed AHFC Multi-Family Secondary Market program;
- equity requirements remain a major problem for non-profits, even though rate of return may not be relevant for them; non-profits typically lack any significant equity of their own; equity usually must be pieced together, with attendant complexities and delay, from a number of sources including grants, Low-Income Housing Tax Credits, or high loan-to-value financing from AHFC; this drag on securing financing and limits on the amounts of equity funding available constrain the magnitude and timing of the contributions non-profits might make toward resolving Juneau's housing crisis; due to their own traditions, non-profits typically have not been developers of market rent projects; their equity sources also target funds primarily for affordable projects; but equity requirements are still difficult for them to meet just for affordable housing;
- in the breakeven cases, which by definition produce the 10 percent rate of return judged to be a threshold of feasibility, the amount of equity required is still very significant—on the order of $350,000 for a 16 unit valley project, over $600,000 for a 30 unit downtown project, and over $1,300,000 for a 45 unit low-income project in the valley; such levels may be beyond the reach of all but the most financially strong local developers or partners, even if the breakeven conditions could be realized;
- the high equity requirements reflect the fact that total development costs generally exceed project market values by 50 percent to 100 percent under the assumptions used in the analysis;

- the only reasonable chance of reaching breakeven conditions would require major reductions in the cost per unit of raw land, land development, and construction; with business as usual, 80 percent of those renters who could afford the breakeven rents would have to trade up to absorb the estimated 242 new multi-family units estimated by the Juneau Housing Demand Forecast to be needed through 1995;

- with total project costs pushed down to the lowest possible level, units rented at breakeven rents might rent up fairly readily; one- and two-bedroom units would be affordable to 30 percent or more of the households in the market for such rentals;

- three-bedroom units at breakeven rents would be most at risk of an inability to be fully or quickly absorbed by the market; three-bedroom units at the breakeven rent levels under current market conditions face stiff competition from single-family or other owner-occupied housing;

- low-income projects fare better than market rent projects; the restrictions required on rents do not place them very far below market rents; yet, the tax-exempt interest rate offers a clear margin below market interest rates;

- between the two types of low-income projects, the set-aside of the greater percentage of units—40 percent instead of 20 percent—improves returns; the greater number of units with restricted rents is more than offset by elevation of the allowed rent from 50 percent to 60 percent of the Juneau median income;

- the relative financial merits of location, between the downtown and valley, do not appear to be significantly different; lower rents in the valley may be offset by lower development costs;

CBJ's Potential Role In Financing

- the feasibility analysis indicates that a CBJ bond issue would offer the next best rate of return after AHFC's proposed program; in terms of equity required, AHFC and CBJ financing are both about the least burdensome;

- the inherent risks in the Juneau housing market and the political and fiscal limits on Juneau's ability to assist market rent projects with its own credit or financial resources prevent any significant credit enhancement of a CBJ financing that would make it financially more attractive than AHFC's proposed program;

- if AHFC's program is not adopted, a CBJ financing could offer a clear advantage by providing forward commitments, otherwise only available for market rent projects that are FHA-insured; FHA projects would not be competitive with a CBJ financing because they would require as much as 20 percent more equity; FHA projects are also time-consuming, typically requiring up to one year for FHA processing;

- the high equity requirements for multi-family projects would make second mortgages in some forms helpful to development; the lack of any excess coverage of debt service in the feasibility analyses for all sources of first lien financing except FHA means that any second mortgages generally could not have a direct tap on current cash flows; such seconds would have to be structured as deferred payment, sleeping (paid only from excess cash flows), or participating mortgages that provided some equity participation;

- the political and fiscal difficulties of the city contributing cash to projects makes it likely that the city only could take second mortgages in exchange for contributions of land, at least for market rent projects; this might be vacant land or foreclosed properties; disposition could be negotiated or by bids on price, equity share, or number or types of units;

- for affordable projects, the city might consider lending funds, if they were available, under second mortgages or even making grants, both of which it has done in the past;

Potential Changes in CBJ Development Regulations

- flowing from the work of its Advisory Commission on Regulatory Barriers to Affordable Housing, the U.S. Department of Housing and Urban Development (HUD) has disseminated standards or recommendations regarding land development and construction of housing that hold the promise of making housing more affordable; a survey of the extent to which CBJ follows these standards or recommendations reveals a number of areas where there may be potential for reducing housing costs, whether it be affordable or market rent housing; these areas include:

    - housing density and types;

    - subdivision infrastructure requirements;

    - shifting responsibility for financing subdivision infrastructure from developers to the city;

    - use of easements instead of rights-of-ways;

    - building codes; and,

    - permit processing;

Potential Changes in CBJ Taxes and Fees Imposed on Housing

- CBJ appears to have no significant latitude under Alaska statutes to aid multi-family construction with exemptions from property taxes; its only unexercised option is an allowable exemption enacted into law in 1994 for privately owned housing used exclusively for University of Alaska student housing;

- under current CBJ Code, there is no authority to waive building permit fees or water and sewer hook-up fees; the city could amend the CBJ Code with regard to fee waivers for multi-family projects; on a $1 million project, building permit fees and a commercial plan review fee would total 0.7 percent of the cost of the project;

- fee waivers might be provided only for projects with profitability or feasibility criteria below some arbitrary level; waivers might be limited to periods when the vacancy rate is below some specified level or allowed pursuant to an administrative determination.

Recommendations

1. **CBJ should press for adoption of AHFC's Secondary Market financing program for market rent multi-family projects**; CBJ should seek the adoption of less stringent debt service coverage requirements for the program—say, 1.15 instead of the proposed 1.25—to hold down the heavy equity commitments needed for Juneau projects; this proposed AHFC program offers the best hope for financing terms that would make projects feasible; but, until the rental market conditions improve or actions are taken to lower project development costs, even this program may be little used for projects in Juneau;

2. **CBJ should not seek to provide either taxable or tax-exempt first mortgage financing for multi-family housing at this time**; CBJ financing would be less advantageous than AHFC financing because:

   - AHFC's financing terms and conditions offer slightly lower equity requirements and higher equity returns than the best terms that CBJ could be expected to offer; this is demonstrated in this study's feasibility analysis for taxable debt; the analysis captures the combined effects of interest rates, loan-to-value ratios, debt service coverage requirements, and loan fees;

   - CBJ would have less flexibility than AHFC in providing financing and timing a bond issue; CBJ would have to assemble a critical mass of projects to issue bonds; the program would have to be conducted on a specified schedule to allow reasonable planning by developers; CBJ's bonds would have to be issued before construction in order to provide forward commitments; AHFC 's equity of one and one-half billion dollars would allow it to offer financing upon request for any number of projects on an open-ended basis; AHFC has sufficient working capital that it need not immediately fund financing commitments with bond sales; AHFC even could choose to fund loans out of its own assets, as opposed to bond sales;

3. **if AHFC's program is not adopted, CBJ should re-examine providing take-out financing for market rent projects through CBJ bond issuance**; CBJ financing could be useful if rental market conditions improve, actions are taken to lower project development costs, or special projects or circumstances present themselves; further effort at this time to develop an optimal structure for such a CBJ financing is not warranted;

4. **CBJ should provide a second mortgage cash financing program for affordable housing projects, subject to the availability of funds**; the program should provide for deferred or contingent payments and, in the case of for-profit sponsors, equity participation; periods of commitment to use as affordable housing should be required; CBJ should have the option of converting the loan to a grant, but generally CBJ's contribution should be committed as a loan initially so that funding can be on a revolving basis to the extent projects are financially successful;

   assistance for affordable projects is likely to be the most effective financing contribution CBJ could make to ameliorating Juneau's multi-family housing shortage; a program of either second mortgages or cash grants for affordable housing addresses two of the most critical multi-family housing problems—affordability and the heavy equity required for most projects;

   for non-profits, often the developers of affordable housing, equity is especially lacking; providing this missing link in the financing with second mortgages or grants can be especially effective with non-profits; they do not have return on equity requirements that can make a project infeasible; the feasibility analysis indicates positive returns on affordable projects, but at rates less than the 10 percent assumed as a feasibility criteria for for-profit developers;

   of course, to the extent the CBJ program does not receive a return on or of the financing provided, it becomes an expenditure of funds; the program still provides leverage in the expenditure of CBJ funds, but less leverage than if the funds are recycled; if current market conditions and land development regulations remain as they are, CBJ's limited resources for this type of program may be insufficient to fully answer Juneau's current housing needs, much less provide a revolving resource that could take care of the housing needs through the year 2000 that mining growth would generate;

5. **CBJ should make CBJ-owned vacant land and foreclosed properties available to market rent and affordable multi-family projects under a second mortgage financing program** that provides equity participation and deferred or contingent payments; such a program might be of value in a few special cases; generally though, it cannot be expected to make a major dent in Juneau's housing shortage because most CBJ land has few good buildable sites;

6. **CBJ should adopt housing affordability as a goal**; reducing the cost of housing would be the most important accomplishment the city could achieve; it would:

   - directly alleviate the problems of affordability and heavy rent burdens documented in this study;

   - be of crucial assistance in achieving feasibility for new rental projects as demonstrated by this study's project feasibility and breakeven analysis; and,

   - make financing easier to obtain by broadening the market for, and affordability of, new projects, thus reducing risks to lenders and investors;

   with this goal in mind, CBJ should:

   - **provide for appointment of advocates for affordable housing** to standing bodies dealing with housing development, such as the Planning Commission, the Housing Advisory Committee, and the Building Code Advisory Committee;

   - **initiate a comprehensive review** of zoning, subdivision ordinances, building codes, and related development-control ordinances and administrative procedures to identify excessive barriers to housing affordability;

   - **develop proposals** for ordinances, regulations, Comprehensive Plan amendments, and other actions to make housing more affordable; and,

   - **take the initiative in making the public aware** of the importance and benefits of measures to make housing more affordable;

7. CBJ should develop and adopt provisions for:

   - **tax-exemption of privately owned University of Alaska student housing**; and,

   - **waivers of building and plan review permit fees for multi-family housing** that is project-specific or market condition-specific; and,

8. **CBJ should negotiate an agreement with local financial institutions to help meet Juneau's housing needs;** the agreement should be of value to the institutions in satisfying their CRA obligations; the thrust of the agreement should be for local institutions to take responsibility for a greater share of the risks inherent in Juneau's housing market; risk-based capital ratios indicate that at least two major local institutions appear to have an opportunity to assume greater risk in providing local housing finance;

   - if AHFC's Secondary Market program is adopted as proposed, CBJ might seek agreement that the lenders offer terms or conditions on their participation in the program's loans that shoulder more risk than the institution's regular lending policies; greater loan-to-value ratios, lower debt service coverage, or longer maturities or amortization periods, possibly paralleling some of the terms of AHFC's participation, might help some projects get off the ground;

   - if AHFC's Secondary Market program is not adopted, CBJ should seek an agreement for institutions to underwrite multi-family construction loans on the basis of specified secondary market criteria without take-out financing commitments in place; this would help re-establish connections between local lenders and secondary market sources; it also would avoid long-term dependence of local lenders on CBJ financing, if CBJ were to provide multi-family financing.

I. Historical Juneau Housing Market Conditions

Endemic Problems

Juneau currently suffers from an extremely tight housing market. A shortage of housing in Juneau has been the rule, rather than the exception, throughout most of the 1970's and 1980's. Many of the reasons for the historically tight conditions remain true today. They largely consist of conditions that have held back investment in additional housing.

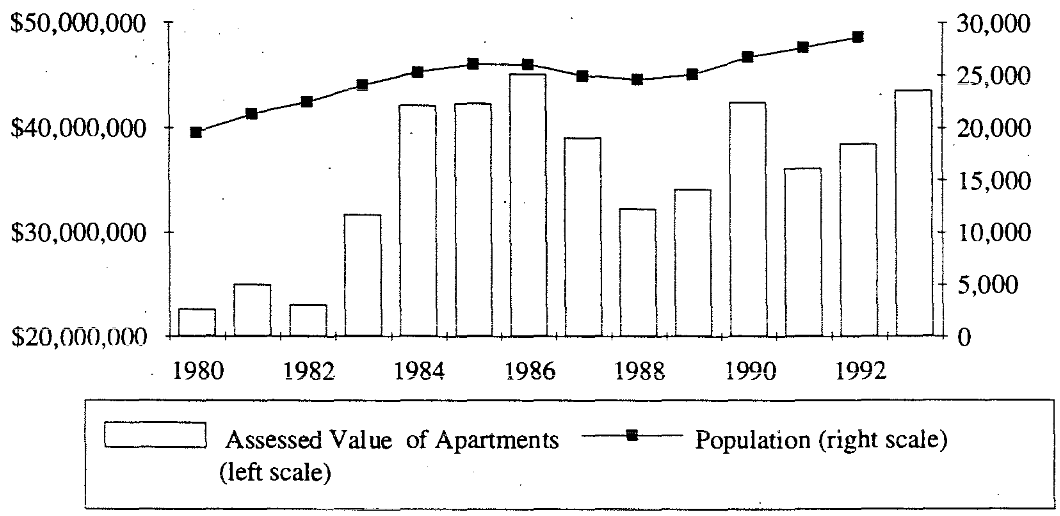
Demand

Obstacles to investment in housing include the following demand-related factors:

- a lack of diversification in the local economy;
- a lack of diversification in the income stream of the largest local employer—the state government with its high dependence on oil revenues;
- the recurring issue of the capital move;
- the seasonality of demand for housing due to seasonal employment; and,
- a high degree of population transiency associated with:
  - electoral turnover in state government, in both the administrative branch at policy and political appointee levels and in the legislative branch;
  - rotation of federal employees;
  - seasonal employment, e.g. legislative, fishing, tourism;
  - climatic conditions;
  - the cost-of-living burden for persons not actively employed.

These conditions all create the potential for wide swings in demand. The higher risk this spells for potential homeowners, landlords, and mortgage lenders has been one of the main shackles on housing investment. Chart 1 gives an idea of just how sensitive multi-family housing values can be to changes in demand.

CHART 1
Population Changes Whipsaw Multi-Family Housing Values



Supply

Cost factors also have hobbled the supply of housing in Juneau. Endemic problems include:

- the cost of land;
- concentration of land ownership;
- municipal infrastructure requirements for land development;
- a small, geographically isolated market that contributes to:
  - higher transport and unit costs for building supplies
  - limited competition and inventories of building supplies
  - limited competition and specialization in the building trades
  - lack of economies of scale in construction; and,
- lack of a year-round construction season.

Financial Factors

Housing construction activity also has suffered from several dramatic events affecting financial costs and availability. These include:

- the record high interest rates of the early 1980's;
- the elimination of real estate tax benefits by the Tax Reform Act of 1986;
- the distress, failures, and exit from the market of mortgage financing sources following the crash in the housing markets in 1986;
- consolidation of mortgage lending among the more conservative lenders surviving the mid-1980's housing market bloodbath; and,
- sharply higher scrutiny and regulation of financial institutions' real estate lending under FIRREA, an Act of Congress passed in response to the savings and loan crisis.

Historical Trends

Population and Wages

At times in the past two decades, the tightness of the Juneau housing market has been aggravated by rapidly increasing demand. In the early 1980's, population was increasing at a rapid clip. Payrolls too were surging, in nominal terms, although just keeping even with inflation factored in. Juneau's population grew from 19,528 to 26,037 between 1980 and 1985, a 5.75 percent annual rate of increase. During the same period, average monthly wages in the Juneau borough rose from $1,873 to $2,295, a 4.1 percent growth rate per year. But, average wages were almost constant at $2,884 in 1985 versus $2,909 in 1980 when compared in terms of constant dollars.

TABLE 1
Juneau Population and Average Wages

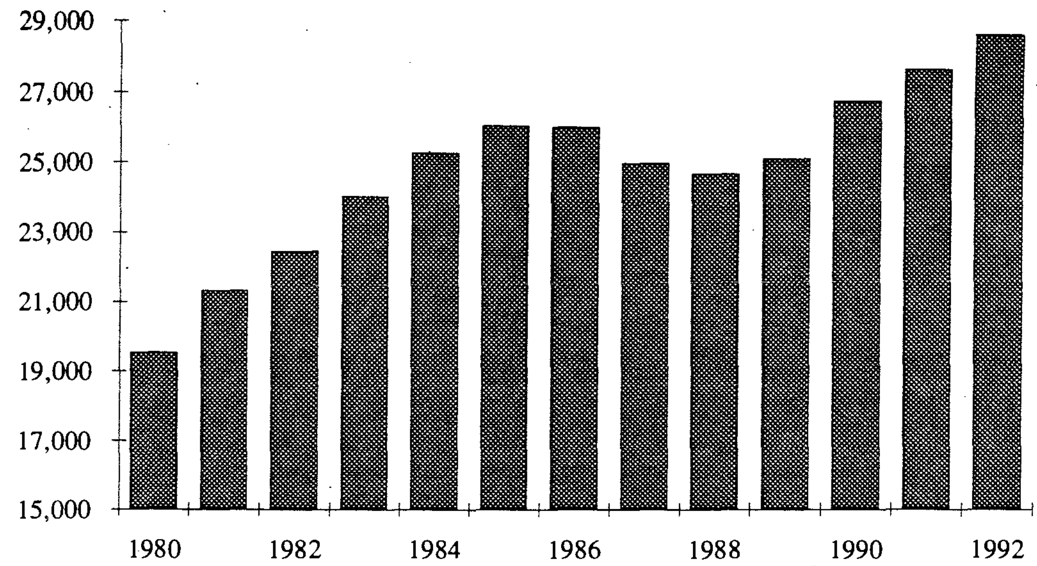
Year	Population	Average Monthly Wage	Real Average Monthly Wage
1980	19,528	$1,873	$2,909
1981	21,329	2,093	3,009
1982	22,451	2,195	2,988
1983	24,007	2,283	3,056
1984	25,268	2,267	2,917
1985	26,037	2,295	2,884
1986	25,998	2,320	2,856
1987	24,966	2,341	2,877
1988	24,655	2,339	2,863
1989	25,100	2,355	2,819
1990	26,751	2,382	2,704
1991	27,647	2,518	2,716
1992	28,621	2,622	2,736
1993		$2,633	$2,661

Sources:

1. Population figures are July 1 estimates of the Alaska Department of Labor, except for the 1980 and 1990 numbers which are April 1 census figures.
2. Average monthly wage provided by Alaska Department of Labor, Research and Analysis Section; 1993 is first three quarters only.
3. Real wages are the nominal dollar figures adjusted by the Anchorage CPI (all items, all consumers, not seasonally adjusted, 1982-84 base) using the December 1993 index of 132.8 as the base.

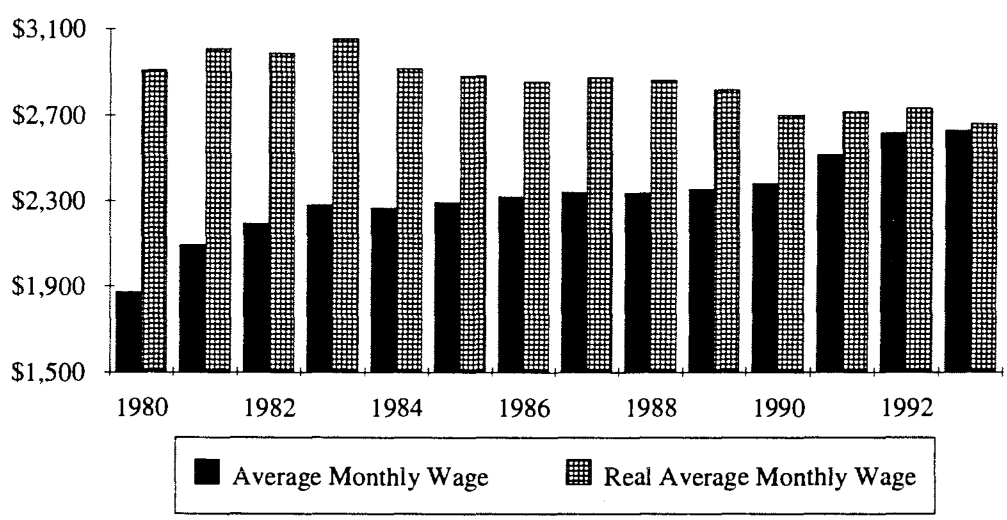
Part of the current shortage of housing in Juneau is due to the fact that population again is increasing, although not as rapidly as in the first half of the 1980's. After falling from its 1985 peak to a low of 24,655 in 1988, Juneau's population rose steadily to a new high of 28,621 in 1992. This is an annual average growth rate of 3.7 percent over the four years ending in 1992.

CHART 2
Juneau Population



Unlike the first half of the 1980's, average wages have been losing ground in real terms since their peak in 1983. For the first three quarters of calendar 1993, average wages, after adjusting for inflation, stood at only 87 percent of their 1983 peak. Table 1 and Charts 2 and 3 show Juneau's population and wage trends since 1980.

CHART 3
Juneau Area Average Wages



Rents

Real rents, based on the type of data reported by the American Chamber of Commerce Researchers Association (ACCRA), have fallen over the course of the last decade, along with real wages . Even though nominal rents are at their highest level ever, real rents have not regained their former peak reached in 1983. Rents have been increasing in both real and nominal terms since bottoming out in 1988 during the housing market collapse. From 1988 to 1994, nominal and real rents have risen at annual rates of 9.1 and 5.7 percent respectively.[2]

TABLE 2
Juneau Monthly Rents
1980–1994

	Rent	Real Rent	Senior Rents	Real Senior Rents
1980	$386	$599	$301	$467
1981	670	963	341	490
1982	698	950	360	490
1983	851	1,139	373	499
1984	735	946	429	552
1985	700	880	428	538
1986	594	731	440	542
1987	556	683	443	544
1988	526	644	428	524
1989	628	752	363	434
1990	716	813	461	523
1991	845	912	480	518
1992	813	848	506	528
1993	831	840	$547	$553
1994	$906	$906		

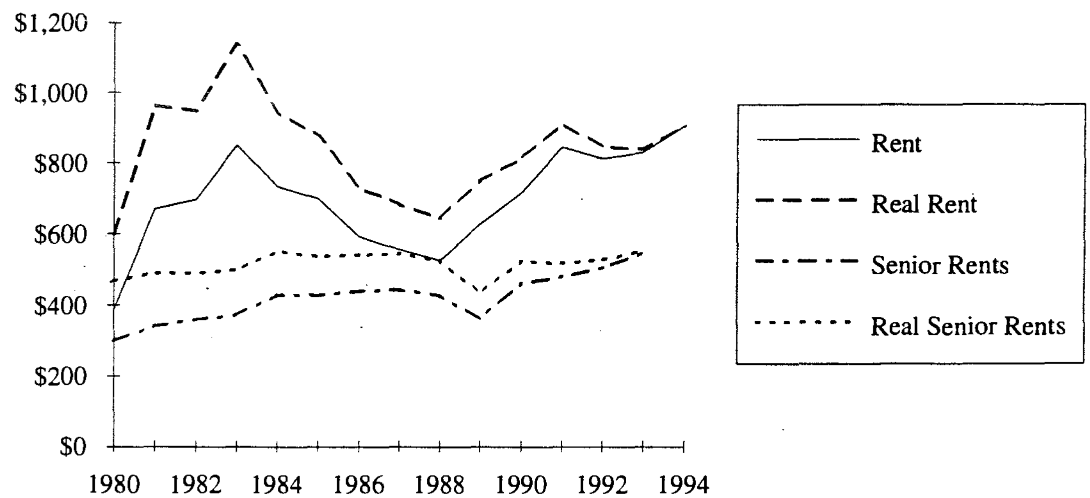
Sources:

1. Rent is Census median for 1980; 1981-1985 is an average of up to five listings for two-bedroom units (heat excluded) of the character sampled by the American Chamber of Commerce Researchers Association (ACCRA) for their Cost of Living Index; 1986-1994 is the ACCRA Index's average two-bedroom price; 1986 is the average of the last two calendar quarters; 1994 is the average of the first two quarters.
2. Senior Rents are the average rent per application submitted to the Department of Community and Regional Affairs (DCRA) for equivalency payments under the Senior Citizen Property Exemption as reported in"Alaska Taxable" 1981–1989; 1989–1993 figures provided by DCRA; 1993 is an estimate.
3. Real dollar amounts are the nominal dollar figures adjusted by the Anchorage CPI using the December 1993 index of 132.8 as the base.

[2] The ACCRA rents are an average for two-bedroom apartments.

A narrower source of rental data is the average rent per application submitted to the Alaska Department of Community and Regional Affairs for rebates of a portion of the rent paid by senior citizens under the Senior Citizens Property Tax Exemption Program's equivalency payments. In 1993, the real average rents paid by such seniors just surpassed the previous high established in 1984. After falling at an average rate of 4.8 percent per year from 1984 to 1989, real rents paid by seniors since then have risen at an annual rate of 6.1 percent. Table 2 and Chart 4 display the ACCRA and senior rental data.

CHART 4
Juneau Average Rents



Rents paid by senior citizens are lower than average rents for a number of reasons, namely;

- household size is smaller; the McDowell survey for this study found an average household size of 1.89 persons for respondents age 65 or over, versus an average of more than 2.8 persons per household for all respondents;

- the data for seniors represents actual rents paid; the ACCRA figures are rents asked in newspaper advertisements; the advertised rent may be higher than the rent agreed to and tends to be adjusted to changes in the market more rapidly than rents on occupied units;

- the DCRA renter rebate averages are skewed downward by applicants reporting eligible Juneau rents for only part of a year and by the inclusion of trailer park space rents by seniors owning trailers.

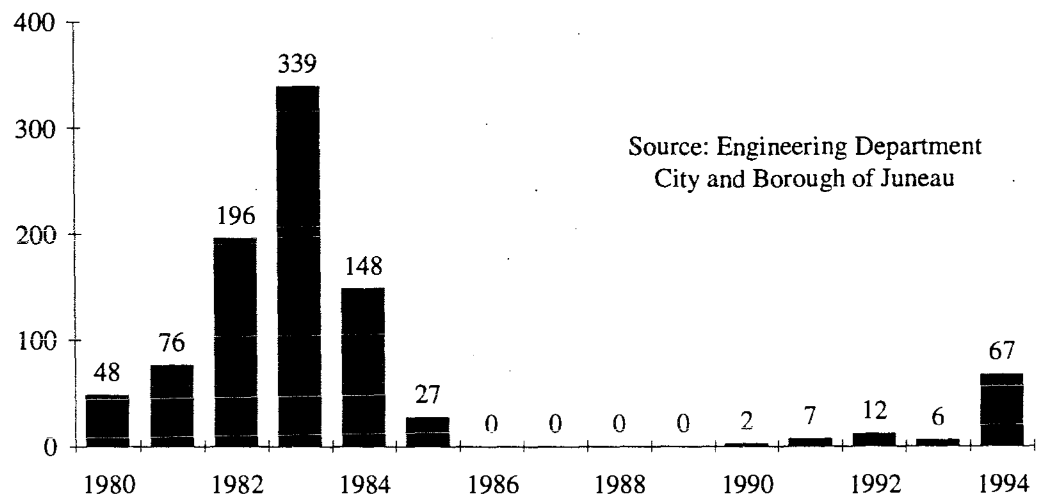
Thus, the ACCRA-based rents should be the better indicator of not only what the historical trends in rent have been, but also where the market would have been for rents paid for newly constructed units.

Multi-Family Building Permits

The first significant multi-family construction activity since 1984–1985 is currently taking place. Projects that are subsidized from various sources are leading this so far modest revival. This, along with the data on rents, implies that the economics of multi-family housing only now are approaching their early 1980's footings. Those footings propelled major additions to the rental housing supply.

CHART 5

New Multi-Family Units Authorized by Building Permits



Construction and Financing Costs

But a look at the costs of constructing and financing new multi-family housing suggests this revival of multi-family construction may be overdue. The following three tables present measures of the historical real costs of multi-family construction and financing. Table 3 is based on an index for construction costs of wood frame buildings in Juneau. The "real capital cost index" in the table takes account of both the construction cost index and long-term interest rates that would be paid to finance the construction at the time.

TABLE 3
Real Multi-Family Housing Capital Costs
1983–1993
based on a Juneau construction cost index

	National Construction Cost Index	Juneau Area Modification Factor	Juneau Construction Cost Index	Real Juneau Construction Cost Index	Interest Rates	Real Juneau Capital Cost Index
1983	0.70	1.50	1.06	1.41	13.2%	1.87
1984	0.75	1.49	1.12	1.44	13.9%	2.00
1985	0.78	1.61	1.26	1.58	12.4%	1.96
1986	0.80	1.64	1.31	1.61	10.2%	1.65
1987	0.81	1.59	1.29	1.59	10.2%	1.62
1988	0.83	NA	NA	NA	10.3%	NA
1989	0.85	1.54	1.31	1.56	10.3%	1.61
1990	0.89	1.54	1.38	1.56	10.1%	1.58
1991	0.93	1.51	1.41	1.52	9.2%	1.40
1992	0.94	1.51	1.42	1.49	8.4%	1.25
1993	0.96	1.47	1.41	1.43	7.3%	1.04
1994	1.00	1.47	1.47	1.47		

Sources:

1. National Construction Cost Index is the inverse of the Building Cost Historical Index for wood frame buildings as published in the "1994 National Building Cost Manual" by Craftsman Book Company, Carlsbad, CA.
2. Juneau Construction Cost Index is calculated by multiplying the National Construction Cost Index by the Juneau Area Modification Factor, that also is published in the "1994 National Building Cost Manual".
2. Real dollar amounts are calculated using the Anchorage CPI (all items, all consumers, not seasonally adjusted, base year 1982 - 1984) using the December, 1993 index of 132.8 as the base.
3. Interest Rates are the annual national average of conventional 30-year fixed-rate residential mortgage rates based on a weekly survey by Freddie Mac.
4. The Real Juneau Capital Cost Index is calculated as the annual payment required to amortize a loan equal to the Real Juneau Construction Cost Index over 30 years at the mortgage interest rate for the year, multiplied by a factor of ten.

Table 4 is based on an index for construction costs of wood frame buildings in Anchorage. Nominal dollar costs are converted to real dollars in the table. Then, like Table 3, historical residential mortgage rates for fixed-rate loans amortized over 30 years are applied to derive an index that encompasses both construction and financing costs.

TABLE 4
Real Multi-Family Housing Capital Costs
1980–1993
based on an Anchorage construction cost index

Year	Anchorage Comparative Cost Multiplier	Construction Cost Index	Real Construction Cost Index	Interest Rates	Real Capital Cost Index
1980	1.41	0.71	1.10	13.8%	1.52
1981	1.34	0.74	1.07	16.6%	1.78
1982	1.30	0.77	1.05	16.1%	1.69
1983	1.20	0.83	1.12	13.2%	1.47
1984	1.13	0.89	1.14	13.9%	1.59
1985	1.13	0.89	1.11	12.4%	1.38
1986	1.15	0.87	1.07	10.2%	1.09
1987	1.15	0.87	1.07	10.2%	1.09
1988	1.13	0.89	1.09	10.3%	1.12
1989	1.12	0.90	1.07	10.3%	1.10
1990	1.09	0.92	1.04	10.1%	1.05
1991	1.08	0.92	1.00	9.2%	0.92
1992	1.06	0.95	0.99	8.4%	0.83
1993	1.03	0.98	0.99	7.3%	0.72

Sources:

1. Construction Cost Index is the inverse of the Comparative Cost Multiplier for wood frame buildings for Anchorage with an October 1993 base as published by Marshall and Swift, October, 1993.
2. Real dollar amounts are calculated using the Anchorage CPI (all items, all consumers, not seasonally adjusted, base year 1982 - 1984) using the December, 1993 index of 132.8 as the base.
3. Interest Rates are the annual national average of conventional 30-year fixed-rate residential mortgage rates based on a weekly survey by Freddie Mac.
4. The Real Capital Cost Index is calculated as the annual payment required to amortize a loan equal to the Real Construction Cost Index over 30 years at the mortgage interest rate for the year, multiplied by a factor of ten.

Table 5 contains the cost per square foot used to determine values for building permits issued by the City and Borough of Juneau. The cost figure is for multi-family housing of wood frame construction. Again, a capital cost index is derived from construction costs and interest rates.

TABLE 5
Real Multi-Family Housing Capital Costs
1980–1993
based on an Alaska construction cost index

	Multi-Family Housing Construction Cost/Square Foot	Real Multi-Family Construction Cost/Square Foot	Interest Rates	Real Multi-Family Capital Cost Index
1980			13.8%	
1981			16.6%	
1982	$50.30	$68.47	16.1%	0.93
1983			13.2%	
1984			13.9%	
1985			12.4%	
1986			10.2%	
1987			10.2%	
1988	51.50	63.04	10.3%	0.57
1989			10.3%	
1990			10.1%	
1991	63.70	68.72	9.2%	0.56
1992			8.4%	
1993			7.3%	
1994	$76.70	$76.70	8.5%	0.59

Sources:

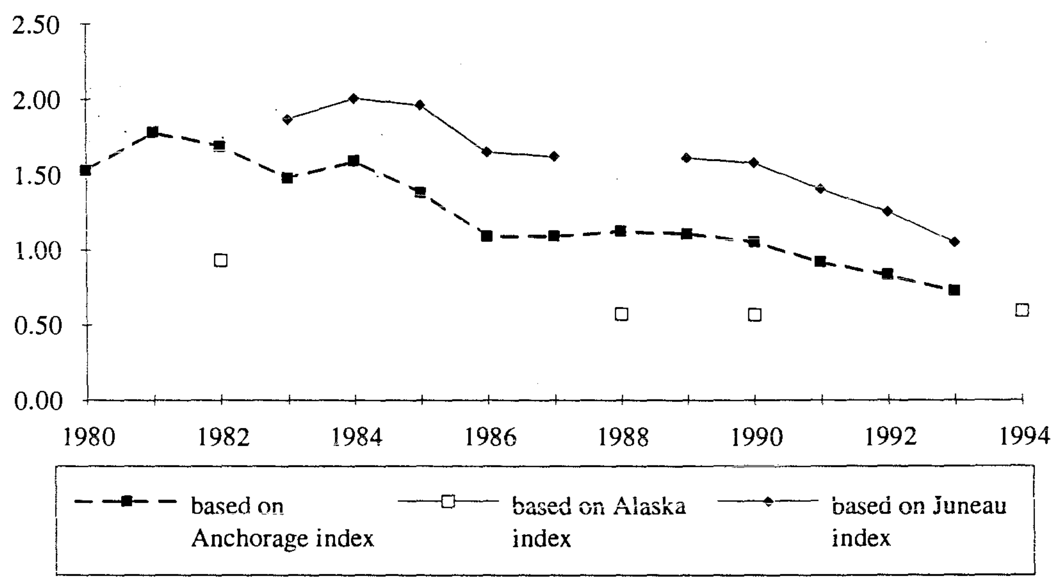
1. Multi-Family Housing Construction Cost per Square Foot is the cost index from "Building Standards", published by the International Council of Building Officials (ICBO), for wood frame apartment construction, adjusted for Alaska.
3. Real dollar amounts are calculated using the Anchorage CPI (all items, all consumers, not seasonally adjusted, base year 1982–1984) using the December, 1993 index of 132.8 as the base.
4. Interest Rates are the annual national average of conventional 30-year fixed-rate residential mortgage rates based on a weekly survey by Freddie Mac, except 1994 which is the home mortgage rate for the week ending April 22, 1994 as reported by the Federal Reserve.
5. The Real Multi-Family Capital Cost Index is calculated as the annual payment required to amortize a loan equal to the Real Multi-Family Construction Cost per Square Foot, over 30 years at the mortgage Interest Rate for the year, divided by a factor of ten thousand.

All three capital cost indices show a significant drop in such costs from peak years in the early 1980's—a 45 percent decline for the Juneau index, a 60 percent decline according to the Anchorage index, and over a 36 percent decline based on the Alaska building permit index.

The trend, if any, in construction costs alone is harder to perceive. Without the decline in interest rates, the Juneau index registers a slight 4 percent increase in real construction costs from 1983, the Anchorage-based index shows a drop of 10 percent from 1980, and the Alaska index shows a 12 percent increase.

The Juneau index may be the best indicator of the historical trend in the cost to build and finance multi-family housing in Juneau. It is not specific to multi-family housing, but it is specific to Juneau. The building permit index may be the next best index of Juneau multi-family housing costs. It is specific to apartment buildings and may reflect data from areas in Alaska outside Anchorage. The Anchorage-based index may reflect a larger, more efficient, and more competitive building industry than exists in Juneau or elsewhere in the state.

CHART 6
Juneau Real Multi-Family Capital Cost Index



Construction Wages

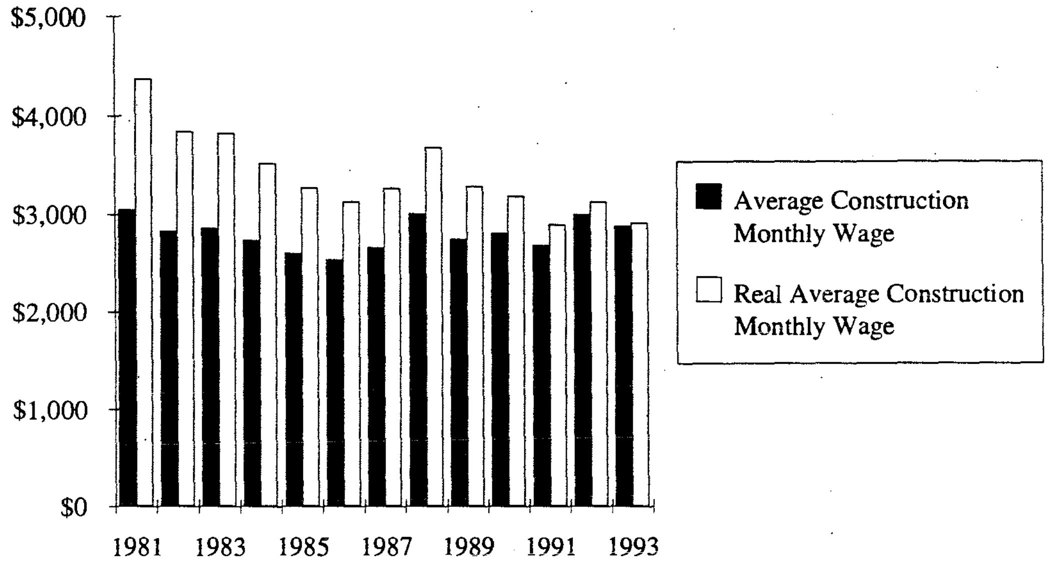
The labor component of Juneau area construction costs certainly has declined since the early 1980's in real dollars. No particular trend is evident in terms of nominal wages. Table 6 indicates that the real average monthly wage in construction has dropped by over 28 percent between 1981 and 1992. This drop is over three times the 9 percent drop in real average wages for all Juneau workers during the same period. As of 1992, construction wages had fallen to a level only 14 percent above the average for all Juneau workers, from 45 percent above in 1981. This decline in labor costs should be reflected in the three capital cost indices just discussed.

TABLE 6
Juneau Area Construction Wages

	Average Construction Monthly Wage	Real Average Construction Monthly Wage
1981	$3,043	$4,375
1982	2,823	3,844
1983	2,857	3,824
1984	2,733	3,517
1985	2,602	3,269
1986	2,540	3,126
1987	2,658	3,267
1988	3,002	3,675
1989	2,744	3,285
1990	2,802	3,180
1991	2,683	2,895
1992	2,998	3,128
1993	$2,885	$2,915

Sources:
1. Average Construction Monthly Wage provided by Alaska Department of Labor, Research and Analysis Section; 1993 is first three quarters only.
3. Real wages are the nominal dollar figures adjusted by the Anchorage CPI (all items, all consumers, not seasonally adjusted, 1982-84 base) using the December 1993 index of 132.8 as the base.

CHART 7
Juneau Area Construction Wages



Land Prices

Another major cost component of multi-family housing—land prices—appears to have declined since the early 1980's heyday of housing construction, both in nominal and real terms.[3] Land costs are not reflected in the three capital cost indices just discussed.

[3] The limited number of sales samples for each year shown in Table 7 limits the confidence in the degree of decline. Some years, such as 1990 in particular, seem to be statistical aberrations from any downward trend.

TABLE 7
Residential Land, Price per Square Foot

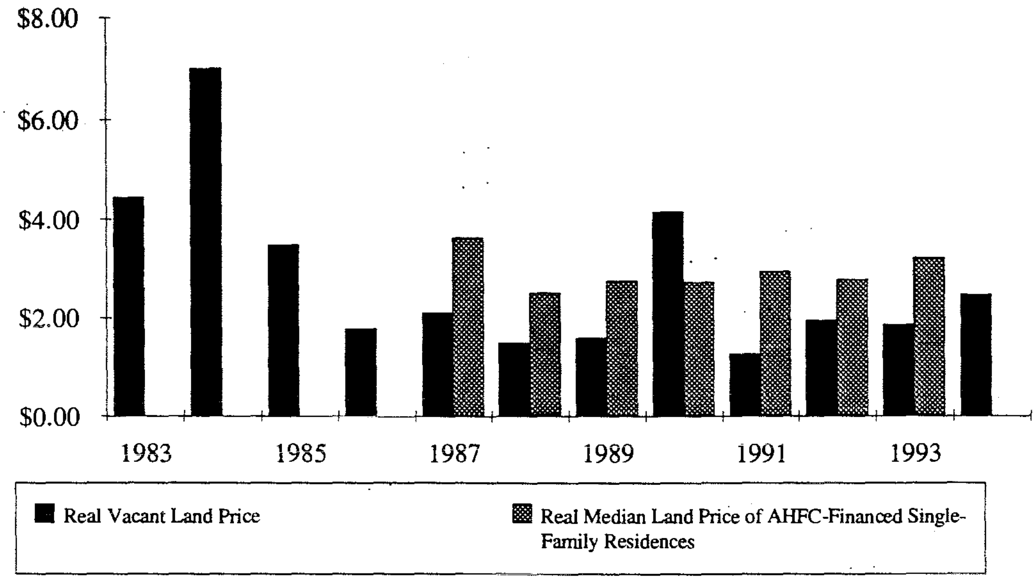
	Vacant Land Sales Price	Median Land Price of AHFC-Financed Single-Family Residences	Real Vacant Land Sales Price	Real Median Land Price of AHFC-Financed Single-Family Residences
1983	$3.31		$4.43	
1984	5.43		6.99	
1985	2.76		3.47	
1986	1.44		1.78	
1987	1.71	$2.94	2.10	$3.61
1988	1.21	2.04	1.48	2.50
1989	1.33	2.29	1.59	2.74
1990	3.65	2.40	4.14	2.72
1991	1.17	2.72	1.26	2.94
1992	1.87	2.66	1.95	2.77
1993	1.83	$3.18	1.85	$3.21
1994	$2.46		$2.46	

Sources:

1. Vacant Land Sales Price is the average of random samples of three sales each in R-7 and R-12 zoning districts for 1987 and prior years and three sales each in D-1and D-5 zoning districts for 1988 and later years. Samples are from City Assessor's files.
2. AHFC prices from Research and Analysis Section, Alaska Department of Labor.
3. Real dollar amounts are calculated using the Anchorage CPI (all items, all consumers, not seasonally adjusted, base year 1982 - 1984) using the December, 1993 index of 132.8 as the base.

Financing costs are not attached to land costs for the purpose of developing an historical cost index. In essence, the construction costs—which do have financing costs attached—arbitrarily are viewed as the loan-to-value limit of debt financing. Even viewing land as the equity contribution to a project, a more rigorous analysis would attach some measure of opportunity costs or required return to the land as equity. A measure of opportunity costs should show a declining pattern similar to the mortgage interest rates used in Tables 3–5. This would accentuate the probable decline in real land costs.

CHART 8
Residential Land Sales, Real Price per Square Foot



Critical Obstacles to New Multi-Family Construction

The downtrend in capital cost indices and land prices, together with recently increasing real rents, would suggest that renewed multi-family construction may be approaching the point of ignition. The fact that Juneau is not yet there may be due to:

- rents below the level that will sustain the costs of developing and operating new multi-family housing;
- higher per unit development costs due to regulations, even though general cost trends have been down; such regulations include:
  - lowering of allowable multi-family densities;
  - more elaborate land development requirements; and,
  - changes in building codes;
- changes in demand as a result of declining real wages;
- a cautious outlook in the housing and lending industries, in contrast to the ebullient expectations of the early 1980's.

Probably all of these factors play a role. Rents have been trending upward since 1988 and appear to be continuing to increase. Apartment managers indicate that many multi-family units have scheduled rent increases taking place as units become vacant or leases come up for renewal. At a minimum, leases result in some lag in rent increases relative to market demand. In at least some cases, the pace, if not the ultimate level of rent increases, is being held back by owners who are reluctant to take advantage of the tight market. In a smaller community such as Juneau, some owners seem to be sensitive to the burdens imposed by rent increases, particularly in recognition of generally stagnant or declining incomes, and do not want to be seen as gouging tenants.

The last update of the Comprehensive Plan for the City and Borough of Juneau significantly decreased the densities allowed for multi-family housing in the various zoning districts. With sufficient land available to satisfy all foreseeable demand for new multi-family construction sites, even at the lower permitted densities, the downzoning may be mainly a problem of increasing the cost per unit. Some requirements for development of land (streets, curbs and gutters, water, storm drainage, sewers, etc.) have increased since 1980, most notably, a requirement for paved streets. Also, the city has dropped the Council of American Building Officials (CABO) One- and Two-Family Dwelling Code, in favor of relying solely on the Uniform Building Code. While the UBC covers both commercial and residential construction, the CABO Code addresses only residential. As a result, CABO has less stringent requirements that may save construction costs without jeopardizing health and safety.

The declining average real wages noted previously should mean that demand has shifted towards less expensive multi-family housing. Significantly greater numbers of households may be able to afford rental apartments only if they are subsidized. But this shift has not been great enough to produce any significant multi-family vacancies, regardless of the rental rate. Its effects may be apparent only in attempting to charge rents higher than current ones, if that is required to make new multi-family housing feasible.

Table 8 and Chart 9 show that rent burdens have returned generally to the level of the early 1980's. Rents shown in the table are for two-bedroom units. They are used as a proxy for average rents. Wages are the average for all wage earners, not just renters. Even with these limitations, the historical data should provide a fairly accurate trace of relative changes over time.

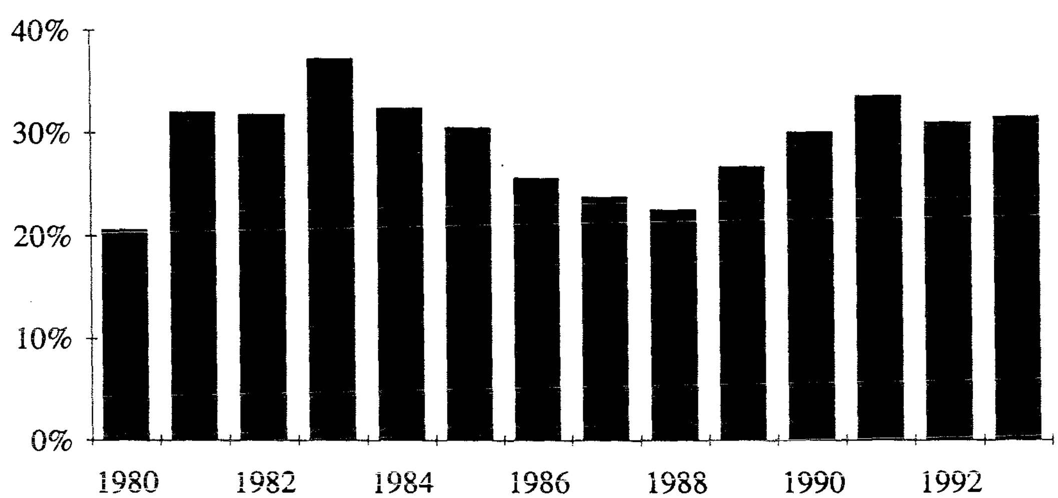
The data is less useful as a measure of absolute rent burdens at any one point in time. But, it does suggest that rent alone, without consideration of utilities, approximates the 30 percent burden on income that is considered the threshold of affordability. If so, there may be difficulty in reaching higher rent levels. At the same time, the real rent being paid is below the rents paid a decade ago.

TABLE 8
Historical Rent Burdens

Year	Real Rent	Real Average Monthly Wage	Real Rent Burden
1980	$599	$2,909	21%
1981	963	3,009	32%
1982	950	2,988	32%
1983	1,139	3,056	37%
1984	946	2,917	32%
1985	880	2,884	31%
1986	731	2,856	26%
1987	683	2,877	24%
1988	644	2,863	22%
1989	752	2,819	27%
1990	813	2,704	30%
1991	912	2,716	34%
1992	848	2,736	31%
1993	$840	$2,661	32%

Sources:
1. Real Rents from Table 2.
2. Real Average Monthly Wage from Table 1.

CHART 9
Real Rent Burden

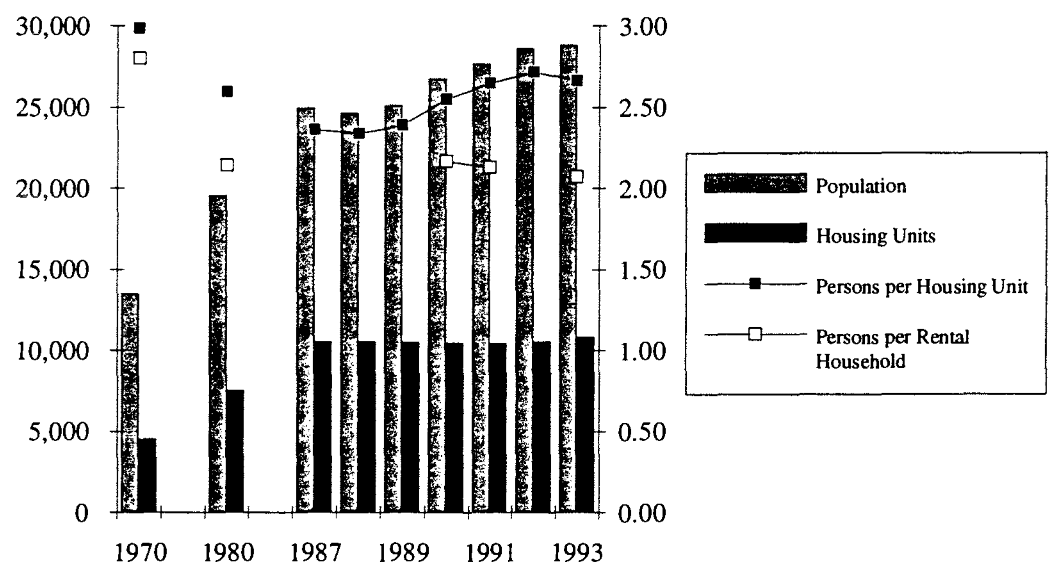


Even if current or increased rents would support new construction, concerns about the future may hold back new investment in multi-family housing. Certainly, these are different times in Alaska than were the early 1980's. With the reappearance of the capital move issue, the long foretold secular downtrend in State oil revenues at hand, and uncertainty regarding local mining projects, a potential apartment owner (or homeowner) could expect a reasonable chance of depreciation in housing property prices over the foreseeable future, if not minimal appreciation. As a result, fewer persons want to own housing properties even if they could currently cover the costs of doing so. To the extent local residents shy away from home ownership, demand is keener and rents higher for rental housing. The same clouds on the horizon make lenders averse to making or offering attractive terms on housing loans. Lenders also are twice shy as a result of being stung by overbuilding and the crash in the real estate market in 1986.

Current Housing Squeeze

Regardless of the cause, the lag of housing construction behind a resurgence in population has literally squeezed more people into less space per capita, as well as having squeezed out almost all vacancy in the market. Total housing units of all types actually decreased slightly from 10,572 in 1987 to 10,538 in 1992, while population increased 14.6 percent. In 1993, housing units increased 2.7 percent. The result has been that persons per housing unit increased from 2.36 in 1987 to 2.72 in 1992.[4]

CHART 10
Persons per Housing Unit



[4] Persons per household would be a different measure that reflected vacant units. It would be a higher figure, though not much higher given the current low vacancy rates.

TABLE 9
Persons per Housing Unit

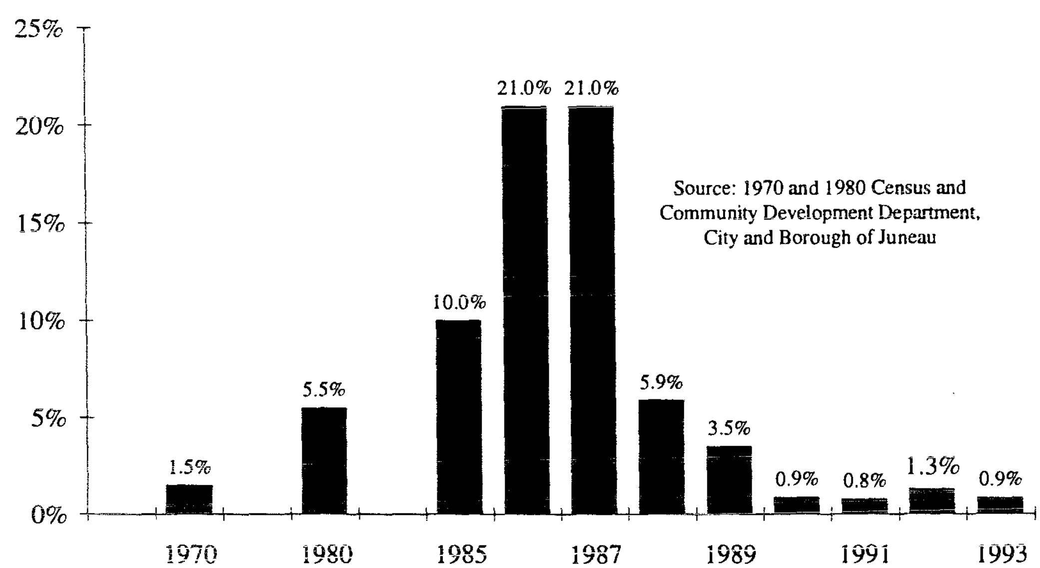
Year	Population	Housing Units	Persons per Housing Unit	Persons per Rental Household
1970	13,520	4,527	2.99	2.80
1980	19,528	7,533	2.59	2.14
1987	24,966	10,572	2.36	
1988	24,655	10,537	2.34	
1989	25,100	10,505	2.39	
1990	26,751	10,493	2.55	2.17
1991	27,647	10,451	2.65	2.13
1992	28,621	10,538	2.72	
1993	28,791	10,821	2.66	2.07

Sources:

1. Population from 1970, 1980 and 1990 Census; Research and Analysis Section of the Alaska Department of Labor; and City and Borough of Juneau for 1993.
2. Housing Units and Persons per Rental Household from Community Development Department, City and Borough of Juneau and 1970 and 1980 U.S. Census.

Multi-family vacancy rates have been right around one percent from 1990 to date.

CHART 11
Multi-Family Vacancy Rate



II. Current Juneau Housing Market

Rental Housing Affordability

Juneau Household Survey Findings

The Juneau Household Survey conducted by the McDowell Group for this study offers information for assessing what Juneau households can afford to pay for housing and what the burdens of their actual housing costs are.

Affordability

Table 10 and Charts 12 and 13 show that there is a large disparity between what renters can afford and the costs of multi-family housing. Affordable housing costs generally are considered to be no more than 30 percent of a household's monthly income. For renters, monthly housing costs consist of rent and utilities.

There is a significant shortage of units with rent and utilities costing less than $625 a month. While Table 10 shows that 44.0 percent of Juneau households can afford rents and utilities of more than $625 a month, the corollary to that is that 56.0 percent can afford housing costs of only $625 or less a month. But, less than ten percent of multi-family units—8.7 percent—have costs of less than $625 per month. Only at rental housing costs above $750 per month, are there more units competing for renters than there are renters competing for units.

TABLE 10
Multi-Family Households' Affordable Housing Costs and Multi-Family Units' Costs

Affordable Monthly Housing Costs	Rental Households	Cumulative Rental Households	Multi-Family Units	Cumulative Multi-Family Units
0 -$ 250	19.8%	100.0%		
$ 250 - 375	19.8%	80.2%	0.2%	0.2%
375 - 500	6.6%	60.4%	0.7%	1.0%
500 - 625	9.9%	53.8%	7.7%	8.7%
625 - 750	6.6%	44.0%	18.5%	27.2%
750 - 875	7.7%	37.4%	30.0%	57.2%
875 - 1,000	7.7%	29.7%	23.6%	80.8%
1,000 - 1,125	1.1%	22.0%	11.5%	92.3%
1,125 - 1,250	4.4%	20.9%	6.6%	98.9%
1,250 - 1,375	3.3%	16.5%	0.0%	98.9%
1,375 - 1,500	3.3%	13.2%	1.0%	99.9%
1,500 - 1,750	3.3%	9.9%	0.1%	100.0%
1,750 -$2,000	3.3%	6.6%		100.0%
$2,000 or over	3.3%	3.3%		100.0%
	100.0%		100.0%	

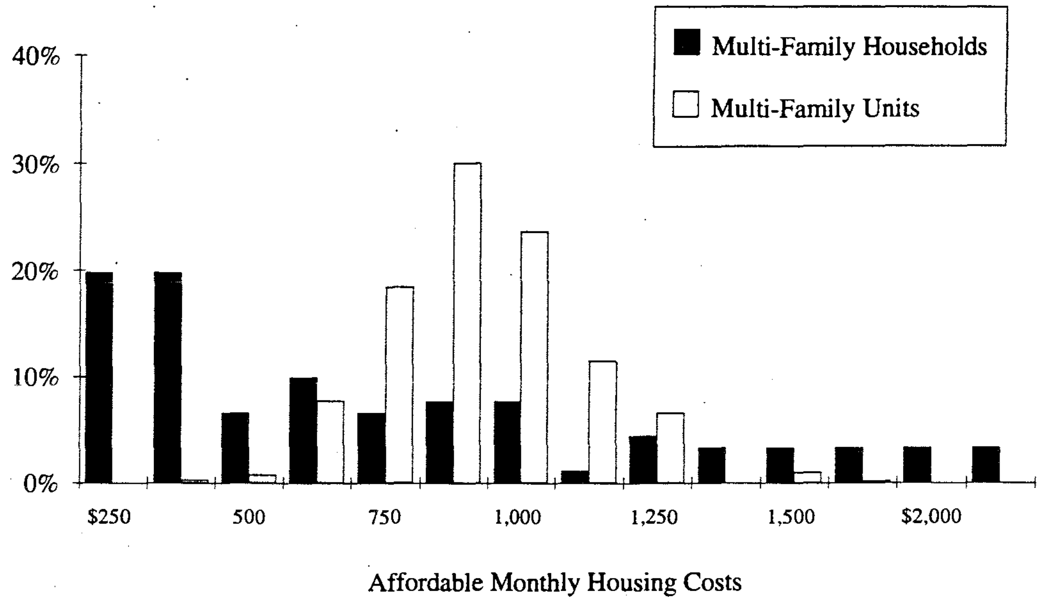
Sources:

1. Rental Households from Juneau Household Survey prepared by the McDowell Group for this study; affordability defined as housing costs less than or equal to 30 percent of monthly income; distribution by affordable housing cost brackets based on respondents only. Rental Households are apartment residents only.
2. Multi-Family Units based on the multi-family housing inventory survey conducted by Thomas P. King & Associates for this study plus the Senior Citizens Support Services, Inc. project under construction and Housing First's planned Douglas project; distribution based on respondents only; the distribution of rents was shifted upwards by one bracket to allow for $125 per month of utility expenses.

The housing costs in Table 10 and Charts 12 and 13 include $125 for monthly utilities expense. If anything, this is a conservative estimate. The Juneau Household Survey conducted by the McDowell Group for this study found that apartment renters had average utility expenses of $140 per month.

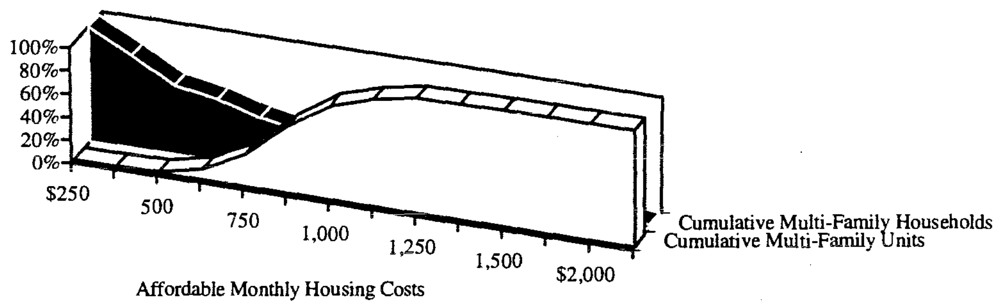
CHART 12

Multi-Family Households' Affordable Housing Costs and Multi-Family Units' Costs



Factoring the assumed utilities costs of $125 out of the affordable monthly costs, the percentages in Table 10 would indicate that almost half—46.2 percent—of renter households can afford units renting for no more than $375 per month. Yet, there are almost no units available—only a cumulative 1.0 percent of multi-family units—within this rental price range. Almost two-thirds—62.6 percent—of renters can afford rents of no more than $625, but even at this rent level, only a little over one-fourth of the existing multi-family units fall within the means of some of these renters.

CHART 13
Cumulative Distribution of
Multi-Family Households' Affordable Housing Costs
and Multi-Family Units' Costs



Rent Burdens

The preceding discussion compared what multi-family households could afford to what is available on the market. Specifically, it compared what households living in dwellings with three or more housing units could afford, with the rent and utilities costs of all multi-family units, regardless of which households actually occupied which units. For this comparison to represent the actual housing cost burdens of households, the least expensive units would have to be occupied by those with the least income. This might be seen as an optimal distribution of multi-family units.

But, the distribution of units need not necessarily be in accord with what households can afford. Table 11 and Chart 14 compare the actual housing cost burdens of all renters, both households living in apartments as well as in single-family, duplex, and all other types of housing. The table and chart reflect the housing costs of each household for the unit in which they actually are living.

TABLE 11
Renters in Housing beyond their Means

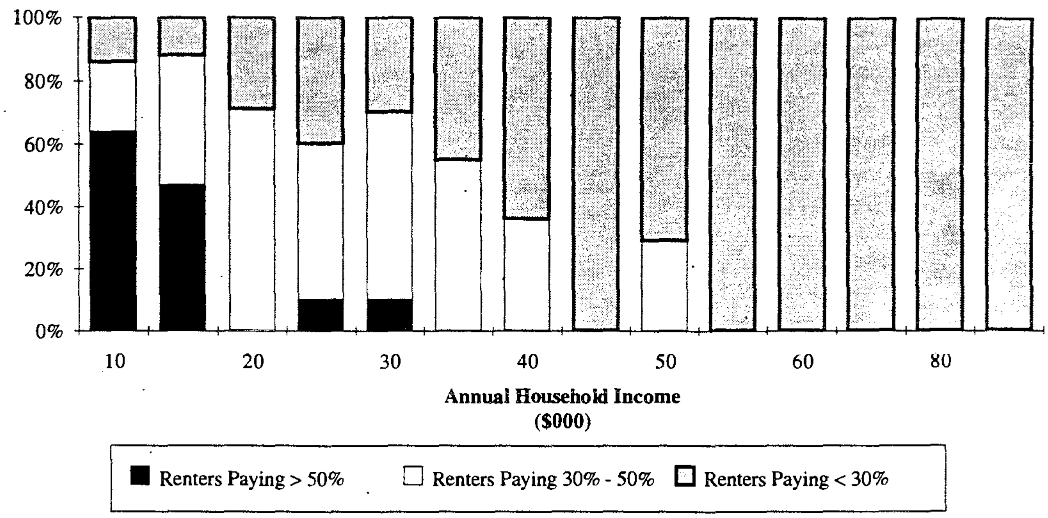
Annual Household Income		Renter Households	Households Paying More than 30% of Income for Housing	Households Paying More than 50% of Income for Housing
0	-$10,000	13%	86%	64%
$10,000	- 15,000	15%	88%	47%
15,000	- 20,000	6%	71%	0%
20,000	- 25,000	9%	60%	10%
25,000	- 30,000	9%	70%	10%
30,000	- 35,000	8%	55%	0%
35,000	- 40,000	13%	36%	0%
40,000	- 45,000	2%	0%	0%
45,000	- 50,000	6%	29%	0%
50,000	- 55,000	6%	0%	0%
55,000	- 60,000	5%	0%	0%
60,000	- 70,000	3%	0%	0%
70,000	-$80,000	3%	0%	0%
$80,000	or over	3%	0%	0%
All Renters		100%	51%	17%

Sources:

1. All figures based on data from the Juneau Household Survey conducted by the McDowell Group for this study.
2. Households are all renters, regardless of type of housing rented, e.g. single-family, duplex, apartment.
3. Distribution of Renter Households by Annual Household Income based on respondents only.

As can be seen in Table 11 and Chart 14, about seven out of eight households with income below $15,000 pay more than 30 percent of their income for housing. Households earning below $15,000 constitute 28 percent of all renters. Around half of such households pay more than 50 percent of their income on housing. Only for incomes above $35,000 does one find a majority of households with housing costs below 30 percent of their incomes. Considering all renters, slightly over half have housing costs exceeding 30 percent of their income and 17 percent of all renter households pay more than 50 percent of their income for shelter.

CHART 14
Percent of Renters Income Paid for Housing



National Comparisons

National comparisons also indicate that Juneau has a serious affordability problem. The 1992 per capita income for Alaska was 111 percent of the national average[5]. But, construction costs for Juneau were 151 percent of the national average as indicated by the Area Modification Factor in Table 3. Also, the ACCRA Cost of Living Index for housing showed Juneau at 147.5 percent of the index's 300 city average for the fourth quarter of 1993. The Runzheimer Living Cost Standards showed Juneau housing at 126.4 percent of the standard city for December 1993.[6] This marked disparity between housing costs and incomes suggests that Juneau has a long way to go before housing will be as affordable, at least for local residents, as it is in the rest of the country.

[5] "Survey of Current Business", Bureau of Economic Analysis, U.S. Department of Commerce, September 1993, page 74.
[6] The ACCRA and Runzheimer indices are from "Alaska Economic Trends", Research and Analysis Section, Alaska Department of Labor, June 1994.

Affordability as a Proxy for Price Elasticity of Demand

If housing is as tight as current market conditions indicate, why don't rents rise enough to provide the necessary incentive for more construction? The fact that they haven't raises suspicions that renters simply can't afford to pay more. Demand for rental housing may be in a range that can be said to be price elastic.[7] Price elasticity of demand measures the percentage change in demand resulting from a given percentage change in price. Generally, demand for housing is thought to be rather inelastic with respect to prices. That is, the basic need for housing generally outweighs the price of housing.

The schedule of Affordable Monthly Housing Costs in Table 11 provides a rough way to look the price elasticity of demand for multi-family housing. In this case, the change in the Cumulative Rental Households (able to afford a given level of housing costs) shown in the table is the change in demand and the change in the Affordable Costs can be taken as the change in price. The use of this schedule to measure price elasticity of demand assumes that households will pay no more than 30 percent of their income for housing.

It would be nice if this assumption reflected the real world, but it does not. As the preceding discussion demonstrates, households will and do pay far more than 30 percent of their income for housing. The divergence from this social goal is frequent and far enough that regression analysis reveals no significant statistical likelihood of households limiting their payments for housing to 30 percent of their incomes.

Only a rough picture of price elasticity of demand can be garnered from the data in Table 11. The preponderance of renters at lower income levels, and the already great cost burdens they bear for housing, suggests that the demand for rental housing may be relatively elastic at current rent levels. This means that a given percentage increase in rents could cause a greater percentage decrease in multi-family demand. People may be likely to move in with friends or relatives, leave town, or look at buying a condominium or house.

The price elasticities calculated from Table 11 change from inelastic (less than 1.0) to elastic (more than 1.0) above $875 per month for housing costs. This is close to the current average $849 housing cost for renters obtained in the McDowell Juneau Household Survey ($684 for rent and $165 for utilities).

This suggests that rents may be stuck below levels that would provide a large inducement to build new rental housing. Efforts to raise rents may reduce landlords' net income, as increased vacancies more than offset increased rents from occupied units.

[7] Price elasticity is measured as the percentage change in demand divided by the percentage change in price. An elastic demand with respect to price would have a price elasticity greater than 1.0, i.e. a given percentage change in price would produce a larger percentage in demand. Similarly, an inelastic demand has a price elasticity less than 1.0, meaning that a given percentage change in price will produce a smaller percentage change in demand.

Ordinarily, with an elastic demand, landlords could increase their income by reducing rents. This would produce a relatively greater increase in demand that would more than offset the reduction in rents. But in Juneau's situation, there are essentially no vacant units to accommodate the increased demand. Construction of new units to absorb increased demand may not be able to pay for themselves. But even if they would, fears of future vacancies may limit developers' or investors' desires to build more housing.

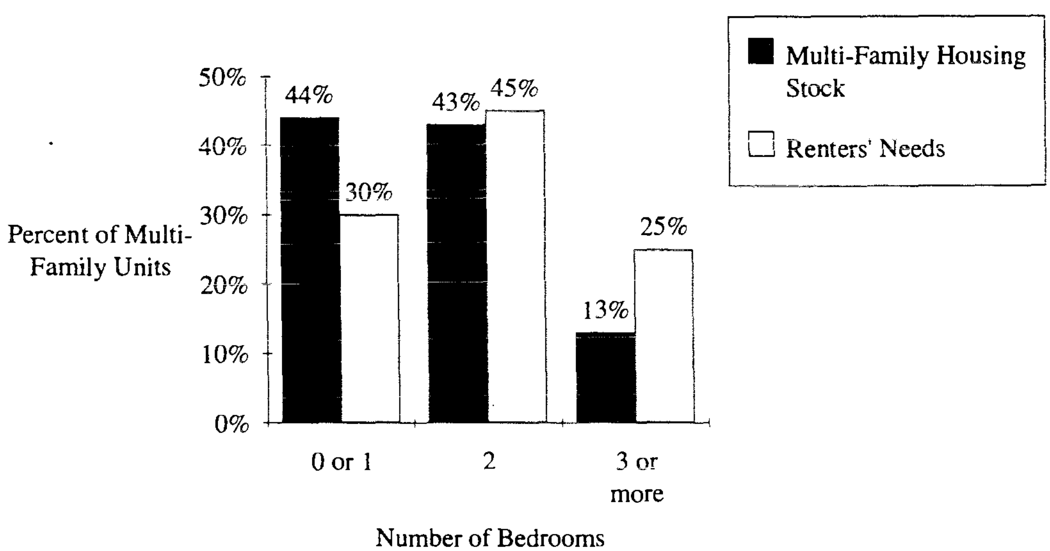
Income Elasticity of Demand

Table 11 offers no information about the income elasticity of demand, i.e., the change in demand given a change in household incomes. The use of a constant percentage (30 percent) of income to tally the number of households that can afford a given level of housing costs assumes that the income elasticity of demand is 1.0. If a household's income increases X percent, Table 11 assumes that what the household can and would spend for housing also increases X percent. The result is that what households can and would spend for housing always remains at 30 percent of income.

Need by Number of Bedrooms

As discussed in Chapter III of the Juneau Housing Demand Forecast, the existing stock of multi-family units does not match what renters feel they need in terms of number of bedrooms. Chart 15 compares the stock with what renters feel they need.

CHART 15
Multi-Family Housing Bedrooms Available and Needed



Even though there is a relatively greater percentage of efficiency (0-bedroom) or one-bedroom units than desired and a relative shortage of two- and especially three-or-more-bedroom units, it may be that households are less able to afford the larger units.

Affordability by Number of Bedrooms

It is possible to use data from the Juneau Household Survey to distinguish the affordability of rental units according to the number of bedrooms in the units. The previous discussion under Rental Housing Affordability compared the cost of multi-family units against what households living in apartments could afford. In this section, the costs of multi-family units by number of bedrooms are compared to what households living in all types of rental housing, and needing the specified number of bedrooms, can afford.[8]

From Tables 12–14, it can be determined that units with larger numbers of bedrooms are progressively less affordable by the households that would need them. The percentage of units with the requisite number of bedrooms that are affordable to roughly half of the households needing them declines from 17.0 percent of the efficiency or one-bedroom units, to 10.3 percent of the two-bedroom units, and to a bare 3.9 percent of the three-or-more-bedroom units.

There are no efficiency or one-bedroom units with costs below $250 per month, no two-bedroom units with costs below $500 per month, and no three-or-more-bedroom units with costs below $625 per month. Yet, 19.4 percent of the households needing efficiency or one-bedroom units can afford no more than $250 a month, 30.3 percent of the households needing two-bedroom units can afford no more than $500 a month, and 39.1 percent of those needing three-or-more-bedrooms cannot afford more than $625 a month.

[8] The number of rental households needing a specified number of bedrooms is based on the distribution of bedrooms for all households according to the number of persons in the household. This same bedroom distribution by number of persons is applied to a distribution of rental households' incomes by number of persons to determine the number of rental households needing a given number of bedrooms and how much they can afford.

TABLE 12
One-Bedroom Multi-Family Units
Renters' Affordable Costs and Existing Units' Costs

Affordable Monthly Housing Costs		Rental Households	Cumulative Rental Households	One-Bedroom Multi-Family Units	Cumulative One-Bedroom Multi-Family Units
0	$ -250	19.4%	100.0%		
$ 250	- 375	12.6%	80.6%	0.5%	0.5%
375	- 500	5.9%	68.1%	1.5%	2.0%
500	- 625	11.1%	62.2%	15.0%	17.0%
625	- 750	9.4%	51.0%	28.3%	45.3%
750	- 875	6.8%	41.7%	41.0%	86.2%
875	- 1,000	14.0%	34.9%	9.3%	95.6%
1,000	- 1,125	3.2%	20.9%	1.1%	96.7%
1,125	- 1,250	4.1%	17.7%	2.9%	99.6%
1,250	- 1,375	4.0%	13.6%	0.0%	99.6%
1,375	- 1,500	3.0%	9.6%	0.4%	100.0%
1,500	- 1,750	2.2%	6.6%		100.0%
1,750	$-2,000	2.8%	4.3%		100.0%
$2,000	or over	1.5%	1.5%		100.0%
		100.0%		100.0%	

Sources:

1. Rental Households are those requiring one bedroom. This was determined by applying the distribution of one-bedroom units by number of persons in the household for all households to the distribution of Affordable Monthly Housing Costs by number of persons in the household for all rental households. These distributions are from the Juneau Household Survey prepared by McDowell Group for this study. Affordability is defined as housing costs less than or equal to 30 percent of monthly income. Distributions are based on respondents only.
2. Multi-Family Units based on the multi-family housing inventory survey of rents prepared by Thomas P. King & Associates for this study plus the Senior Citizens Support Services, Inc. project under construction and Housing First's planned Douglas project; distribution based on respondents only; the distribution of rents was shifted upwards by one bracket to allow for $125 per month of utility expenses.

TABLE 13
Two-Bedroom Multi-Family Units
Renters' Affordable Costs and Existing Units' Costs

Affordable Monthly Housing Costs		Rental Households	Cumulative Rental Households	Two-Bedroom Multi-Family Units	Cumulative Two-Bedroom Multi-Family Units
0	$ -250	10.9%	100.0%		
$ 250	- 375	15.4%	89.1%		
375	- 500	4.0%	73.7%		
500	- 625	8.8%	69.8%	0.2%	0.2%
625	- 750	7.8%	61.0%	10.1%	10.3%
750	- 875	9.8%	53.2%	13.2%	23.6%
875	- 1,000	11.5%	43.5%	51.9%	75.4%
1,000	- 1,125	2.1%	32.0%	16.5%	91.9%
1,125	- 1,250	7.5%	29.8%	5.5%	97.4%
1,250	- 1,375	6.9%	22.4%	0.0%	97.4%
1,375	- 1,500	3.1%	15.5%	2.2%	99.6%
1,500	- 1,750	4.4%	12.4%	0.4%	100.0%
1,750	$-2,000	4.6%	8.0%		100.0%
$2,000	or over	3.4%	3.4%		100.0%
		100.0%		100.0%	

Sources:

1. Rental Households are those requiring two bedrooms. This was determined by applying the distribution of two-bedroom units by number of persons in the household for all households to the distribution of Affordable Monthly Housing Costs by number of persons in the household for all rental households. These distributions are from the Juneau Household Survey prepared by McDowell Group for this study. Affordability is defined as housing costs less than or equal to 30 percent of monthly income. Distributions are based on respondents only.
2. Multi-Family Units based on the multi-family housing inventory survey of rents prepared by Thomas P. King & Associates for this study plus the Senior Citizens Support Services, Inc. project under construction and Housing First's planned Douglas project; distribution based on respondents only; the distribution of rents was shifted upwards by one bracket to allow for $125 per month of utility expenses.

TABLE 14
Three-or-more-Bedroom Multi-Family Units
Renters' Affordable Costs and Existing Units' Costs

Affordable Monthly Housing Costs		Rental Households	Cumulative Rental Households	Three+ Bedroom Multi-Family Units	Cumulative Three+ Bedroom Multi-Family Units
0	$ -250	8.2%	100.0%		
$ 250	- 375	15.5%	91.8%		
375	- 500	7.4%	76.3%		
500	- 625	8.0%	68.8%		
625	- 750	7.9%	60.8%	3.9%	3.9%
750	- 875	7.5%	53.0%	32.9%	36.7%
875	- 1,000	11.0%	45.5%	3.1%	39.8%
1,000	- 1,125	2.8%	34.4%	37.1%	76.9%
1,125	- 1,250	7.1%	31.6%	23.1%	100.0%
1,250	- 1,375	7.3%	24.4%		100.0%
1,375	- 1,500	5.0%	17.1%		100.0%
1,500	- 1,750	3.8%	12.1%		100.0%
1,750	$-2,000	3.4%	8.4%		100.0%
$2,000	or over	5.0%	5.0%		100.0%
		100.0%		100.0%	

Sources:

1. Rental Households are those requiring three or more bedrooms. This is based on applying the distribution of three-or-more-bedroom units by number of persons in the household for all households to the distribution of Affordable Monthly Housing Costs by number of persons in the household for all rental households. These distributions are from the Juneau Household Survey prepared by McDowell Group for this study. Affordability is defined as housing costs less than or equal to 30 percent of monthly income. Distributions are based on respondents only.
2. Multi-Family Units based on the multi-family housing inventory survey of rents prepared by Thomas P. King & Associates for this study plus the Senior Citizens Support Services, Inc. project under construction and Housing First's planned Douglas project; distribution based on respondents only. The distribution of rents was shifted upwards by one bracket to allow for $125 per month of utility expenses.

Charts 16 through 18 help depict the affordability versus stock relationships by number of bedrooms. Chart 16 compared to Chart 17 shows that one-bedroom units are spread across a wider range of costs than two-bedrooms which are highly concentrated around $1,000 per month. The bimodal distribution (two peaks) of costs for three or more bedrooms seen in Chart 18 is due to subsidized rents. Chart 18 shows the shortcomings of what may be the program or policy limits of subsidized housing. The subsidies still don't push costs down within reach of a large bulk of the rental population.

CHART 16
Distribution of
Affordable Housing Costs for Rental Households' Needing 1 Bedroom
and Multi-Family 1-Bedroom Units' Costs

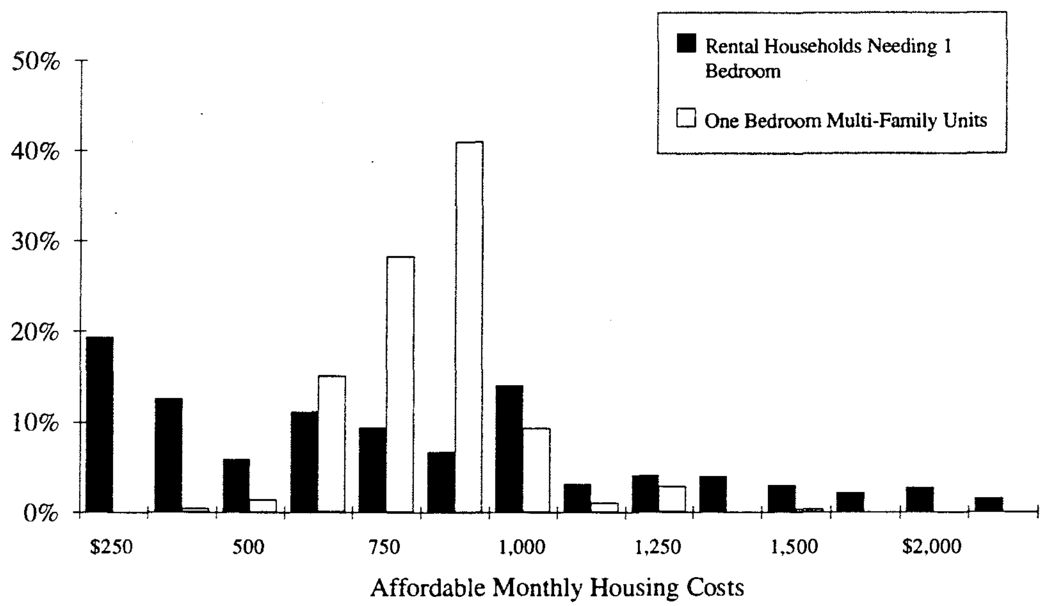


CHART 17
Distribution of
Affordable Housing Costs for Rental Households' Needing 2 Bedrooms
and Multi-Family 2-Bedroom Units' Costs

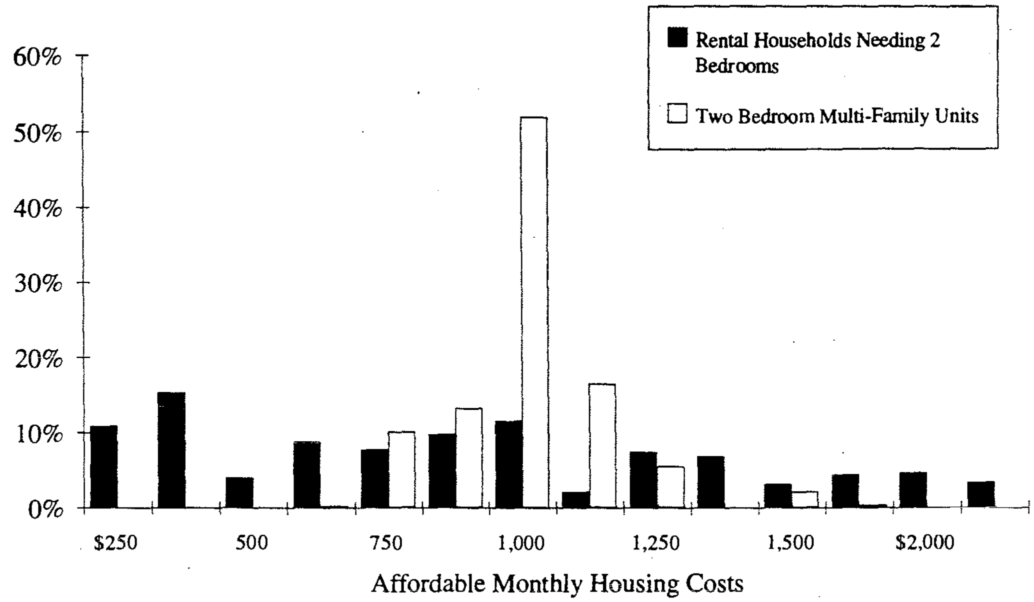
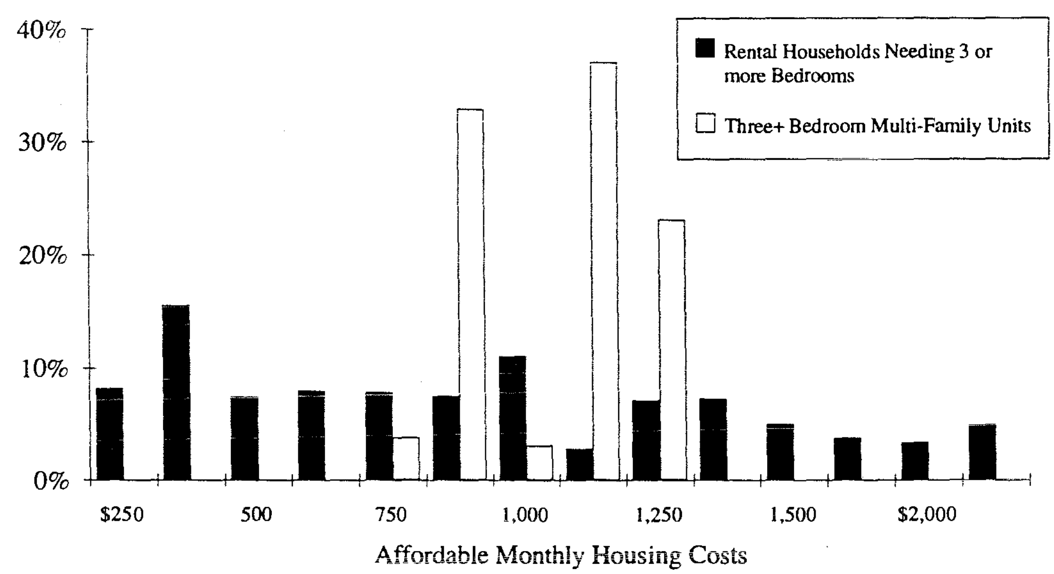


CHART 18
Distribution of
Affordable Housing Costs for Rental Households' Needing 3 Bedrooms
and Multi-Family 3-Bedroom Units' Costs



The three-dimensional cumulative affordability charts, Charts 19 through 21, graphically show the movement to the right of the supply of rental housing on the cost scale, as the number of bedrooms increase. A smaller and smaller proportion of households are left in the charts, as bedrooms increase, that can afford the available units.

CHART 19
Cumulative Distribution of
Affordable Housing Costs for Rental Households' Needing 1 Bedroom
and Multi-Family 1-Bedroom Units' Costs

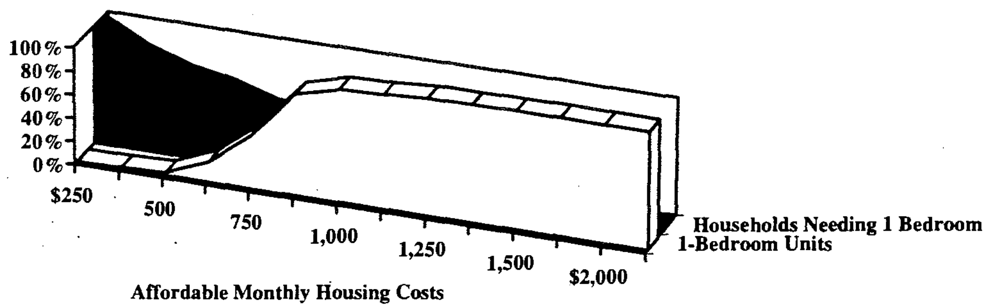


CHART 20
Cumulative Distribution of
Affordable Housing Costs for Rental Households' Needing 2 Bedrooms
and Multi-Family 2-Bedroom Units' Costs

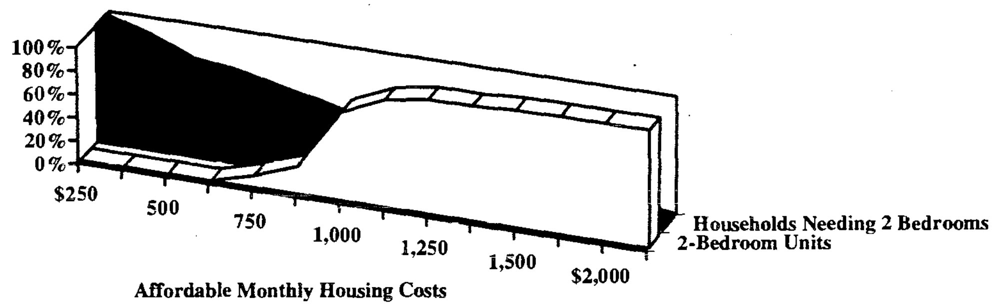
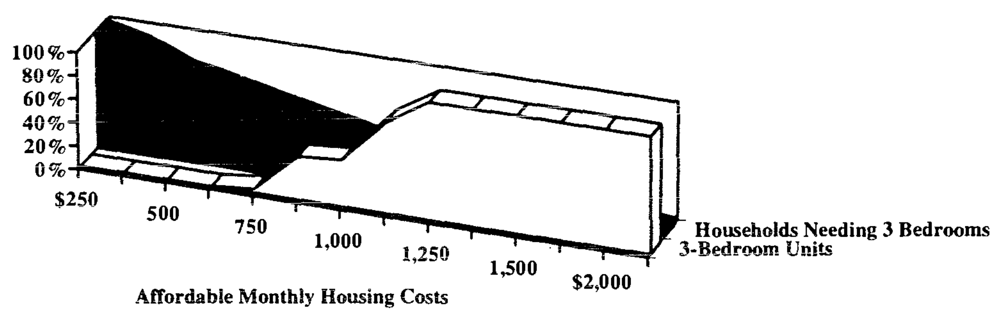


CHART 21
Cumulative Distribution of
Affordable Housing Costs for Rental Households' Needing 3 Bedrooms
and Multi-Family 3-Bedroom Units' Costs



The charts illustrate the difficulty of increasing rents above their current levels. Further movement to the right of the cumulative supply curve would leave very little of the rental supply within the means of households. Table 15 compares the point at which demand shifts from inelastic to elastic with the current level of housing costs and availability, based on a 30 percent affordability criterion.

TABLE 15
Thresholds of Elasticity and Units above Threshold

Bedrooms	Threshold of Elasticity	Existing Units above Threshold	Current Rent for New Unit	Monthly Expenses	Total Monthly Cost
1	$750	54.7%	$650	$140	$790
2	875	76.4%	850	140	990
3	$1,000	60.2%	$1,000	$140	$1,140

Sources:
1. Threshold of Elasticity and Existing Units above Threshold calculated from Tables 12 through 14.
2. Current Rent for New Unit from Thomas P. King & Associates survey of existing multi-family housing conducted for this study, based on survey results for newer units.
3. Monthly Expenses from 1994 Juneau Household Survey conducted by the McDowell Group for this study.

With a majority of existing units already above the estimated point at which demand becomes elastic, it is unlikely that rents would rise a lot higher. Yet, the estimated costs to renters for new rental housing are all in the range where demand may be elastic. If the rents shown are required for new construction to pencil out, a project might run a significant risk of default.

III. Future Juneau Multi-Family Housing Market Conditions

The Juneau Housing Demand Forecast estimates the demand for additional housing units based on projected changes in population. It does not estimate the effect of the projected demand for housing units on the price of housing. Nor does it provide any indication of whether additional supply will be forthcoming to meet the projected demand.

Analysis of the historical relationships between population, rental prices, and supply provides the basis for a simple model of the Juneau multi-family housing market. The model can provide some insights about the possible future conditions of Juneau's multi-family housing market.

Theoretical Basis for a Multi-Family Housing Market Model

Demand for multi-family housing not only determines how intensively existing housing will be utilized, but also plays a key role in how much new multi-family housing will be built. To understand these relationships, it is necessary to distinguish between the demand for multi-family housing structures and the demand for multi-family housing services. Demand for multi-family structures comes from the lessors—developers or investors seeking to own the buildings as profitable investments. Demand for multi-family housing services comes from the lessees—persons or households seeking to rent a portion of the buildings for living accommodations.

Demand for multi-family buildings is a function of the stream of net operating income (NOI) that can be generated over time by renting the units in the structure, plus or minus any gain or loss that would be expected on sale of the property.[9] The supply of new multi-family housing is a function of the costs of constructing and financing new buildings. Landlords or developers will buy or build multi-family housing when the net operating income (NOI) from the property (rent minus operating expenses) exceeds their cost of capital (interest on borrowed funds plus foregone investment income on the equity they chip in), if they can count on the price of the structure not to fall.[10]

---

[9] A more exact specification of demand would express NOI and gains and losses in terms of expected present value. Supply would be specified also in terms of the present value of costs of construction and financing. These concepts are omitted from the discussion for the sake of simplicity.

[10] If there were no risk of depreciation in the price of structures, owners would not need to repay principal on borrowed funds or provide for extraction of equity. In reality, there are a multitude of risks that require that NOI be sufficient to recover not only principal to be paid to lenders, but to provide some cushion in NOI above that level.

In the short run, the supply of structures is pretty much fixed. Thus, changes in demand for rental housing will be reflected largely in changes in the rental price, and possibly vacancy rates. A short-run increase in rental prices or occupancy rates, due to a surge in population for example, can increase the NOI for owners of multi-family housing. This would increase the price of multi-family structures and serve as a signal for possible construction of additional multi-family housing.

The level of rents and vacancy rates link demand for rental housing to the demand for structures because they are main ingredients in a property's NOI. But rents and vacancy are not the whole story. Capital costs of supplying additional housing and expectations about appreciation or depreciation in the price of the structure are also critical.

Demand by renters for the service that multi-family buildings provide, i.e., their use as rental housing, is a function of price (rent), renters' income and wealth, and demographic factors. The demographic determinants include population, household size, and household composition (family structure and age of members). The Juneau Housing Demand Forecast prepared by the McDowell Group for this study estimates demand based on population and certain special cases regarding household composition (mining construction workers, seasonal employment with the Legislature and in the tourism industry).

Specification of the Model by Regression Analysis

Demand

Using data for the period from 1981 to 1992, an analysis was performed of the relationship between rental prices and several factors that might be expected to explain rental price changes. These factors included vacancy rates, average wages, and population.

The result was a simple regression equation describing Juneau's multi-family housing demand. The equation is:

$$R_i = \$755 + \$3{,}033[(P_i/P_{i-1})-1]$$

where, R_i = the real rental price in 1993 dollars in year i;
P_i = population in year i; and,
P_{i-1} = population in year i-1.

This equation says that the level of real rent will be a function of the percentage change in population from the prior year, expressed as a decimal fraction, i.e., 1% = 0.01. In this case, rents are those for two-bedroom apartments of the kind used in the ACCRA index.

The equation explains 63 percent of the annual variation in real rental prices. The coefficients are significant at the 99.8 percent confidence level. Statistical details are provided in Appendix A. No other equations tested approached this equation in terms of statistical quality.[11]

Supply

The relationship between multi-family building permits and several factors that might be expected to explain changes in multi-family housing starts also was analyzed. These factors included rents, vacancy rates, land costs, capital costs, and assessed values of multi-family properties.

The result of the analysis was a simple regression equation describing Juneau multi-family housing supply. The equation and its estimated coefficients are:

$$U_i = -706 + 1.006(Ri) - 132(Di)$$

where, U_i = the number of multi-family units authorized in year i;
R_i = the real rental price in year i;
$Di = 0$ if $Ri < \$800$ per month; or,
$= 1$ if $Ri \geq \$800$ per month.

This equation explains 77 percent of the annual variation in multi-family building permits authorized. The coefficients are significant at the 98.6 percent level. Statistical details are provided in Appendix A. No other supply equations tested approached this equation in terms of statistical validity.

If we assume no construction occurs when real rents are below $800 per month, the supply equation becomes:

$$U_i \approx R_i - 838.$$

This says two things:

- real rents in 1993 dollars probably have to be above $838 per month for two-bedroom apartments to trigger new multi-family construction; and,
- the number of new multi-family units constructed each year when real rents are above $838 is likely to be one unit for every dollar that real rents exceed $838.

If we now substitute the demand equation for R_i into the supply equation for U_i, we have:

$$U_i = 755 + 3{,}033(P_i/P_{i-1}-1) - 838, \text{ or}$$
$$U_i = 3{,}033(P_i/P_{i-1}-1) - 83.$$

[11] In the case of vacancy rates, the absence of data for the early 1980's may have been the reason no valid relationship was found.

This equation leads to the following conclusions, when real rents are above $800:

- construction of new multi-family units is likely to occur, other things being equal, when population increases by more than 2.7 percent (83/3,033) from the prior year;

- an additional 30 units of multi-family housing can be expected, other things being equal, for each 1.0 percent increase in population in excess of an annual rate of 2.7 percent.

The Model

Taken together, the demand and supply equations:

$$R_i = \$755 + \$3{,}033(P_i/P_{i-1}-1)$$
$$U_i = 3{,}033(P_i/P_{i-1}-1) - 83$$

constitute a simple model that provides estimates of rental prices and new multi-family construction. Although this is a static model, it is useful for illustrating some of the dynamics of the market. Following a simple example illustrates how changes in population can push up rents in the short run, eliciting an increase in supply that, according to the coefficients of the equations, leads to a decrease in rents that shuts off further construction, in the absence of further population increases.

For example, assume that rents are $800 and that population increases 4.0 percent in one year. According to the equations, real rents would increase to $876 and construction would begin on 38 new multi-family units. If population holds steady thereafter, then real rents would fall to $755 a year later and no further multi-family housing starts would take place.

This model is only the roughest approximation of reality. It essentially abstracts from or holds constant many real world variables, such as vacancy rates, costs of developing new multi-family housing, prices of alternative types of housing, and expectations about the future.

Implications of the Model

Three of the most pertinent conclusions to be drawn from the model are:

- rents, which for two-bedroom units are about $850 currently, appear to be in the range that some, but not a lot, of new multi-family construction should ensue;

- based on the Juneau Housing Demand Forecast estimated need for an additional 242 multi-family units through 1995 over and above those planned or in-progress, rents for two-bedroom units might have to be $1,080, compared to current levels of $850 to $950 to fully meet pent-up demand;

- the current level of rents may be holding back the floodgates of new construction because they offer only limited profitability for investments in multi-family housing; and,

- at the same time, multi-family housing investments face substantial risk from possible declines in population, as well as other factors.

This one element of risk can be quantified by the potential change in rental prices due to changes in population, as specified by the model. The model suggests that in the absence of population increases, rents would settle at around $755 after supply has adjusted to the stabilized population. This level may be valid only in the presence of more normal vacancy rates. The demand equation says that real rents would be likely to decline about $30 for each 1.0 percent decline in population. A 4.0 percent decline in population, such as that experienced during the worst year following the mid-1980's real estate and oil crash, could cause rents to drop $120. If this occurred when supply was in balance with demand at rental prices of $755, the population decline could send rents as low as $635 in 1993 dollars. This is essentially the level that real rental prices sank to at their nadir in 1988.

One implication of this seems to be that a successful program to stimulate enough multi-family construction to bring vacancy rates to 5.0 percent may create the potential for large drops in rents if population stops growing or falls. Current two-bedroom rents of $850 to $950 might slide back to $755 with ample vacancy rates and a stable population. Past history has demonstrated that rents can go as low as $644 with a major slippage in population. More calamitous falls in population than previously experienced are within the realm of possibility.

The fear of this happening, even with the current absence of vacancy in the market, may be as great a check on investors and lenders as the marginal profitability that current rents may afford. The potential magnitude of Juneau population declines from events such as a capital move or serious retrenchment in State employment as Prudhoe Bay winds down could be significantly greater than the example given of 4.0 percent. While the surplus of housing and cheap rents would be a boon to renters, the possibility of population crash stands as a serious obstacle to creation of additional multi-family housing.

Large price movements are characteristic of rental markets subject to large swings in population. The volatility of rental prices is a result of two things:

- the short-run fixed supply of housing; and,
- the capital intensive nature of providing rental housing services.

The biggest proportion of costs are in creating the housing, not in operating it. This leads to a high proportion of fixed costs as opposed to variable costs. In a situation of falling demand, competitive forces can cause rents to fall as low as variable costs. Below that level an apartment building would lose less money by shutting down. On the upside, the costs of producing and operating new multi-family housing can place a ceiling on rents over time. But lags in developing, financing, and constructing new projects can allow sharp increases in rents in the short run.

IV. The Mortgage Market

The Primary Mortgage Market

A mortgage is a transfer of an interest in real property that secures a payment of debt. Loans secured by mortgages are created in the primary mortgage market. This origination of mortgage loans is provided by mortgage lenders. Mortgage lenders include:

- commercial banks
- savings and loans
- savings banks
- mortgage bankers or companies.

Multi-family rental housing properties of five or more units are produced and owned as income-producing property. Mortgage loans on such housing are referred to as commercial multi-family mortgage loans. One- to four-family housing is usually produced and owned primarily for owner-occupancy. Mortgage loans on one- to four-family housing are called residential mortgage loans. The market for commercial mortgages differs from that for residential mortgages in many ways.

For construction of new multi-family housing, there normally are two types of mortgage loans made—a construction loan and a long-term loan. Often, the long-term loan is referred to as the permanent, or term, financing or loan.

Forward Commitments

The long-term loan may also be referred to as the take-out loan or financing if the long-term lender makes a commitment to provide the long-term financing before completion of construction. Such a commitment may be referred to as a forward commitment. The borrower and construction lender would prefer to have the take-out financing in place before the construction lender makes the construction loan, all else being equal. Commitments, of course, cost money. The greater the risks entailed in the commitment, the greater the commitment fee will be.

Rate-Locks

The long-term lender's commitment may or may not include a commitment as to the interest rate, often called a "rate-lock". The availability of a rate-lock may be critical to a mortgage lender's willingness to make a construction loan, at least on the basis of the long-term lender's terms and conditions. Of course, a fee would be charged by a long-term lender for a rate-lock.

Rate-locks cover the risk that an adverse movement in interest rates might jeopardize the debt service coverage ratios required by the take-out financing source. Uncovered construction loans would leave a mortgage lender two unpalatable alternatives in the event of an adverse movement in interest rates:

1. If the lender originates the long-term loan at current market rates, the mortgage lender would be forced to hold the long-term financing. Lenders have limits on their appetite for long-term real estate loans. They also would be especially loathe to take on loans that are underwritten on the longer maturities of the take-out financing.

2. The alternative would be to write the loan at the interest rate necessary to meet debt service coverage required for take-out financing. Then, the mortgage lender would be forced to take a loss on placing the loan with the take-out lender in order to provide the take-out lender with a current market rate.

As a practical matter, mortgage lenders that are willing to hold the permanent loans deal with the interest rate and other risks by underwriting uncovered construction loans on the basis of the bank's long-term lending guidelines. This provides a greater equity cushion for the lender and avoids commitment fees. Then, if permanent financing is placed with a secondary market source, the loan will be re-underwritten to that source's terms and conditions. This results in the return of some of the borrower's equity.

Note that the lack of a forward commitment with a rate-lock can create two major obstacles to financing multi-family housing:

1. if the mortgage lender is unwilling to risk having to hold the mortgage loan, no loan will be made; and,

2. the financing may require inordinate amounts of equity because the lender may be willing to hold a loan, but only one that is underwritten on the bank's terms and conditions, not the secondary market's.

A mortgage lender alternatively can cover the interest rate risk with a rate-lock or by hedging mortgage rates in the futures or options market. Fees for these methods of hedging can be very expensive, as much as 3 percent of the amount hedged. Such fees could be just as detrimental to project economics as the interest rate risk they seek to avoid. Even if the fee is tolerable, the state of the development of futures and options contracts and markets make this avenue an imperfect hedge at best. Besides, many depository financial institutions do not have the expertise to carry out hedging in the financial markets. A very few firms manage interest rate risk on mortgage originations for lenders on contract. The only one identified in the course of this study[12] currently hedges only residential mortgages.

[12] Tuttle & Co. of Mill Valley, California.

Lease-Up Risk

Coverage ratios also could be jeopardized by other risks. Lease-up risk could imperil occupancy levels necessary to reach the required debt service coverage. This level could be different from the occupancy level typically included as a specific requirement of the take-out commitment. Lease-up risk sometimes is dealt with by either extending the construction loan's maturity to encompass the lease-up period or writing what's called a minipermanent or "miniperm" loan that specifically covers the lease-up period.

Other Risks

Failure to operate rental apartments within budgeted expenses can also jeopardize coverage ratios. But with knowledge of the market and experience with borrowers, mortgage lenders' main wild card is often the interest rate risk.

Still, there are other risks that could invalidate a forward commitment, such as:

- failure to complete construction and get required approvals, such as the certificate of occupancy, within the commitment period;
- failure to construct units according to plans or specifications, or standards that might be stipulated in the commitment;
- violations or laws, codes, ordinances, or environmental rules;
- cost overruns resulting in the mortgage lender increasing the construction loan beyond the amount contained in the commitment; and,
- adverse changes in the borrower's financial situation.

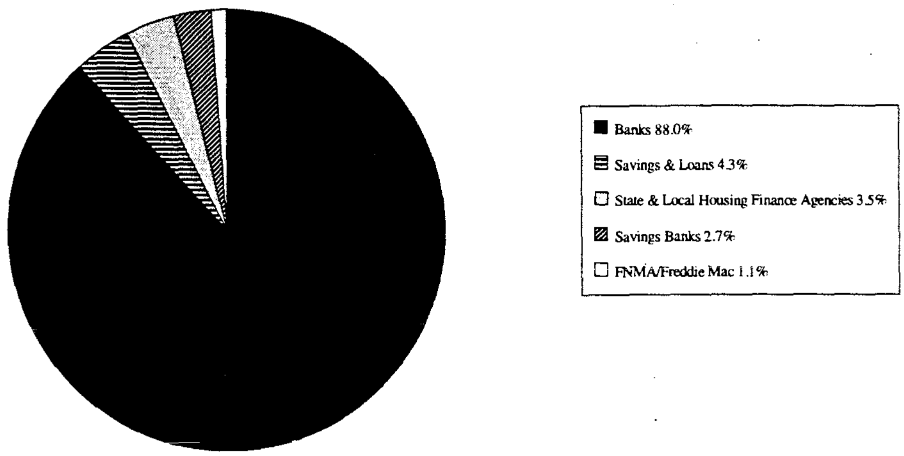
Invalidation of a commitment sometimes may stem from a lack of liquid funds on the long-term lender's part. Changes in mortgage market prices and rates also may affect the desirability to the long-term lender of fulfilling the commitment. These are not reasons that are included in commitments as escape clauses. But, in such cases, the long-term lender usually can find some technical violation of the conditions of the commitment to invalidate it.[13]

Primary Mortgage Market Players

Commercial banks are the biggest source of construction financing. Chart 22 shows the percentage of 1993 multi-family construction loans originated by various mortgage market participants.

[13] "Construction Lending", Henry S. Kesler and R. Lynn Tucker, pp. 238-239; from Financing Income-Producing Real Estate, Second Edition; Eric Stevenson, Editor; Mortgage Bankers Association of America, 1988.

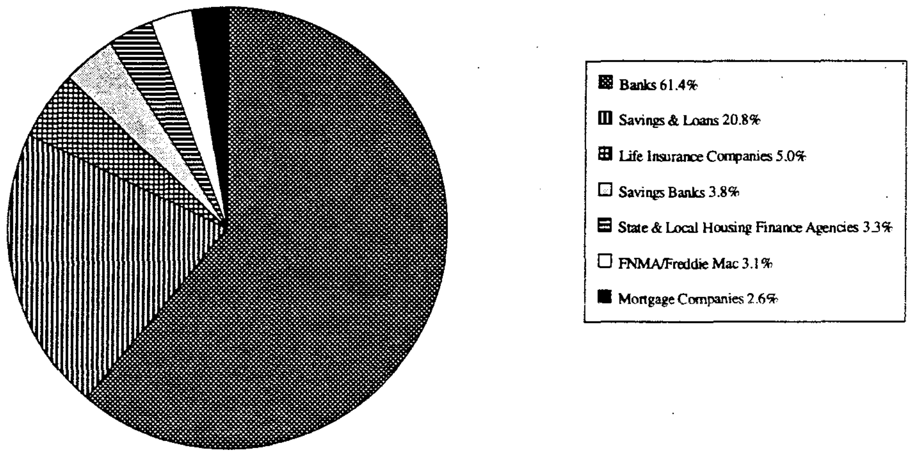
CHART 22
1993 Multi-Family Construction Loans
Percent of Dollar Amounts Originated



Source: "Survey of Mortgage Lending Activity", HUD, 12/93

Chart 23 shows mortgage lenders' 1993 shares of the market for origination of long-term mortgage loans. Commercial banks and savings and loans are the main long-term multi-family housing mortgage lenders. For moderate-sized multi-family housing projects in Alaska that are not targeted toward lower-income tenants, mortgage bankers would be the next most important source of long-term loan originations. Only large multi-family loans, generally in the tens of millions of dollars, are originated directly by life insurance companies and the government-sponsored agencies FNMA and Freddie Mac. State and local housing finance agencies generally originate mortgages for affordable housing. Savings banks are regionally important in origination of long-term mortgages in the northeastern part of the United States.

CHART 23
1993 Multi-Family Long-Term Loans
Percent of Dollar Amounts Originated

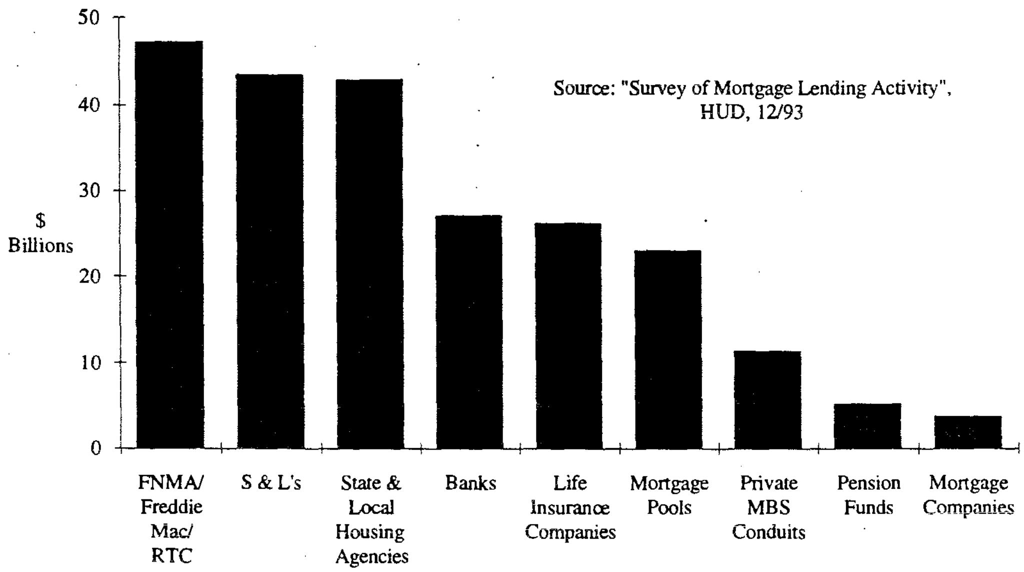


Source: "Survey of Mortgage Lending Activity", HUD, 12/93

The Secondary Mortgage Market

Mortgage lenders may either retain long-term mortgage loans as assets in their investment portfolios or sell them in the secondary mortgage market. Savings and loans and, to a lesser extent, banks may retain some mortgages as investments. Mortgage bankers or mortgage companies sell all the loans the make. Chart 24 displays the holdings of multi-family mortgage loans by various mortgage market participants at the end of 1993.

CHART 24
Holdings of Multi-Family Mortgages
December 31, 1993



Loans may be sold as whole loans, participations, or mortgage-backed securities. A whole loan sale transfers all ownership interest and all documents related to a loan or pool of loans. A participation transfers only a portion, usually 90 percent, of a loan or pool to another party. The retention of a minor portion by the lender helps assure the purchaser of the quality of the loan and, as a matter of practice, avoids the transfer of most documents.

Mortgage-Backed Securities (MBS's)

A mortgage-backed security (MBS) is a debt instrument which relies on the cash flow and, if need be, the liquidation value of a mortgage loan or pool of mortgage loans for paying the principal and interest on the debt. Investors purchase MBS's because of their:

- liquidity—they can usually be traded readily in the securities markets at their market value;
- efficiency—ownership is evidenced by a certificate or book entry, avoiding transfer of documents;
- diversification—risk may be spread by a pool across more than one mortgage, lender, or local economy; and,
- credit enhancement—various means exist to insure the MBS holder against default by the issuer of the MBS.

For depository financial institutions, holding mortgages in the form of MBS's guaranteed by a federally-sponsored agency—FNMA, Freddie Mac, or GNMA—helps them meet regulatory requirements regarding their level of capital. See the discussion under Banks in Chapter V.

Secondary Mortgage Market Players

The secondary mortgage market consists of investors or financial intermediaries that buy loans from mortgage lenders. To some extent, primary market lenders may buy loans in the secondary market to bolster their investment portfolio, obtain servicing income, or assemble a pool of mortgages of sufficient size to form securities. But, the majority of loan sales in the secondary market are to investors, or to financial intermediaries which package the loans into securities for subsequent sale to investors.

Investors in multi-family mortgage loans or securities backed by multi-family mortgage loans include:

- federal (FNMA/Freddie Mac) and state credit agencies
- life insurance companies;
- pension funds
- individuals; and,
- real estate investment trusts (REIT's).

REIT's are trusts or corporations electing REIT tax status. They are granted conduit tax treatment as long as they invest only in real estate. Like a mutual fund, the trust or corporation can avoid taxation by passing its income on to shareholders. REIT's may make mortgage loan or equity investments, but for tax purposes they must be "passive" lenders or investors which do not actually manage the businesses they invest in.

The attractions of securitization of mortgages have led mortgage lenders and financial intermediaries to also take on a significant investor role in the secondary market. They buy MBS's for their investment portfolios. Often lenders may buy back the same security created from a pool of mortgage loans that they sell to a financial intermediary.

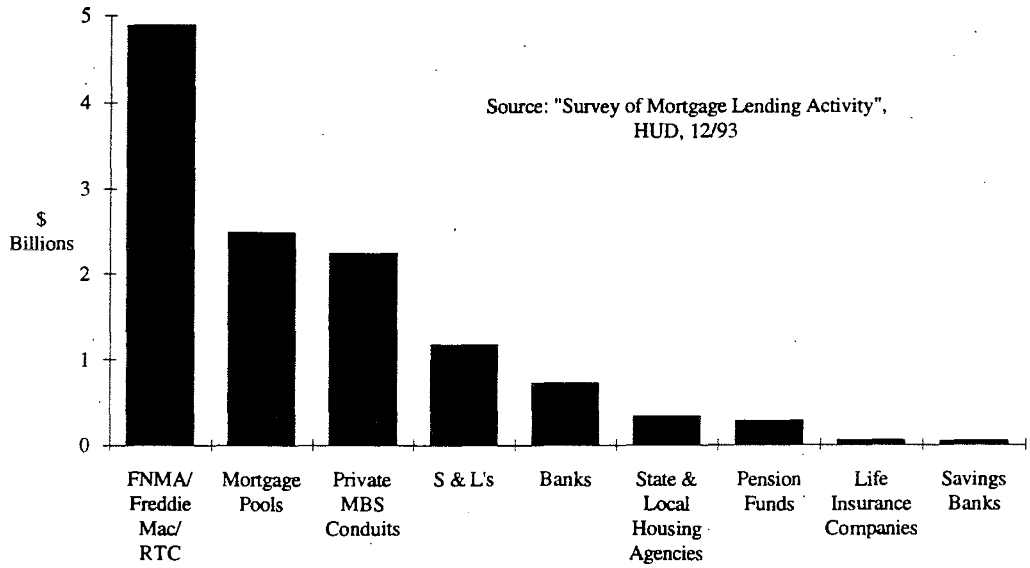
The main financial intermediaries in the mortgage market are the entities that issue MBS's. These include:

- FNMA;
- Freddie Mac;
- private conduits; and,
- mortgage lenders that issue MBS's.

Private conduits are associations between mortgage market participants that gather mortgage loans and package them into MBS's. They typically might include a mortgage banking firm as issuer of the MBS, correspondent relationships with other mortgage lenders which originate loans and sell them to the mortgage banker, and an investment banking firm which underwrites and markets the MBS on Wall Street to investors.

Because of the advantages of MBS's, mortgage sales in the secondary market have been shifting to the packagers of loans for MBS issuance. Chart 25 gives a peek at the importance of MBS's in the current mortgage marketplace. The amounts shown for purchases by mortgage pools are mortgages packaged into MBS's during 1993. Almost all of the amounts shown for private MBS conduits and a large amount of purchases by other players, especially FNMA and Freddie Mac, are ultimately destined to be packaged as MBS's.

CHART 25
1993 Purchases of Multi-Family Mortgage Loans



V. Multi-Family Housing Financing Sources

Multi-family housing financing sources are grouped under two headings—affordable housing financing sources and market rent housing finance sources. The affordable housing sources have set-aside requirements that dedicate a certain number of a project's rental units to lower-income persons and limit the rent which can be charged for those units. Market rent sources have no such requirements.

Affordable Housing Financing Sources

Alaska Housing Finance Corporation (AHFC)

In addition to its multi-family housing programs, AHFC has a Special Housing Fund which may be used in conjunction with any other AHFC program. It also serves as the sole funding source for AHFC's Loans to Sponsors program, the only AHFC program funded entirely from the Special Housing Fund. The Special Housing Fund is used to make concessions in loan terms or credit requirements as necessary to provide a reasonable expectation of loan repayment. The fund is available for use by for-profit as well as non-profit sponsors, in the case of rental projects. The money in the fund comes from the arbitrage AHFC earns.[14]

The Special Housing Fund is tapped on a first come, first serve basis by the programs eligible to use it. The pool currently has a balance of about $20 million, of which about $12 million has been committed. About $7.5 million of the commitments were made in response to the two applications received to date for the Loans to Sponsors program. That program began about a year and a half ago. Appendix B contains management guidelines for the Special Housing Fund.

By virtue of AHFC's statutory charter, AHFC financing programs must be targeted toward lower- to moderate-income families. All existing AHFC multi-family programs are for affordable housing. They are described in the following subsections.

[14] Arbitrage earnings are the amounts AHFC earns by charging a higher rate of interest on its loans than the rate paid on its bonds.

Multi-Family, Special Needs & Congregate Housing Loan Program

Under this program AHFC offers mortgage loans for multi-family housing[15] to both for-profit borrowers as well as non-profit and other borrowers. Other borrowers include regional housing authorities, Alaska native corporations, municipalities, and State or municipal agencies. This is a direct lending program. Loan application is made to AHFC which originates the loan. Loans are serviced by banks.

The loan terms and conditions cited below are those which generally would be applicable for new multi-family construction under current Juneau market conditions. See Appendix B for a full statement of the program's terms and conditions. Forward commitments, with the lending rate to the borrower locked-in, are available under the program. There is a 1.5 percent commitment fee, refundable if the loan is made.

TABLE 16
AHFC Multi-Family, Special Needs, & Congregate Housing
Loan Terms and Conditions

	For-Profit Borrower	Non-Profit/Other Borrower
Loan-to-Value (term loan)	85%	no limit (acceptable risk)
Amortization period	30 years max	30 years max
Debt service coverage	1.15	1.15
Loan fee		
first $1,000,000	1.00%	.500%
next $4,000,000	0.75%	.375%
next $10,000,000	0.50%	.250%
next $15,000,000	0.25%	.125%
Servicing fees		
loans < $1 million	.250%	.250%
loans > $1 million	.125%	.125%
Interest rates (fixed)	(rates as of 5/31/94)	
Tax-exempt	6.929%	6.929%
Taxable	8.969%	8.969%
Set-aside requirements	20% of units for incomes ≤ 50% of area median or 40% of units for incomes ≤ 60% of median	20% of units for incomes ≤ 50% of area median or 40% of units for incomes ≤ 60% of median
Rent restriction	30% of 50% or 60% of median income for family size figured @ 1.5 persons/bedroom	30% of 50% or 60% of median income for family size figured @ 1.5 persons/bedroom

[15] Loans are also offered for special needs (elderly, disabled, mentally ill, homeless, or transitional) and congregate services (housekeeping, meals, counseling, job training, medical care, or child care) rental properties under more liberal terms than multi-family properties.

AHFC's lending rate will be the tax-exempt rate, except in the case of acquisitions without substantial rehabilitation by for-profit borrowers. The lending rates are generally tied to the Bond Buyer Weekly 25 Revenue Bond Index in the case of the tax-exempt rate and the 30 year U.S. Treasury bond rate for taxable rates. A spread over these indices is maintained to cover AHFC's cost of funds (relative to the indices) in the bond market as well as its administrative costs. Servicing fees as shown in Table 16 are added to the interest rate charged the borrower.

The FY 1994 median income limits for the Juneau borough are:

TABLE 17
FY 1994 Juneau Median Income Limits

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Median Income Limits	$42,400	48,500	54,500	60,600	65,400	70,300	75,100	$80,000
60% of median	25,440	29,100	32,700	36,360	39,240	42,180	45,060	48,000
50% of median	$21,200	24,250	27,250	30,300	32,700	35,150	37,550	$40,000

These limits permit maximum rents as shown in Table 18 for the rent-restricted units in a project. The maximum rents are calculated by a formula based on an assumed number of persons per bedroom as shown in the table and on median incomes. Maximum rents charged are not tied to the actual number of persons in a unit or their actual incomes.

TABLE 18
Restricted versus Market Rents

		Rents		
Bedrooms	Persons	50% of Median	60% of Median	Market
0	1	$530	$636	$600
1	1.5	568	681	650–700
2	3	681	817	850–900
3	4.5	$787	$945	$1,000

Note that two of the allowed rents are above the market as shown by the boxes in the table. This suggests that projects meeting the lower-income criteria of this and other programs with similar affordability guidelines may have better odds of being financially feasible. Depending on the configuration of bedrooms in the units, a project might have to give up very little in restricted rents, yet receive significantly better financing terms.

Low-Income Housing Tax Credit Program

This program is a source of equity for new construction, acquisition of properties (10 years or older) with rehabilitation, or just rehabilitation. The properties generally must be rental properties, but can be of any housing type (single-family, multi-family, single room occupancy, etc.). The program provides federal income tax credits that may be used by the developer to reduce federal taxes. More commonly, the credits are sold to other persons or entities with federal tax liabilities to raise funds for a developer's required equity contribution to a project[16]. Both for-profit and non-profit[17] developers can participate in the program.

To be eligible for the tax credits, a project must meet the same unit set-aside and rent restriction requirements as contained in AHFC's Multi-Family, Special Needs & Congregate Housing Loan Program. These requirements must be met for a minimum of 30 years.[18]

The tax credits are provided to a project in equal annual amounts over a period of ten years. The annual tax credits generally will be in an amount whose total present value over the ten years is the lesser of:

1. the unfunded project costs (i.e., the difference between the project costs and any loans, equity contributions, grants, etc.); or,

2. 30 percent or 70 percent of the project's qualified basis[19], for projects with or without federal subsidies respectively; federal subsidies for this purpose include Farmers Home Administration, HUD, or tax-exempt financing.

In essence, the first limitation says that the amounts received by the project from the sale or use of the tax credits cannot exceed the amount needed to complete the project financing.

The second limitation generally is calculated as 30 percent or 70 percent of actual depreciable construction (or rehabilitation) costs[20] for the project multiplied by the smaller of the floor space percentage or unit percentage attributable to set-aside rent-restricted units.

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[16] A purchaser of the tax credits must take an ownership interest in the project. This requires the formation of a partnership, joint venture, corporation, or other entity as owner that includes the purchaser of the credits. A limited partnership is the most common form used. Structuring ownership and a tax credit sale is usually accomplished by brokers that arrange sales to large corporations, banks, trusts, or foundations.

[17] Non-profit sponsors of projects would sell the credits since they would have no income tax liabilities.

[18] This is accomplished through signing an Extended-Use Agreement that is recorded as a restrictive covenant to the deed, binding upon both the developer and successors in the event of a sale. The agreement may be terminated after 15 years if necessary to make the property salable; but, to be competitive, an application needs to extend the low-income use commitment to 30 years to get the maximum 9 points under one of the selection criteria for this program.

[19] This limitation is based on a federal formula calculation of present value. The present value as calculated by the formula is not necessarily the same as the value that can be realized by sale or use of the credits. However, the U..S. Treasury adjusts the formula's discount factors on a monthly basis. Thus, the formula's present value should track changes in interest rates and approximate the value that would be received by sale or use of the credits.

[20] A project's pro rata share of developer and builder profits and overhead is included in the basis. But limits do or may apply to certain costs, namely:

1. developer profit and overhead in excess of 15 percent of total development costs must be justified;

continued on next page

The State of Alaska is allocated a limited amount of tax credits each year, to be further allocated to projects by AHFC. The State's amount is based on a formula of $1.25 per person. For 1993, Alaska's allocation was approximately $733,750. Ten percent of the state cap must be reserved for projects with non-profit housing organization sponsors.

Each calendar year's allocation, as further allocated to projects, applies to each taxable year in the ten year periods. Thus, the 1993 allocation will permit a total of $7,337,500 of tax credits to be taken over the allowable ten year periods. At a 10 percent interest rate, the present value or market value of this stream of tax credits would be roughly $4,500,000. Thus, each year's allocation can support roughly six times as much project equity. At an assumed 70 percent loan-to-value ratio, each year's Alaska allocation could complete the financing for projects costing approximately $15,000,000 in total.

Selection of projects to receive allocations by AHFC involve a two-stage ranking process. To be considered, a project must receive a minimum of 25 points in the first stage, out of a possible 55 points that could be awarded for a Juneau project. The criteria and points for this primary evaluation in Juneau's case would be:

	Points
1. greater set-asides than required for tenants below 50% of median income	16
2. low-income use commitment beyond 15 years	9
3. accessibility to special needs populations	5
4. public housing waiting lists	5
5. local government/community participation	5
6. need for low-income housing in the area	15
Total	55

Projects with more than 25 points are then evaluated against five other criteria and ranked by total points. AHFC in its discretion may award tax credit allocations out of rank order, based on the size of a requested allocation or a project's feasibility. In recent years, there have been projects qualifying in total for more dollars than are available. Those at the funding margin may downsize or phase their project, get in line for a national pool of unused allocations from other states, or look to the next year.

Projects receiving tax credits face substantial on-going compliance monitoring requirements. The monitoring is to assure adherence to the set-aside, rent restriction, and other commitments and annually confirm the qualified basis based on actual use of the project. For the owner, it involves record-keeping on use, number of occupants, rents, and vacancies by unit and annual certifications of income for low-income tenants.

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2. builder/contractor profits and overhead are each limited to 10 percent of construction costs; and,
3. per unit development costs in excess of maximum FHA 221 (d)(3) mortgage limits must be justified.

Fees for the program are as follows:

TABLE 19
Low-Income Housing Tax Credit Program Fees

Fees	For-Profits	Non-Profits
Application	$1,000	$500
Project review & allocation		
1-10 units	.5% of 10 year credit (maximum $20,000)	.5% of 10 year credit (maximum $10,000)
11+ units	1% of 10 year credit (maximum $20,000)	1% of 10 year credit (maximum $10,000)
Annual compliance monitoring	$20 per low-income unit (maximum $1,000)	$20 per low-income unit (maximum $1,000)

See Appendix B for a full statement of the program's terms and conditions.

Loans to Sponsors Program

This is not a commercial multi-family housing program. Rather, it provides financing for one- to four-family housing. All units must be occupied by persons of low or moderate incomes, both owners and any renters. The low- to moderate-income requirement is defined for this program as 100 percent or less of the HUD area median income. Any housing in Juneau financed under this program must be owner-occupied.

The program works by AHFC making a loan at 0 percent interest for a term of up to 35 years to non-profit corporations, regional housing authorities, municipalities, or State or municipal agencies, referred to under the program as "Sponsors". The Sponsors then loan the funds for housing construction, acquisition, or improvement, but not refinancing. The loans bear a nominal interest rate sufficient to cover the Sponsor's administrative costs and funding of a loan loss reserve.

For CBJ to use this program, voter approval would be required. The program requires AHFC loans to be general obligations of the Sponsors, even though the first source of repayment is the payments from borrowers on the mortgage loans made by the Sponsors.

The program would require CBJ to develop and maintain loan origination, servicing, collection, credit counseling, and administration functions. Some of these functions could be contracted out. The management burden for a single-family–fourplex loan program would be significantly greater than a commercial multi-family housing (five or more units) loan program that provided the same number of units. There would be a greater number of loans and more severe collection problems as indicated by AHFC's requirement that the Sponsor have in place a credit counseling function. The very low interest loans oblige the Sponsor to exercise greater due diligence to avoid potential abuses. For example,the financial benefits could be funneled to persons other than a borrower through inflated construction costs or housing purchase prices.

The ability to offer substantial assistance to potential homeowners and the more dispersed nature of the housing that would be provided under the program would be the main benefits of the program.

1994 HOME Rental Housing Development Program

This is an AHFC program funded from the HUD HOME Investment Partnership Program. Under the AHFC program, $1,300,000[21] is available for rental housing outside Anchorage. Program funds may be used for:

- new construction;
- acquisition of vacant structures and land: or,
- reconstruction, or moderate or substantial rehabilitation.

Assistance may be provided to both non-profit or for-profit sponsors in the form of:

- interest-bearing loans;
- non-interest-bearing loans;
- deferred loans; or,
- grants.

The program has unit set-asides for very low-income families and rent limitations that must be maintained for specified numbers of years (20 years in the case of new construction). Davis-Bacon wages are required for projects of 12 or more units. Selection of projects is based on competitive evaluation of all proposals submitted by a deadline. The 1994 program had a proposal deadline of June 10, 1994. New funding and awards in subsequent years would be made as long as Congressional appropriations are forthcoming and development of new rental housing continues to be an identified need in the State of Alaska "Comprehensive Housing Affordability Strategy" prepared annually by AHFC. See Appendix B for a more complete description of the program.

[21] A total of $2,200,000 is available, but $900,000 is set-aside for Community Housing Development Organizations (CHDO's).

U.S. Department of Housing and Urban Development (HUD)

HUD is no longer a significant financing source for multi-family housing. Three programs that formed the bulk of HUD's financing for public and private multi-family housing are not being funded for new construction:

1. under the Public Housing Development program, grants to public housing authorities are limited to replacement of public housing projects that are being demolished or sold;

2. the Section 8 Lower-Income Rental Assistance program, and its predecessor Section 101 Rent Supplements, that provided project-based payment of a portion of lower-income families' rents is no longer available for new construction or substantial rehabilitation;

3. the Section 236 Interest Supplements on Rental And Cooperative Housing Mortgages that subsidized interest rates on mortgages down to 1 percent for multi-family housing for low-income tenants is no longer active.

In Alaska, HUD programs are administered by the Public Housing Division of AHFC. They were formerly administered the Alaska State Housing Authority before its merger with AHFC.

HUD has two active programs of rental assistance for very low-income families (incomes not exceeding 50 percent of the area median income). Under both programs, tenants are free to choose their own rental units in any type of housing.[22] Under the Section 8 Rental Certificate Program, 15 percent of the assistance can be allocated on a project basis for either new construction or rehabilitation. AHFC's current policy is to allocate all Rental Certificates on a tenant basis. AHFC typically receives $9.8 million each year for the Section 8 Rental Certificate Program.

The majority of HUD's currently active programs for multi-family housing are mortgage insurance programs for projects undertaken by for-profit, non-profit, or public sponsors. These are discussed under FHA Mortgage Insurance in Chapter VI.

[22] In the Section 8 Rental Voucher Program there no limits on the rent a tenant pays, although the rental assistance from HUD is fixed. The Section 8 Rental Certificate Program has limits on the rent that can be paid.

HUD currently offers development funding for new construction only under Indian Housing programs and two other programs for elderly and disabled persons. The elderly and disabled programs are:

1. Section 202 Supportive Housing for the Elderly; this program provides capital advances to non-profits for development of rental housing with supportive services for the elderly; the advance is interest free and repayment is not required so long as the housing remains available for very low-income elderly persons for at least 40 years; the advance is based on the operating cost per unit (exclusive of debt service) minus the rent charged to tenants;

2. Section 811 Supportive Housing for Persons with Disabilities; this program provides capital advances, on the same basis as the Section 202 program, for rental housing with supportive services for disabled persons.

HUD's Indian Housing programs are open to Indian Housing Authorities (IHA's) established under tribal law and the Native regional housing authorities established under Alaska statutes. Funding of applications occurs annually based on the amount of funds available and local housing needs. Funding has been in the neighborhood of $35 million to $40 million annually for Alaska. Funds can be allocated at HUD's discretion between two active programs:

1. the Mutual Help Homeownership Opportunity Program provides funding to develop and operate housing leased to lower-income families with an option to purchase; this program accounts for approximately 93 percent of Indian Housing developed in Alaska; and,

2. the Indian Rental Program provides funding to develop and operate housing rented to very low-income families; tenants pay 30 percent of their adjusted gross income as rent.

Federal Home Loan Bank (FHLB)

The Federal Home Loan Bank System was created by Congress in 1932 to provide savings and loan institutions with a source of liquidity during the Depression. The System's regulatory function, previously exercised by the Federal Home Loan Bank Board, has been stripped away. But, the System's twelve regional banks continue as a source of funds available to savings and loan's and other member financial institutions.

One of these regional System banks, the Federal Home Loan Bank of Seattle, has three affordable housing programs available through member financial institutions. Member institutions in Alaska include:

- Alaska Federal Savings and Loan
- 1st Bank
- National Bank of Alaska
- Key Bank
- Mt. McKinley Mutual Savings Bank
- Northrim Bank.

Larger member institutions in Seattle include:

- Continental Savings Bank
- West One Bank
- U.S. Bank of Washington
- Washington Federal Savings
- Washington Mutual.

Affordable Housing Program (AHP)

This program offers to member institutions targeted grants for construction, rehabilitation, or purchase of owner-occupied or rental housing. Rental projects require a 20 percent set-aside of units for very low-income households (incomes 50 percent or less of the area median). Projects can be sponsored by for-profits, non-profits, or government organizations.

Grants must be approved by FHLB of Seattle. They are awarded on a competitive basis among applications submitted by lenders on behalf of targeted borrowers. In 1994, FHLB of Seattle has $10.7 million to award. Grants may be used to meet borrower equity requirements, buydown interest rates, cover closing costs, or other uses approved by FHLB. The buydown of interest rates on a loan funded from an FHLB advance can be between 100 and 500 basis points.

Community Investment Program (CIP)

Under this program, FHLB advances funds to member institutions to lend for affordable housing and community development. Rental projects funded from this source must limit tenants to families with incomes at or below 115 percent of area median income. Funds may be used for new construction, rehabilitation, purchase, or, if necessary to preserve housing as affordable, refinancing. Funds may also may be used to purchase bonds or mortgage-backed securities representing interests in loans that could be funded directly with CIP advances. Loans may be made from these moneys to for-profits, non-profits, or governmental organizations.

The advance to the lender is at the FHLB's cost of funds. This is 20 to 35 basis points below FHLB's regular advances. Terms may be from one to 30 years. Principal may be paid by the lender at maturity or amortized, most likely on an amortization schedule matching loans made under the program. Underwriting terms are determined by the lender.

FHLB has $250 million available under this program on a continuous basis. See Appendix C for a more complete description of program guidelines.

The Challenge Fund

This program has $100,000 available for recoverable grants of up to $10,000 to cover predevelopment costs for affordable housing. Owner-occupied or rental housing serving households with incomes at or below 80 percent of the area median are eligible. Projects may include construction, rehabilitation, or purchase.

The grants can pay for such expenses as land options, purchase escrows, professional fees (appraisal, environmental, architectural, etc.), sponsor salaries, or other FHLB approved uses. Matching grants are required from the lender in the form of forgiven financing fees, donations of services, or cash. If a project is developed, the grants are repaid to FHLB.

Federal National Mortgage Association (FNMA or Fannie Mae)

FNMA is a private corporation. At its origin in 1938, it was a federally-owned for-profit corporation created by FHA to establish a national market in mortgage loans. Today, its stock is publicly traded on the New York Stock Exchange. It retains some vestiges of its federal origins, including a $2.25 billion line of credit with the U.S. Treasury and appointment of 5 of its 15 board members by the President of the United States.

FNMA is restricted to investing in mortgage loans benefiting low- to moderate-income households. For multi-family housing, the maximum loan amount per housing unit for mortgages purchased by FNMA is limited to 125 percent of the Section 207(c)(3) limits of the National Housing Act, or 240 percent of the 207(c)(3) limits for high cost areas. Alaska is a high cost area. The current statutory limits for Alaska are:

TABLE 20
FNMA Multi-Family per Unit Loan Limits

Bedrooms	Walk-up Building	Building with Elevator
0	$73,008	$84,240
1	80,870	94,348
2	96,595	115,689
3	119,059	144,892
4	$141,984	$163,828

Fannie Mae Multi-Family Forward Commitment Product

FNMA will purchase multi-family mortgages from FNMA-approved lenders on special terms for projects that meet the same unit set-asides and income restrictions as the Low-Income Housing Tax Credit Program. FNMA will commit to provide the permanent financing for such projects in advance of construction. A rate-lock is available, if desired. But, the forward commitment is still subject to certain lease-up and other requirements that must met before FNMA will take delivery of the mortgage and consummate the purchase. If the lease-up provisions are not met, FNMA may re-underwrite the loan for a reduced amount or reject it.

FNMA may purchase the loans for cash or in exchange for mortgage-backed securities (MBS's) issued by FNMA. MBS's are marketable debt securities of FNMA that use mortgages purchased by FNMA as collateral.

FNMA buys loans from lenders which are approved by FNMA as either DUS (Delegated Underwriter/Servicer) or Prior Approval lenders. DUS lenders, unlike Prior Approval lenders, may commit FNMA to purchase mortgages.

The loan terms and conditions for this FNMA product cited below are being revised. FNMA announced on March 15, 1994 that it will undertake major new affordable and special housing initiatives during the next seven years, doubling its mortgage purchases compared to the last seven years to $1 trillion . The new initiatives include $50 billion for affordable rental housing. See Appendix D for a fuller statement of the product's terms and conditions as they currently stand. Appendix D also lists FNMA DUS and Prior Approval lenders.

TABLE 21
FNMA Multi-Family Forward Commitment Product

Loan amount	$1 million to $10 million or per unit max
Lease-up	90% economic occupancy for 90 days
Forward commitment	yes
Loan-to-Value limits	
1st mortgages	80% of value based on actual (including restricted) rents
1st & 2nd mortgages	combined 90% of value based on market rents
Amortization period	25 years
Debt service coverage	
1st mortgages	1.15
1st & 2nd mortgages	1.10
Loan fees due FNMA from lender	
Transaction	
non-bond structures	$5,000
bond structures	$10,000
Commitment	
Standby (cash purchase only)	1.0%, refundable on purchase
Forward	1.0%, refundable on purchase
Rate-lock	based on yield curve and forward commitment period
Construction review	
Prior Approval lenders	$10,000
DUS lenders	$3,000
MBS guaranty	
Prior Approval lenders	100 basis points
DUS lenders	75 basis points
MBS pool	greater of $1,000 or 1 basis point
MBS legal	up to $40,000 + expenses
Servicing	
Prior Approval lenders	12.5-25.0 basis points
DUS lenders	50-75 basis points
Interest rates (includes servicing fees)	(15 year term, 30 year amortization, fixed rates as of 6/1/94)
Tier 1 (LTV 80%, coverage 1.15)	10.375%
Tier 2 (LTV 75%, coverage 1.25)	9.925%
Tier 3 (LTV 65%, coverage 1.35)	9.700%
Recourse to lender	
DUS	yes
Prior Approval	no
Assumable	yes, with fees
Set-aside requirements	20% of units for incomes ≤ 50% of area median or 40% of units for incomes ≤ 60% of median
Rent restriction	30% of 50% or 60% of median income for family size figured @ 1.5 persons/bedroom

Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)

Freddie Mac was created by Congress in 1970. Its purpose is to provide a secondary market for all mortgage lenders. It originally served as a secondary market for savings and loan's and was first capitalized by a sale of shares to the 12 district banks of the Federal Home Loan Bank system.

Today, Freddie Mac is a publicly traded corporation on the New York Stock Exchange. It is tax-exempt[23] and is authorized to seek to have its debt guaranteed by the Federal Home Loan Bank, which it has not done to date. These provisions are part of the reason for the corporation's Aaa/AAA rating and ability to raise funds in the debt markets at rates close to U.S. Treasury securities.

Freddie Mac has the same statutory limits as FNMA on multi-family mortgage amounts per unit. The statutes permit multi-family limits for Alaska, as a HUD-designated high cost area, at up to 240 percent of the National Housing Act Section 207(c)(3) limits. But Freddie Mac in its discretion has set the limits for such high-cost areas at 192 percent of the Section 207(c)(3) limits. The current Freddie Mac statutory limits for Alaska are:

TABLE 22
Freddie Mac Multi-Family per Unit Loan Limits

Bedrooms	Walk-up Building	Building with Elevator
0	$58,406	$67,392
1	64,696	75,478
2	77,276	92,551
3	95,247	115,913
4	$113,587	$131,062

Freddie Mac Program Plus Pilot

Under its Program Plus Pilot, Freddie Mac will purchase multi-family mortgages on properties with 50 percent or more of the units meeting affordable housing criteria. The projects must have 20 or more units. Freddie Mac will purchase the loans from either Program Plus Seller/Servicers or approved Multifamily Seller/Servicers in the Western Region of the company. Program Plus Seller/Servicers are Freddie Mac-approved multi-family lenders. Freddie Mac purchases multi-family loans that do not meet affordable housing criteria only from its Program Plus Seller/Servicers. See Appendix E for a list of Program Plus Seller/Servicers.

[23] Freddie Mac is exempt from corporate income taxes, but its debt is not tax-exempt, i.e., the recipient of interest on its debt is subject to income taxes.

The main drawback of Program Plus Pilot acquisitions is that forward commitments that would encompass construction periods are not available. The program's commitments allow only 30 or 60 days to deliver the mortgage loan to be purchased by Freddie Mac. Freddie Mac currently is attempting to develop a forward commitment option for both its affordable and market rent multi-family mortgages purchases.

TABLE 23
Freddie Mac Program Plus Pilot

Loan amount	\$500,000–\$20 million or per unit max
Loan type	whole loans only
Lease-up	
loans < \$1 million	breakeven for 90 days
loans > \$1 million	90% economic occupancy for 90 days
Forward commitment	no
Loan-to-Value	
no credit enhancement	60%
25% top loss 2nd from 3rd party	85%
Amortization period	up to 30 years for new construction
Debt service coverage	
1st mortgages	1.25 for new construction, 1.2-1.25 with credit enhancement
1st & 2nd mortgages	1.15
Loan fees due from lender	none
Interest rate	fixed, varies with maturity & project quality, e.g., 30 year maturity @ 30 year Treasury + 3.0%–5.0%
Recourse to lender	none
Assumable	once, with Freddie Mac approval, after 7–10 years
Set-aside requirements	20% of units for incomes ≤ 50% of area median or 40% of units for incomes ≤ 60% of median
Rent restriction	30% of 50% or 60% of median income for family size figured @ 1.5 persons/bedroom

See Appendix E for a more complete description of the Program Plus Pilot terms.

Farmers Home Administration (FmHA)

The Farmers Home Administration in the U.S. Department of Agriculture has affordable housing programs. But, new projects in Juneau became ineligible for FmHA programs when CBJ's population surpassed 20,000.

Market Rent Housing Finance Sources

Commercial Mortgage Lenders

Banks

Nature

Commercial banks are depository financial institutions. Their main business activity is taking deposits and lending money. The majority of their fund sources—checking accounts and passbook savings accounts—are very short-term deposits. Other fund sources including time deposits, NOW accounts, money market funds, and borrowing[24] in the national money markets, are also short-term in nature. Often, a bank's equity capital is its only source of long-term funds.

Because of the short-term nature of most of their lendable funds, banks historically have concentrated on making loans that also are short-term. Long-term loans made when interest rates are low can be and have proved to be disastrous for financial institutions when interest rates then rise. The lender may find the earnings on its loans and other assets no longer able to pay the competitive rates necessary to maintain deposits. This can result in earnings losses, withdrawals of deposits, and insolvency or bankruptcy.

When the economy is slack, the demand for short-term loans—for construction, business inventories and working capital, and consumer purchases of autos, boats, etc.—is also much diminished. At such times, banks have tended to direct excess loanable funds into mortgage loans. At the end of 1993, U.S. commercial banks had accumulated $796 billion of long-term mortgage loans, of which $27 billion were multi-family loans[25].

Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA)

Banks currently face a high degree of scrutiny from bank regulators, especially in regards to their real estate lending. This is a product of the financial distress and failures of banks, and more calamitously, savings and loan's, during the 1980's.

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[24] Bank borrowing typically includes purchases of federal funds from other banks, sale of investment securities under agreements to repurchase them, and, as a last resort, loans at the Federal Reserve discount window.

[25] U.S. Department of Housing and Urban Development, Office of Financial Management, 3/25/94 data.

One of the roots of the financial crisis among financial institutions was the termination of a number of tax benefits[26] for real estate by the Tax Reform Act of 1986. Previously, the generosity of these tax benefits had resulted in development of real estate projects which would not provide adequate returns to investors based solely on the cash flow from the business activity of the project, be it an apartment, office building, hotel, shopping center, or manufacturing or research facility. This resulted in severe overbuilding of all of these types of properties, based on the returns that even marginally economic projects could provide to investors by dint of the tax benefits.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) was the Congressional response to the disarray in the banking industry. Two sets of regulations stemming from FIRREA have special relevance for multi-family lending by depository institutions. One deals with standards for adequate capital for financial institutions. The other addresses real estate lending standards.

Capital Adequacy Regulations

Regulations enclosed as Appendix F, require depository institutions to maintain a minimum ratio of capital to risk-weighted assets of 8 percent. Risk-weighted assets are the sum of an institution's assets after multiplying each asset by a risk weight. The risk weight for conventional (uninsured) commercial real estate loans, including multi-family mortgages, is 100 percent. Revenue bonds issued by CBJ to fund private development of multi-family housing would also fall into the 100 percent class.

The only conventional real estate lending in a less risky class is the one- to four-family mortgage loan. It falls into a 50 percent risk weight class. Other assets such U.S. Treasury securities can be in the lowest risk class with a risk weight of zero. There is also a 20 percent risk class that includes assets guaranteed by a U.S. Government-sponsored agency. This would include FHA-insured loans and FNMA, Freddie Mac, and GNMA MBS's.

Thus, bank financing of conventional commercial multi-family housing (five or more units), either directly with loans or indirectly by purchase of housing revenue bonds, would make it at least twice as difficult to maintain minimum capital ratios as would investing in one- to four-family mortgages or many types of securities. But, bank financing of such conventional loans through purchase of FNMA or Freddie Mac MBS's, or financing of FHA loans through direct lending or GNMA purchases, would be very beneficial to its capital ratio. It may be more natural to think of the non-100 percent classes as discounts which allow the actual ratio of capital to assets (unadjusted for risk) to be less than 8 percent.

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[26] These included lengthened depreciation schedules, elimination of accelerated depreciation, a higher capital gains tax rate that limited the value of appreciation, a lower tax rate on ordinary income that reduced tax savings on operating losses, at-risk rules that limited the ability of leverage to enlarge an investor's tax write-offs from a project, and passive-activity rules that limited the ability of tax losses from a project to shelter income from other sources.

By comparison, it should be noted that the mainstay of bank lending, commercial and personal loans including construction loans to builders, also falls into the 100 percent class. Only construction loans to homeowners-to-be (non-spec construction) fall into the 50 percent class. Thus, the regulatory capital adequacy standards also do not provide incentives generally for the shorter-term loans that are the bread and butter of bank lending. Such loans remain the preferred type of lending for banks because they:

- lessen interest rate risk by better matching the maturities of their liabilities; and,

- turn a bank's capital over more frequently, generating more loan origination fees.

Real Estate Lending Standards

Appendix F contains the federal regulations pertaining to bank real estate lending standards. The regulations incorporate the "Interagency Guidelines for Real Estate Lending Policies" that govern real estate lending by all depository financial institutions, including savings and loan's. The regulations require each institution to have written policies governing all aspects of real estate lending. The enumeration of the numerous aspects to be addressed is indicative of the regulatory agencies level of concern with real estate lending.

The guidelines quantify two standards that affect multi-family housing loans. Loan-to-value (LTV) limits generally are not to exceed:

- 80 percent for multi-family construction loans; and,
- 85 percent for loans on improved multi-family properties.

Loans may exceed these LTV limits if they have certain insurance or guarantees or if loans in excess of the limits do not exceed in the aggregate:

- 100 percent of an institution's capital for all types of real estate loans including construction loans; or,
- 30 percent of capital for all types of non-residential (one- to four-family) real estate loans.

Conversations with financial institution examiners for both the Office of the Comptroller of the Currency (OCC), which regulates nationally-chartered banks, and the Office of Thrift Supervision (OTS), which regulates savings and loan's, indicate that the regulatory authorities do not have any objections per se to construction lending that lacks forward commitments for take-out financing or construction loans that extend to cover a lease-up period. The lending must be consistent with institution policy that provides guidelines for safe and sound loans and addresses overall risk and liquidity concerns.

Community Reinvestment Act (CRA)

At the same time that they are subject to heightened financial regulation, all depository financial institutions except credit unions are under countervailing pressure to meet the credit needs of their local communities. The Community Reinvestment Act (CRA) requires each institution to make available to the public a CRA Statement and a CRA Performance Evaluation.

The Statement must include the types of loans the institution offers. CRA encourages the inclusion of other information about an institution's efforts to determine and meet the credit needs of its community. The Performance Evaluation consists of a rating and written evaluation of an institution's CRA performance, prepared by the institution's regulatory agency. It is based on an institution's Statement, its activities in meeting CRA objectives, and written public comments received by the institution or regulatory agency regarding the institution's CRA performance.

The Performance Evaluation is taken into account by an institution's regulatory agency when an institution applies to the agency for expansion or relocation of branches, or merger with or acquisition of another depository institution. The CRA regulations are contained in Appendix G. Appendix G also contains the CRA Statements and Performance Evaluations of local financial institutions.

Current Bank Lending Policy

Besides the conflicting pressures of bank regulatory standards and CRA mandates, banks current real estate lending in Alaska is highly shaped by the severe overbuilding and crash in Alaska's real estate markets in the 1980's. The experience drove home just how volatile the state's economy can be with its wagon hitched to commodity prices—oil, in this case—unless there is substantial spending and lending discipline. As a result, internal bank policy as well as external regulatory pressure has made individual bank real estate lending more conservative in Alaska. The Darwinian effects of the crash, leading to the survival of the fittest, in this case the most conservative, also has contributed to a more conservative complexion across the entire spectrum of the mortgage lending industry.

Table 24 compares several measures of investment activities by two of Juneau's largest banks to national averages for approximately 200 insured commercial banks in their peer group (assets between $1 billion and $3 billion). The Alaska banks' ranking is their percentile in the group.

Both of these banks are on the lower end of the scale in terms of the percentage of their assets that are loaned out. The flip side is that they are on the high end in terms of the amount of their assets that they keep invested in securities. First National 's securities holdings are highly concentrated in U.S. Treasuries. National Bank of Alaska securities holdings are dominated by MBS's of federally-sponsored agencies. As a result of their below average lending and above average holdings of low-risk securities, both banks ratio of capital to risk-weighted assets is on the high end of the scale.

TABLE 24
Bank Loan, Investment, and Risk-Based Capital Ratios

	9/30/93	9/30/92	12/31/92	12/31/91	12/31/90
Net Loans & Leases/Average Assets					
National Bank of Alaska (NBA)					
Ratio	51.6%	44.2%	44.5%	44.6%	44.4%
Rank	29	17	17	14	13
First National Bank of Anchorage (FNBA)					
Ratio	31.0%	28.6%	28.5%	28.6%	27.7%
Rank	8	5	5	4	2
Peer Group Ratio	58.8%	59.4%	59.4%	60.8%	63.6%
Investment Securities/Average Assets					
National Bank of Alaska					
Ratio	36.2%	41.3%	41.0%	40.2%	39.4%
Rank	79	88	87	NA	NA
First National Bank of Anchorage					
Ratio	58.2%	60.7%	60.9%	59.0%	55.6%
Rank	95	96	96	NA	NA
Peer Group Ratio	25.2%	23.2%	23.6%	21.1%	18.7%
U.S. Treasuries/Investment Securities					
National Bank of Alaska					
Ratio	23.9%	17.5%	18.1%	30.0%	43.4%
Rank	43	36	37	59	77
First National Bank of Anchorage					
Ratio	77.4%	80.4%	79.6%	80.6%	84.2%
Rank	91	89	88	89	96
Peer Group Ratio	27.9%	26.0%	27.4%	24.0%	22.1%
FNMA, Freddie Mac, & GNMA Securities/Investment Securities					
National Bank of Alaska					
Ratio	43.7%	43.8%	44.6%	37.4%	21.4%
First National Bank of Anchorage					
Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Peer Group Ratio	21.1%	19.5%	20.1%	15.6%	15.3%
Risk-Based Capital/Risk-Weighted Assets					
National Bank of Alaska					
Ratio	16.0%	16.4%	16.3%	17.3%	15.5%
Rank	82	86	86	91	93
First National Bank of Anchorage					
Ratio	56.3%	56.6%	60.0%	56.2%	51.8%
Rank	98	98	98	97	98
Peer Group Ratio	13.0%	12.2%	12.3%	11.1%	10.2%

Source: Uniform Bank Performance Reports, 9/30/93 and 12/31/92, for NBA and FNBA
Federal Financial Institutions Examination Council.

Even though banks do hold major portfolios of permanent mortgage loans, the short-term nature of their liabilities keep the maturities and amortization periods of their mortgage holdings much shorter than those held by other investors. Loans originated by banks with a commitment from an investor to buy the loan may very well have long maturities and amortization periods. But this will not be true for any loans that a bank expects to hold in its own portfolio.

Current Bank Lending Terms

Current bank lending terms for loans that provide housing and that are to be held in their own portfolios are typically as shown in Table 25. Bank fees for servicing loans not held by the bank usually would be 0.25 percent to 0.375 percent.

TABLE 25
Bank Lending Terms For Housing

	Construction	Multi-Family	1-4 Family	Condominium	Mobile Home	Boats
Loan-to-Value	80%	75–80%	80–95%	80–90%	66–75%	67–80%
Maturity	completion of construction	5-15 years	15 or 30 years	15 or 30 years	3–10 years	3–15 years
Amortization period	none	10–20 years	same as maturity	same as maturity	same as maturity	same as maturity
Debt service coverage	NA	1.15–1.2	loan payment < 28–33% of borrower income	loan payment < 28% of borrower income	total debt payments < 40% of borrower income	total debt payments < 40% of borrower income
Second mortgage allowed	NA	varies; some developer equity required	total debt payments < 36% of borrower income	total debt payments < 36% of borrower income		
Loan fees						
origination	1.0%–2.0%	1.0%–2.0%	1.0%–3.0%	3.0%	1.0%	1.0%
closing	estimated 1.0%	estimated 1.0%				
Interest rates						
Fixed	negotiable	cost of funds + 2.75%	8.5%	8.5%	10.0%	8.25%
Variable	prime + 2.0%–2.5%	prime + 2% to 5-year Treasuries + 4.5%	prime + 2.0%		prime + 2.0%	prime + 2.0%
Assumable	no	generally not; fees if allowed	generally yes	generally yes		
Recourse	yes	yes	NA	NA	NA	NA

NA means not applicable.

Savings and Loans

Like commercial banks, savings and loans are depository financial institutions. Their traditional role was to take make residential mortgage loans with the savings deposits they took in. Until the development of NOW (Negotiable Order of Withdrawal) accounts, savings and loan's did not have checking accounts. Prior to 1980, federal law allowed savings and loan's to offer 1/4 of 1 percent higher interest than commercial banks on savings accounts. Thus, savings and loan's main source of funds—their savings deposits—could be counted on as long-term funds because they could offer the best rates in town for the individual small saver. This was before the development of money market mutual funds.

This worked fairly well until competition from money market funds in an era of increasing inflation and interest rates in the 1970's forced deregulation of savings rates. This allowed savings and loan's to stanch outflows of deposits by offering competitive rates. But, additional measures were necessary to stem the savings and loan losses that ensued. Their large existing portfolios of long-term, low fixed-rate mortgages did not generate sufficient earnings to pay higher rates on deposits. So, among other remedies, savings and loan's were allowed to enter commercial mortgage lending to raise the average earnings rates on their mortgage portfolios.

This proved to be a disaster. It led to severe overbuilding in all commercial real estate sectors as a result of:

- excessively risky commercial loans driven by the tax benefits of projects and the need of savings and loan's to recoup losses;

- an unlimited tap on the money and capital markets in the form of deposits paying unlimited rates of interest yet guaranteed (to $100,000) by the government; and,

- fraud and abuse.

The commercial real estate bubble, and the savings and loan industry with it, was punctured by the Tax Reform Act of 1986. The fallout was more restrictive regulation of depository financial institutions' real estate lending. This fallout still haunts the country today. See Appendix F for current regulations regarding real estate lending standards.

In Alaska, the collapse of the savings and loan industry was compounded by the overbuilding associated with State oil revenues in the early 1980's and the subsequent crash. Today, Alaska Federal Savings and loan is the only remaining savings and loan in the state.

Federal Home Loan Bank (FHLB)

The Federal Home Loan Bank of Seattle offers member institutions advances (loans) of up to 20 years at fixed rates. The advances can be used as a source of funds for mortgage loans. The advances can be due at maturity or repaid on an amortization schedule of the member's choosing. Amortizing advances used to fund mortgage loans can be set up to be repaid on a schedule matching the payment schedule on the mortgage loan. Loans by members are generally priced at 100 to 200 basis points above the cost of the FHLB advance. All Juneau financial institutions except 1st National Bank of Anchorage are currently FHLB members.

The advances neutralize one of the main obstacles to depository institutions taking on longer-term mortgage loans. This source of funds minimizes the interest rate risk member institutions would face if they funded long-term mortgages with short-term funds (deposits).

But, there are other considerations that will bear on an institution's willingness to acquire additional mortgage loan assets. These include:

- capital adequacy standards;
- profitability;
- diversification as to type of loan assets;
- geographic concentration of loans;
- regulatory limits on loans to individual borrowers; and, not least,
- assessment of the credit risk.

In the case of multi-family mortgages, the credit risk includes:

- the financial strength of the borrower;
- the borrower's development and management capabilities;
- construction risks;
- the fit of the multi-family project in the current local housing market; and,
- the longer-term outlook for the local housing market.

Mortgage Companies

Mortgage companies, commonly called mortgage bankers, are not banks. They do not take deposits. They borrow money from banks to originate loans. Then, the loans are sold to investors or are placed into mortgage pools to back the issuance of mortgage-backed securities (MBS's). Though mortgage companies do not keep loans, they retain servicing on them. Mortgage bankers rely principally on origination and servicing fees for income.

Mortgage companies are unique among mortgage lenders in that they are not chartered by state or federal governments[27] or subject to direct regulation of any agency. The terms and conditions on which they make loans are those set by the investor or financial intermediary to which they will sell the loan, or the standards dictated by the market for MBS's if a loan is to be placed into a collateral pool securing an MBS.

[27] They are formed under the partnership or corporation laws of the state in which they are domiciled.

Investors

These are secondary mortgage market participants which buy multi-family mortgages from other players in the mortgage market, primarily the commercial mortgage lenders that originate the mortgages.

AHFC Multi-Family Secondary Market Participation Housing Program

AHFC may adopt a program for financing market rent multi-family housing. Draft regulations are being prepared for the AHFC board of director's consideration at their meeting on August 4, 1994. If the draft regulations are approved by the board for public hearings, hearings will be held, followed by possible submission of final regulations for board approval. Underwriting guidelines also would have to be finalized before the program could begin, possibly in the fall of 1994.

Under a draft version of the program, AHFC would purchase up to 80 percent of a mortgage loan made for newly constructed, acquired, rehabilitated, or refinanced multi-family properties. Refinancing could be done without rehabilitation. The borrower could be for-profit or non-profit. The AHFC loan would be available with a forward commitment and interest rate-lock for new construction. See Appendix B for the program's draft terms and conditions.

TABLE 26
AHFC Multi-Family Secondary Market Participation Housing Program

Loan amount	AHFC board approval if over $500,000
AHFC participation in loan	80% max
Loan-to-Value	80% max
Maturity	30 years max
Debt service coverage	1.25
Second mortgage allowed	if acceptable to AHFC
Loan fees	
review	$1,000
commitment	0.5%
Interest rates	based on AHFC cost of funds, loan amount, commitment, and other factors
Assumable	not known at this time
Recourse	yes

AHFC believes this program would be within their statutory mandate to serve low- to moderate-income families because renter households are predominately low- to moderate-income.

Federal National Mortgage Association (FNMA or Fannie Mae)

FNMA is the largest purchaser of multi-family mortgages. FNMA purchases multi-family mortgages under two programs—the DUS (Delegated Underwriter/Servicer) and the Prior Approval programs. FNMA does not offer forward commitments under these programs for new construction. FNMA estimates that the cost of origination of a loan smaller than $3 million to $5 million generally would make a project infeasible. The two programs have similar terms and conditions:

TABLE 27
FNMA Multi-Family DUS Terms and Conditions

Loan amount	$500,000–$50,000,000 or per unit max
Rent-up	90% economic occupancy for 90 days
Loan-to-Value	65%–80%
Maturity	30 years max
Amortization period	30 years max
Debt service coverage	1.15–1.35
Second mortgage allowed	no
Loan fees	
origination	2.5%–3.5%
closing	estimated $25,000
Interest rates (includes servicing fees)	(15 year term, 30 year amortization, fixed rates as of 6/1/94)
Tier 1 (LTV 80%, coverage 1.15)	10.375%
Tier 2 (LTV 75%, coverage 1.25)	9.925%
Tier 3 (LTV 65%, coverage 1.35)	9.700%
Assumable	no
Recourse	limited (bad faith)

Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)

Freddie Mac purchases multi-family mortgage loans only through its Program Plus Lenders. See Appendix E for a list of Program Plus Lenders. Minimum economic size for processing a loan purchase from Freddie Mac may be around $1 million. Forward commitments sufficient to cover a construction period are under development by Freddie Mac.

TABLE 28
Freddie Mac Multi-Family Terms and Conditions

Loan amount	$300,000–$50,000,000 or per unit max
Lease-up	90% economic occupancy for 90 days
Forward commitment	no
Loan-to-Value	80% max
Maturity	
Fully Amortizing Loans	10–30 years, 40 years FHA
Amortizing Balloon Loans	5–15 years
Interest Only Balloon Loans	3.5–10 years
Amortization period	10–30 years
Debt service coverage	
loans < $1 million	1.35
loans > $1 million	1.30
Second mortgage allowed	no
Loan fees	
application	
loans < $1 million	$1,000
loans > $1 million	$2,500
origination	2.0%
closing	$7,500 to $12,500 + title insurance @ 1/2%–3/4%
Interest rates	fixed, varies with maturity & project quality, e.g., 30 year maturity @ 30 year Treasury + 3.0%–5.0%
Assumable	once with fee
Recourse	25% minimum

Life Insurance Companies

Life insurance companies may invest in mortgages with funds from their own account (i.e., insurance premiums and investment earnings) or with moneys from pension funds obtained through sale of guaranteed investment contracts (GIC's). GIC's promise the pension funds a fixed return on their investment for a specified period of time, usually a period of medium-term—5 to 10 years. Principal is paid by the insurance company at maturity.

In an attempt to match assets with liabilities, insurance companies purchase mortgage loans of medium-term at fixed rates with bullet (principal due at maturity) maturities. The growing market for GIC's has led to these types of mortgages dominating life insurance company purchases. Table 29 indicates typical life insurance company lending terms for multi-family mortgages. Longer terms and possibly forward commitments that would cover construction periods might be negotiated on a case by case basis with a very few companies. A rate-lock might be negotiated with difficulty. Life insurance companies are likely to be one of the few sources for procuring rate-locks on conventional mortgages for market rent projects.

TABLE 29

Life Insurance Companies' Multi-Family Terms and Conditions

Loan amount	\$500,000–\$10,000,000
Loan-to-Value	55%–60%
Maturity	10 years
Amortization period	20 years
Debt service coverage	1.25–1.30
Second mortgage allowed	no
Loan fees	2%–3%
Interest rates	fixed, 10 year Treasury + 2.0%–2.5%

Smaller mortgage loans to be purchased by life insurance companies often are originated by mortgage companies or other commercial mortgage lenders. Large loans may be originated directly by life companies.

Pension Funds

Pension funds' obligations are generally long-term. The funds exist to provide retirement payments for employees. Except for employers in declining industries, employer and employee contributions and investment income usually more than cover near-term retirement payments. The excess can be invested long-term. Loans are usually acquired from mortgage lenders rather than originated directly.

TABLE 30

Pension Fund Multi-Family Terms and Conditions

Loan amount	\$250,000–\$5,000,000
Loan-to-Value	80%
Maturity	30 years
Amortization period	30 years
Debt service coverage	1.2
Loan fees	1%
Interest rates	
Loans < \$1 million	floating, FNMA 1 year + 3.0%, 3.5%, or 4.0%, with 4.5%, 3.5%, or 2.5% points
Loans > \$1 million	fixed, 30 year Treasury + 1.5%, 2.0%, 2.5%, with 4.5%, 3.5%, or 2.5% points

Financial Intermediaries and MBS's

Some mortgage lenders sell their loans to financial intermediaries which issue mortgage-backed securities (MBS's). Some mortgage lenders issue MBS's themselves. Loans may be sold to FNMA or Freddie Mac, each of which has their own brand of MBS. Loans also can be sold to other mortgage lenders which issue GNMA or private-label MBS's. Lenders may also issue GNMA or private MBS's on their own.

Loans sold to FNMA or Freddie Mac for placement into MBS's generally must meet the same terms and conditions as required for each respective agency's purchases for their own portfolio. Loans placed into GNMA MBS's must be FHA-insured and thus meet the FHA underwriting requirements. Loans placed into private MBS's must meet the underwriting requirements established by the issuer of the MBS.

The cost of funds to lenders which use the FNMA or Freddie Mac MBS channels may differ from the cost of funds provided by sale to one of the agencies for their portfolio. A lender's cost of funds using the MBS route will be affected by:

- the extra costs associated with MBS issuance;
- the structure of the MBS; the principal and interest payments on an MBS may be carved up in different ways and sold to investors with different risk preferences and investment time horizons; and,
- interest rates and preferred features in the securities markets at the time of sale of an MBS.

Government National Mortgage Association (GNMA or Ginnie Mae)

GNMA is a U.S. government corporation created in 1968. Unlike FNMA and Freddie Mac, the guarantee it offers on GNMA MBS's has the full faith and credit of the U.S. government behind it. The MBS's of all three agencies have AAA credit ratings. FNMA and Freddie Mac's AAA is based on their government sponsorship, over and above whatever credit strengths they have as private corporations.

Unlike FNMA and Freddie Mac, GNMA does not purchase mortgages. It guarantees MBS's issued by GNMA-approved issuers. GNMA multi-family MBS's generally must be backed by a single FHA-insured multi-family mortgage. The mortgage must have an unpaid principal balance of at least $500,000 and have been originated within the last 12 months. The issuer pays GNMA an annual guarantee fee of 13 basis points and is allowed a servicing fee of 12 to 37 basis points. GNMA MBS's can be issued for construction loans as well as permanent loans. Debt service coverage for permanent loans must be about 1.11.

Interest rates on FHA-insured multi-family mortgage loans are the lowest taxable rates available in the mortgage markets. No other loans are backed by the full faith and credit of the U.S. Government. An FHA multi-family loan with a 30 year maturity would bear interest at about 120 basis points over the 30 year Treasury rate. If the loan is funded through a GNMA MBS, rates might be 10 to 20 basis points lower. As of June 1, 1994, a typical rate on an FHA-insured 90 percent loan-to-value, 40 year amortization mortgage would be 9.5 percent, including the FHA insurance fee.

Fees for GNMA-funded loans would run about 3.5 percent to 4.5 percent up-front with a 0.5 percent annual FHA insurance fee. The up-front fees for new construction projects would consist of 0.8 percent FHA processing fees plus the lender's origination fees and closing costs. GNMA establishes the interest rate on GNMA MBS's at a spread below the interest rate on the mortgage. The spread covers the GNMA guarantee fee and the lender's servicing fees.

Because of the government guarantee, forward commitments are available in the marketplace for FHA-insured mortgages. Rate-locks for fixed as well as variable rates can be found.

Private MBS Conduits

Private MBS's got started as a way to securitize mortgages which had loan amounts exceeding the statutory limits allowed for federal credit agencies (FNMA, Freddie Mac, and GNMA) that issued MBS's. These "jumbo" loans, as they are called, are still the bread and butter of the conduits.

Lacking the sterling credit of the agencies' U.S. Government sponsorship, the private MBS's trade at interest rates from 25 to 50 basis points above comparable FNMA securities. Thus, for loan amounts within the agencies' statutory limits, conduits are not generally competitive.

The conduits do not acquire loans for their own portfolio. They are essentially mortgage companies operating in conjunction with investment banking firms that sell the MBS's on Wall Street. Conduits are organized to package and sell private MBS's. As such, they are volume driven to generate origination and underwriting fees. This can lead them to devise, besides jumbos, other mortgage products that are not offered by the agencies, to be more flexible on underwriting terms, or to be more efficient and less costly in processing the transaction.

Still, the need to produce an MBS product acceptable to Wall Street and the lack of any independent capitalization or credit strength limits what conduits can offer. Forward or take-out commitments are not available. Financing is oriented generally toward seasoned loans of as much as two years or more. Some representative conduit lending terms for multi-family mortgages are contained in Table 31. Appendix H lists conduits which purchase multi-family mortgage loans.

TABLE 31
Conduit Multi-Family Terms and Conditions

Loan amount	\$500,000–\$30,000,000
Forward commitment	no
Loan-to-Value	75%
Maturity	30 years max
Amortization period	30 years max
Debt service coverage	1.25–1.3
Second mortgage allowed	no
Loan fees	1%–2%
Interest rates	fixed or floating, Treasuries of same term + 2.5%–3.0%
Assumable	yes, with fee
Recourse	no

VI. Multi-Family Housing Credit Enhancement

Credit enhancement is a contractual arrangement for a contingent source of payment of all or a portion of the amount due to holders of loans, bonds, or other obligations in the event that the payment can't be made from the main sources that secure the obligation. Credit enhancement includes insurance, guarantees, letters of credit, additional collateral, and subordination of a portion of the obligation. If the source of the credit enhancement is a third-party, it's credit rating or creditworthiness must be superior to the obligation to be enhanced for there to be any benefit.

Credit enhancement results in lower interest rates to the borrower or issuer of the obligation. This is due to the superior credit standing of the enhancer. It also may arise from a higher credit rating making the obligation a permissible investment for a broader market. The decision to use credit enhancement must weigh the cost paid for the enhancement against the savings in interest expense.

If the enhancement guarantees 100 percent of the payments due, the credit rating of the credit enhancer will supersede that on the underlying assets or obligation. If the enhancement covers only a portion of the potential losses to holders, rating agencies will evaluate the credit strength of both the underlying assets or obligation and the enhancement source.

There currently is no private mortgage insurance available for multi-family mortgages. The FHA insurance programs are the only ones that exist to cover multi-family mortgages. Other than insurance, the only common enhancement of mortgages is recourse to the borrower or pledging of additional collateral by the borrower. The other types of credit enhancement discussed in this section apply largely to mortgage-backed securities, including mortgage-backed bonds. Various forms of credit enhancement can be used in conjunction with each other, if need be.

Federal Housing Administration (FHA) Mortgage Insurance

The U.S. Department of Housing and Urban Development (HUD) has a broad array of Federal Housing Administration (FHA) mortgage loan insurance programs. The active mortgage insurance programs with possible application to Juneau housing include:

- Section 207 Manufactured Home Parks;
- Section 213 Cooperative Housing;
- Section 221(d)(3) and (4) Multifamily Rental Housing for Moderate-Income Families;
- Section 223(f) Existing Multifamily Rental Housing;
- Section 221(d) pursuant to Section 223(g) Single Room Occupancy Projects;
- Section 232 Nursing Homes, Intermediate Care Facilities, and Board and Care Homes; and,
- Section 241 Supplemental Loans for Multifamily Projects.

Only the Cooperative Housing and Single Room Occupancy insurance programs exclude for-profit owners. The Existing Multifamily Rental Housing program covers refinancing or acquisition of existing multi-family properties with or without substantial rehabilitation. The Supplemental Loans for Multifamily Projects insures mortgages for improvements or additions to, or equipment for, existing multi-family properties.

The two FHA insurance programs for new construction or substantial rehabilitation of multi-family properties of five or more units, Sections 221(d)(3) and (4), have the same general requirements and terms. The main difference is that Section 221(d)(3), which is not available to for-profit sponsors, can insure loans for up to 100 percent of total project costs, while Section 221(d)(4), available to all types of developers, will insure loans up to only 90 percent of project cost. There are no restrictions on occupancy based on tenant income or HUD regulation of rents for either program. Loans can be non-recourse and fully assumable. The programs cover both construction and permanent financing. The insurance can be used with tax-exempt bonds.

TABLE 32
FHA 221(d)(3) and (4) Mortgage Insurance Terms and Conditions

Loan-to-Value	max of 90% (100% non-profits) or HUD per unit limits
Amortization period	40 years max
Fees	
application	0.3%
inspection	0.5%
insurance	0.5% at closing + 0.5% yearly
Construction	
completion guarantee	100% bonded or 15% cash escrow
wages	Davis-Bacon

See Appendix I for additional information on FHA Section 221(d)(3) and (4) insurance and HUD statutory per unit mortgage limits and for a list of FHA-approved multi-family lenders recently active in Alaska.

State Or Local Government Guarantees

General Obligation (GO)

A state or local government could issue bonds for multi-family housing mortgage loans, bearing the general obligation of the state or local government. For CBJ to do so, the bonds would have to be approved by the voters. The general obligation pledges the full faith and credit of the government behind the bonds. A court could compel tax levies, if necessary, to meet payments on the bonds. Juneau's general obligation credit rating is Baa1 from Moody's Investors Service, Inc. Juneau does not have a rating from Standard & Poor's.

Moral Obligation

A moral obligation is a discretionary replenishment provision attached to a reserve fund that is part of the security for a revenue bond issued by a state or local government or agency. The provision typically requires an annual certification to the state or local government of the deficiency, if any, in the reserve fund. The state or local government may appropriate the amount necessary to restore the reserve fund to its required level. There is no legal obligation for the state or local government to do so. Thus, moral obligation bonds do not require voter approval.

Deficiencies in the reserve fund would arise if the revenues that provided primary security for the bond fell short of the amount required to meet a principal or interest payment. Then, the reserve fund would be drawn upon to make the payment. Replenishment from appropriations is at the discretion of the government granting the moral obligation.

Moral obligations are not considered to be of any value by Moody's. Standard & Poor's will rate moral obligations bonds as high as one full grade below an issuer's general obligation rating.[28] If it were assumed that a CBJ application to Standard & Poor's for a GO credit rating resulted in a BBB+, on par with the Moody's rating of Baa1, a CBJ moral obligation would not produce an investment grade rating on a bond issue. Thus, a moral obligation of the City and Borough would not be of any value as credit enhancement for a bond issue.

[28] The reserve fund must be equal to at least the maximum annual debt service.

Contingent Loan Agreement

A state or local government could enter into an agreement to provide one or more loans as necessary to meet principal or interest payments due on a revenue bond, in the event of a deficiency of revenues. If the government body retains discretion as to whether to make the loan, the nature of the government's obligation is similar to a moral obligation. The only difference would be that the government's advances are to be repaid from excess revenues supporting the bonds.

Stronger credit support may be provided by an agreement that compels the government to loan funds to cover any deficiencies. This would raise a question as to whether the government's contingent liability created a debt of the government that would require voter approval. If so, it would amount to providing the government's general obligation backing for the bond. The attorney for the City and Borough reckons that this would be case for Juneau, making this option as problematical as issuance of GO bonds. The only way to enter into a contingent loan agreement that would not be construed as government debt would be to fund the potential liabilities at the outset with an appropriation to a reserve.

Government lending of funds contingently to private developers of multi-family housing would be one way to structure credit support, at least for enhancing credit for a loan. But this might not be legally permissible, at least under current law or ordinance. More likely, a contingent loan agreement would be executed in favor of the trustee for a security or bond issue or with a housing finance agency that might be created to operate a lending program.

Federal Agency Guarantees

FNMA, Freddie Mac, and GNMA guarantee MBS's made up of multi-family housing mortgages. These guarantees all provide a AAA rating. See the discussion under the respective headings for each of these agencies.

Only GNMA guarantees MBS's issued by other parties than the agency itself. CBJ in theory could become a GNMA issuer. But it would require developing an on-going lending operation and track record. The city may not be inclined to take on such a function, especially with increasing fiscal pressures as Prudhoe Bay winds down. Such a move would not be able to provide a timely response to Juneau's current housing crisis.

The most likely way that a local government might avail itself of federal agency guarantees for multi-family lending would be to incorporate the agencies underwriting requirements into its loan program and funnel the loans to the agencies or GNMA issuers for inclusion in MBS's.

Bank Letter of Credit (LOC)

An LOC issued by a bank irrevocably authorizes the trustee for a mortgage-backed security or bond to make draws upon the bank if mortgage payments are insufficient to meet debt service payments. The draws may be made up to the amount stated in the LOC. Such amount may provide for complete or partial coverage of principal and interest payments. LOC's generally are underwritten on the same terms and conditions that would be required for a bank to make a mortgage loan on a project. Banks are reluctant to write LOC's that extend beyond seven years.

The degree of credit enhancement gained will depend on the credit rating of the issuer of the LOC and the extent and term of coverage provided. Banks issuing LOC's have either a AA or AAA rating.

LOC's are more expensive than they used to be because FIRREA now includes LOC's in the measurement of a bank's capital adequacy. A mortgage-backed security or bond issuer could pay as much as 1.5 percent per year on the outstanding, or even original, principal balance of an issue, in addition to application and processing fees.

LOC's are accompanied by reimbursement agreements to provide for repayment of amounts drawn. Repayment is made from excess cash flows generated by the collateral.

Collateral Pledge

The pledge of collateral over and above the collateral created from loan, MBS, or bond proceeds may be used to enhance the credit of an obligation. The degree of enhancement from overcollateralization will depend on the amount, credit quality, maturity, liquidity, and other features of the additional collateral. It also would depend on whether the all the collateral faces the same set of risks.

Structured Finance

One way to enhance the credit of a portion of a loan, bond, or other obligation is to divide the obligation into first and second liens. The senior class of obligations is given first claim on revenues and assets of the entire collateral. The second or junior lien obligations absorb all shortfalls or losses first, until their share of the collateral is wiped out. Subordination is a form of overcollateralization with respect to the senior or first lien position.

Of course, the necessary consequence of enhancing the credit of the senior piece in this manner is to erode the credit of the subordinate portion. The subordinate piece may be unsalable.[29] The issuer of the obligations may be forced to hold the subordinate debt.

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[29] Banks risk-based capital rules generally would treat both the senior and junior lien debts as having 100 percent risk weights in the case of commercial multi-family loans or MBS's.

Unlike other forms of credit enhancement, there are no up-front fees required to structure a senior/subordinate financing. But, legal and some other issuance costs may be greater. It may be the only way to enhance credit if third-party sources of enhancement are not available or have credit standards exceeding those of the transactions to be financed. Use of structured financing would depend on finding a buyer or holder for the subordinate portion of the debt.

Bond Insurance

Private insurance for MBS's or bonds provides a 100 percent guarantee of payment of principal and interest. The insurers have AAA ratings. The complete coverage of an issue results in the substitution of the insurer's credit rating for any rating on the underlying collateral or other credit enhancement. It also eliminates the need for a bond reserve fund.

Bond insurers are able to offer 100 percent coverage and maintain their Aaa/AAA ratings only by not taking on the basic credit risks associated with the financing. The terms and conditions on which they offer insurance require that issues be at least investment grade quality as rated by Moody's and Standard & Poor's—Baa and BBB, respectively—even without the bond insurance.

In the case of multi-family mortgage-backed securities or bonds, bond insurers will take on only issues that have other credit enhancement, such as FHA insurance or a bank letter of credit. The underlying enhancement must cover the credit risk associated with the mortgages.

The value of the bond insurance to investors is that it provides the due diligence needed for complex credits like mortgage-backed obligations. It's like a good housekeeping seal of approval. It assures the investors that the financing structure will work as intended in all circumstances and that the credit quality of the assets is as represented.

Insurers have minimum issue and mortgage pool sizes for which they will consider providing insurance. Single FHA-insured mortgages of at least $4 million can be considered by some insurers. Other structures may require as many as five projects totaling $10 million.

The cost of insurance may vary from 100 to 150 basis points up-front to 20 to 30 basis points annually.

VII. Project Feasibility

To determine if the construction of new multi-family housing is feasible under current housing and mortgage market conditions, four hypothetical multi-family projects are analyzed. The four projects are:

Project A—16 Unit Valley Market Rent Project;

Project B—30 Unit Downtown Market Rent Project; and,

Projects C and D—45 Unit Valley Low-Income Projects.

Sensitivity cases reflecting various development, operating, and financing assumptions are examined to determine the:

- types of projects most likely to be feasible;
- kinds of financing most likely to work;
- potential contribution to feasibility of a CBJ financing program;
- potential contribution to feasibility of changes in CBJ regulatory policies; and,
- level of rents or operating expenses required for a project to breakeven.

Table 33 summarizes the results of the feasibility analysis. Appendix J contains the detailed analyses for each individual project and case.

TABLE 33
Pro Forma Multi-Family Housing Projects Financial Feasibility

	Debt Service Coverage	Required Coverage	Equity Required	Annual Return on Equity (pre-tax)	2-Bedroom Unit Rent	Operating Expense Ratio
Project A - 16 Unit Valley Market Rent Project						
Base Case: AHFC Financing	1.23	1.25	$701,900	3.3%	$850	40%
Sensitivity Cases: Development Costs						
High Density	1.23	1.25	821,900	3.5%	850	40%
Low Land Development Cost	1.23	1.25	653,900	3.5%	850	40%
Zero Raw Land Cost	1.23	1.25	605,900	3.8%	850	40%
Low Construction Cost	1.23	1.25	595,500	3.9%	850	40%
Lowest Total Development Cost	1.23	1.25	543,800	5.3%	850	40%
High Construction Cost	1.23	1.25	918,500	2.5%	850	41%
Sensitivity Cases: Breakeven						
Breakeven Expenses	1.25	1.25	346,100	10.0%	850	4%
Breakeven Rents	1.23	1.25	365,100	10.0%	1,270	35%
Lowest Total Development Cost, Breakeven Expenses	1.23	1.25	341,900	10.0%	850	24%
Lowest Total Development Cost, Breakeven Rents	1.23	1.25	360,500	10.0%	1,034	37%
Sensitivity Cases: Other Financing						
Bank Financing	1.20	1.20	778,300	2.7%	850	40%
FNMA Financing	1.15	1.15	703,800	2.6%	850	40%
FHA Financing	1.13	1.11	839,700	2.1%	850	41%
CBJ Financing	1.20	1.20	$709,700	3.0%	$850	40%

	Debt Service Coverage	Required Coverage	Equity Required	Annual Return on Equity (pre-tax)	2-Bedroom Unit Rent	Operating Expense Ratio
Project B - 30 Unit Downtown Market Rent Project						
Base Case: AHFC Financing	1.23	1.25	$1,266,500	3.2%	$ 900	41%
Sensitivity Cases: Development Costs						
High Density	1.23	1.25	1,483,500	3.4%	900	41%
Low Land Development Cost	NA					NA
Low Construction Cost	1.23	1.25	1,077,700	3.7%	900	40%
Zero Raw Land Cost	1.23	1.25	1,032,500	3.9%	900	41%
Lowest Total Development Cost	1.23	1.25	1,014,600	4.9%	900	40%
High Construction Cost	1.23	1.25	1,644,800	2.4%	900	41%
Sensitivity Cases: Breakeven						
Breakeven Expenses	1.25	1.25	613,600	10.0%	900	3%
Breakeven Rents	1.23	1.25	648,300	10.0%	1,365	36%
Lowest Total Development Cost, Breakeven Expenses	1.23	1.25	614,900	10.0%	900	22%
Lowest Total Development Cost, Breakeven Rents	1.23	1.25	646,800	10.0%	1,124	37%
Sensitivity Cases: Other Financing						
Bank Financing	1.20	1.20	1,396,500	2.7%	900	41%
FNMA Financing	1.15	1.15	1,264,400	2.6%	900	41%
FHA Financing	1.13	1.11	1,509,500	2.0%	900	41%
CBJ Financing	1.20	1.20	$1,277,100	2.9%	$ 900	41%

	Debt Service Coverage	Required Coverage	Equity Required	Annual Return on Equity (pre-tax)	2-Bedroom Unit Rent	Operating Expense Ratio
Project C - 45 Unit Valley Low-Income Project						
20% of Units Restricted to Rents @ 30% of 50% of Median Income						
Base Case: AHFC Financing (tax-exempt)	1.43	1.15	$2,148,300	4.1%	$ 850	44%
Sensitivity Cases: Development Costs						
High Density	1.43	1.15	2,543,500	4.3%	850	44%
Low Land Development Cost	1.43	1.15	2,013,300	4.4%	850	44%
Zero Raw Land Cost	1.43	1.15	1,878,300	4.7%	850	44%
Low Construction Cost	1.44	1.15	1,819,000	4.9%	850	43%
Lowest Total Development Cost	1.44	1.15	1,729,300	6.4%	850	43%
High Construction Cost	1.43	1.15	2,806,600	3.1%	850	44%
Sensitivity Cases: Breakeven						
Breakeven Expenses	1.49	1.15	1,318,600	10.0%	850	15%
Breakeven Rents	1.45	1.15	1,324,700	10.0%	1,271	39%
Lowest Total Development Cost, Breakeven Expenses	1.46	1.15	1,318,300	10.0%	850	32%
Lowest Total Development Cost, Breakeven Rents	1.44	1.15	$1,321,300	10.0%	$1,015	41%

	Debt Service Coverage	Required Coverage	Equity Required	Annual Return on Equity (pre-tax)	2-Bedroom Unit Rent	Operating Expense Ratio
Project D - 45 Unit Valley Low-Income Project						
40% of Units Restricted to Rents @ 30% of 60% of Median Income						
Base Case: AHFC Financing (tax-exempt)	1.43	1.15	$2,154,400	4.3%	$ 850	43%
Sensitivity Cases: Development Costs						
High Density	1.43	1.15	2,549,000	4.5%	850	43%
Low Land Development Cost	1.43	1.15	2,019,400	4.6%	850	43%
Zero Raw Land Cost	1.43	1.15	1,884,400	4.9%	850	43%
Low Construction Cost	1.44	1.15	1,814,700	5.2%	850	43%
Lowest Total Development Cost	1.44	1.15	1,722,200	6.8%	850	43%
High Construction Cost	1.44	1.15	2,841,400	3.2%	850	44%
Sensitivity Cases: Breakeven						
Breakeven Expenses	1.49	1.15	1,355,900	10.0%	850	17%
Breakeven Rents	1.45	1.15	1,361,200	10.0%	1,389	39%
Lowest Total Development Cost, Breakeven Expenses	1.46	1.15	1,357,700	10.0%	850	33%
Lowest Total Development Cost, Breakeven Rents	1.44	1.15	$1,359,300	10.0%	$1,043	41%

Feasibility Analysis Assumptions

Projects A and B both assume financing under the proposed AHFC Multi-Family Secondary Market Participation Housing Program for the base case and all sensitivity cases except Other Financing sensitivity cases.

Projects C and D both are assumed to be financed by AHFC's Multi-Family, Special Needs & Congregate Housing Loan Program. The only difference between Projects C and D is the option chosen in regard to set-aside of rent-restricted units. Project C is based on a set-aside of 20 percent of the units, restricted to rents at 30 percent of 50 percent of median income, according to household size. Project D has a set-aside of 40 percent of the units, restricted to rents at 30 percent of 60 percent of median income.

The sensitivity cases provide an idea of the relative importance of various aspects of a project. Their various assumptions do not require or attempt a high degree of precision for this purpose. The cases analyzed are:

> Base Case—this is basically the business as usual case, except that it presumes the implementation of the AHFC Multi-Family Secondary Market financing program which is yet to be adopted; costs are best guesses;
>
> High Density—this assumes 25 percent more units are built on the same amount of land; it could represent a density bonus or higher density zoning;

Low Land Development Cost—this assumes that land development costs are reduced by 50 percent; it could represent changes in public improvement ordinances or subdivision standards regarding parking, streets, curbs, gutters, lighting, storm drainage, water, sewer, etc. that eliminate some requirements, substitute less demanding standards, or allow the use of less costly materials or construction techniques;

Zero Raw Land Cost—this assumes that the raw land is provided at no cost to the developer by the city;

Low Construction Cost—this assumes the use of modular or panelized construction techniques or changes in the city's building code that reduce the cost of construction by 10 percent;

Lowest Total Development Cost—this case includes all of the assumptions of the previous four cases, namely:

- 25 percent higher density;
- 50 percent less land development cost;
- 10 percent less construction cost; and,
- no raw land cost;

High Construction Cost—this assumes construction costs are 20 percent higher than the base case; this could represent costs on FHA projects which require Davis-Bacon wages, as well as the possible underestimation of costs in the base case for whatever reason;

Breakeven—these cases calculate the rents or level of operating expenses for projects undetaken by for-profit developers to breakeven; breakeven is defined as achieving a 10 percent return on equity; breakeven for non-profit sponsors would be defined as achieving a non-negative rate of return (zero or better); breakeven for for-profit developers is estimated both for the base case and lowest total development cost cases; and,

Bank, FNMA, FHA, and CBJ Financing—these are the base case using differing financing assumptions as shown in Table 34 for these various financing sources.

TABLE 34
Financing Assumptions

Project/Financing	Interest Rate as of 6/1/94	Bank Construction Loan Fees	Term Loan Fees	Closing Costs	Term Loan True Interest Cost as of 6/1/94	Amortization Period (years)	Loan-to-Value	Required Coverage
Affordable Project								
AHFC	7.179%	none	1.0%	2.0%	7.49%	30	85%	1.15
Market Rent Projects								
Bank Financing	9.250%	1.5%	1.5%	2.0%	9.87%	15	75%	1.20
AHFC (proposed)	9.219%	1.5%	2.0%	2.0%	9.69%	30	80%	1.25
FNMA	10.375%	1.5%	3.5%	2.0%	11.08%	30	80%	1.15
FHA	9.500%	none	4.5%	2.0%	10.22%	40	90%	1.11
CBJ Bond Issue	9.750%	1.5%	5.5%	2.0%	10.69%	30	90%	1.20

Notes:

1. Interest rates include servicing fees; servicing fees on CBJ bond financing assumed to be 0.25%.
2. Bank interest rate is variable rate financing at prime + 2%. Other rates are fixed rates.
3. AHFC term loan fees for market rent projects assume 1.5% bank loan origination fee + AHFC 0.5% commitment fee.
4. FNMA interest rate is for loans with a 15 year term.
5. FHA interest rate includes 50 basis points for FHA insurance.
6. CBJ Bond interest rates assume an unrated private placement without credit enhancement.
7. Loan Fees for a CBJ Bond Issue include 2 percent each for bond issuance costs and bond underwriter's discount and and 1.5% for bank loan origination fees.
8. Closing costs estimated at $5,000 for appraisal, $6,000 for environmental report, $1,000 for engineering report, $500 for recording, and 3/4 percent title insurance assuming a $1,000,000 loan.
9. True Interest Cost estimated assuming a $1,000,000 loan.

Rents used in the feasibility analysis are estimates of rents for newly constructed projects based on Thomas P. King & Associates' survey of existing multi-family projects of 5 or more units. Unit size also is based on the King survey. See the Juneau Housing and Land Inventory section of this study. Typical unit sizes from the survey, namely:

efficiency	450 square feet
1 bedroom	550 square feet
2 bedroom	783 square feet
3 bedroom	1,000 square feet
4 bedroom	1,200 square feet

are used in the feasibility analysis, with some variations according to the type or location of project.

Operating expenses are estimated as follows:

- taxes—14.08 mils multiplied by the income value of the project;
- insurance—50¢ per $100 of total building cost;
- utilities—$800 per unit per year;
- maintenance—8 percent and 10 percent of gross annual income for market rent and low-income projects respectively;
- management—8 percent and 10 percent of gross annual income for market rent and low-income projects respectively; and,
- replacement reserves—$325 per unit per year.

The projects are assumed to be of average quality construction with typical finish and appliances. No garages or carports are considered. Heat is electric base-board.

Construction costs are based on data contained in Table 35.

TABLE 35
Juneau Multi-Family Construction Costs

	Hard Construction Costs	Total Construction Costs	Total Project Costs
Project			
A - actual costs, < 10 units	$92	$100	$123
B - actual costs, < 10 units	97		
C - estimated costs, > 10 units	80		$140
D - estimated costs, > 10 units	$94 - $110		
AHFC area estimates			
standard construction		$90 - $100	
Davis-Bacon		$110 - $120	
Contractor estimate	$85 - $90		
Contractors' "site" unseen bids	$105		
National Building Cost Manual estimate for 500 square foot unit in 4- to 9-unit structure	$89		
National Building Cost Manual estimated cost reduction for structures of 10 or more units	$3		

The capitalization rate was developed by King & Associates from the "band of investments" method that considers the typical interest rate, term, and loan-to-value ratio for mortgage loans. The developer's equity return rates are also considered.

Interest during construction is figured assuming a drawdown of the loan amount, pro rata with a constant rate of construction expenditures, over a construction period of 15 months.

The rent-up reserve is estimated assuming absorption at a constant rate over three months. This short absorption period is based on the current minimal vacancy rate for multi-family housing. Some time is assumed to be needed even in this tight market to allow for uncertainty in the completion date and for vacating renters to give notice.

Results of Feasibility Analysis

Types of Projects

The feasibility analysis shows the low-income projects faring better than market rent projects. Their rates of return on equity are about one percent to one and one-half percent higher than the market rent projects. Part of the reason for this, as discussed in the section on AHFC's Multi-Family, Special Needs & Congregate Housing Program in Chapter V, is that the restrictions required on rents do not place them very far below market. Yet, the tax-exempt interest rate offers a clear margin below market interest rates. In addition, part of the superior returns shown for the low-income projects is due to the lower construction costs assumed for a larger size project.

The analysis does show that between the two types of low-income projects, the set-aside of the greater percentage of units—40 percent instead of 20 percent—improves returns by 0.2 percent to 0.4 percent. The greater number of units with restricted rents is more than offset by elevation of the allowed rent from 50 percent to 60 percent of the Juneau median income.

The relative merits of location, between the downtown and valley, do not appear to be significantly different. Lower rents in the valley may be offset by lower development costs. The actual attractiveness of a project appears more likely to depend on its size, types of units, and specifics of the site.

Types of Financing

All of the market rate financing sources produce similar rates of returns, well below the 10 percent assumed as a threshold of feasibility for for-profit developers. The rates range from 2.0 percent to 3.3 percent. The best financing judged by return on equity would be the proposed AHFC Multi-Family Secondary Market program. As a proposed program, none of AHFC's terms are cast in concrete. The analysis assumes AHFC's interest rates would be the same as their current taxable rates for affordable multi-family acquisitions without rehabilitation. A CBJ bond issue would be next best in terms of rate of return.

In terms of equity, AHFC, FNMA, and CBJ financing would require almost the same amounts. Bank financing boosts equity required by about 10 percent relative to AHFC, FNMA, or CBJ financing. FHA-insured financing would increase required equity almost 20 percent relative to the lower three sources, given the analysis' assumption of 20 percent higher construction costs to meet Davis-Bacon requirements on FHA-insured projects.

Debt Service Coverage

The feasibility analysis determines the loan amount as the lesser of:

- the loan-to-value ratio applied to the market value of the project (its income value); or,
- what NOI, figured with a 7.5 percent allowance for vacancy and credit losses, will support at the debt service coverage ratio required for the type of financing under analysis.

This manner of determining the size of the loan assures that the coverage ratio for debt service will be met prospectively. This reflects the underwriting practices used by financing sources to control their risk. The analysis could be done assuming loans at the maximum loan-to-value. Then, some cases would show infeasibility due to lack of sufficient coverage.

For market rent projects, the only cases that show any margin of debt service coverage above the required level are those with FHA financing. Essentially all the other market rent cases cannot support loans at the maximum loan-to-value.

All of the low-income project cases provide excess coverage. This is due to the smaller amount of debt service to be covered, as a result of the tax-exempt interest rate. All low-income cases would be feasible at the maximum loan-to-value, were it not for equity concerns.

Equity Requirements and Return

What makes all of the projects infeasible as a practical matter, in all cases except perhaps the breakeven cases, is the low return on equity or the large amount of equity required. Except for the breakeven cases, none of the cases provide a return as high as 10 percent. This is the rate used by King & Associates as an estimate of the required return on equity for developing the capitalization rate.

Even in the breakeven cases, which by definition provide a 10 percent rate of return, the amount of equity required is still very significant—on the order of $350,000 for a 16 unit valley project, over $600,000 for a 30 unit downtown project, and over $1,300,000 for a 45 unit low-income project in the valley. Such levels of equity contribution may be beyond the reach of all but the most financially strong local developers or partners, even if the breakeven conditions could be realized.

These high equity requirements reflect the fact that total development costs generally exceed project market values by 50 percent to 100 percent. Only in the breakeven cases for the market rent projects do costs even approach values. In these cases, they exceed market values by about 7 percent. Breakeven cases for the low-income projects show costs at roughly 25 percent over value.

Juneau currently has only 10 multi-family properties with more than 45 units. The equity required for projects of this size and the relatively high risks attached to Juneau multi-family housing investments may limit further development to smaller projects. This may be desirable from a standpoint of social policy. Respondents to the Juneau Household Survey also showed a strong preference for small projects. But given the magnitude of the pent-up demand documented in the Juneau Housing Demand Forecast, local development of smaller projects may not be sufficient or rapid enough to meet the city's goals for alleviating Juneau's housing crunch.

Potential CBJ Financing Role

The high equity requirements for multi-family projects would make second mortgages in some forms helpful to development. The lack of any excess coverage of debt service in the feasibility analyses for all sources of first lien financing except FHA means that any second mortgages would have to be structured as deferred payment, sleeping (paid only from excess cash flows), or participating mortgages that provided some equity participation.

Table 36 summarizes the financial performance of a 1982 CBJ second mortgage program for multi-family housing that provided twelve zero interest loans with deferment of principal amortization for five years. The high incidence of payment problems, including:

- no payments on two loans;
- zero recovery on the two loans that were foreclosed;
- one or more extensions of maturity on seven loans,

reflect both the risks of the Juneau housing market and the inferior lien position of second mortgages. In this housing market, a second lien is tantamount to holding an equity position. For that reason, a program offering second mortgages should provide for equity participation by the lender.

TABLE 36
City and Borough of Juneau
Performance of 1982 Rental Stimulation Program

Date of Loan	Loan Amount	Repayment Start Date	Maturity	Status as of 4/18/94	Amount of Recovery	Extensions Date	Extensions New Maturity
7/82	$24,000	7/87	6/95	payments current			
8/82	139,200	8/87	7/95	foreclosed	0		
8/82	139,200	8/87	7/95	payments current		8/88, 2/90	1/98, 7/98
9/82	232,800	10/87	9/95	payments current		8/88	2/97
8/83	232,800	9/87	8/96	payments current		8/88	2/97
12/82	95,760	1/88	12/96	payments current		8/88	2/98
6/82	326,067	7/87	6/95	payments current		8/88	2/98
4/82	149,500	5/87		foreclosed	0		
6/82	39,600	7/87	6/95	payments current		8/88	1/97
6/82	509,000	from surplus cash flow		no payments; in HUD lawsuit			
4/83	529,000	from surplus cash flow		no payments; in HUD lawsuit			
2/84	76,980	3/89	2/97	payments current		8/88	2/98
Total	$2,493,907						

The political and fiscal difficulties of the city contributing cash to projects makes it likely that the city only could take second mortgages in exchange for contributions of land, at least for market rent projects. This might be vacant land or foreclosed properties. Disposition could be negotiated or by bids on price, equity share, or number or types of units.

Breakeven and the Importance of Development Regulations

Breakeven Operating Expenses

The sensitivity cases show that breakeven is not going to be achieved by controlling operating expenses, unless major reductions can be made in total development costs as well. Without such reductions, expenses would have to be between 3 percent to 17 percent of effective gross income. This is not close to being possible.

With action on several fronts to produce development costs as low as assumed in the lowest total development costs case, expense ratios of 22 percent to 24 percent for market rent projects and 32 percent to 33 percent for low-income projects would provide breakeven. This might be within the realm of possibility, but would offer more realistic hope of breakeven if rents were higher as well.

Breakeven Rents

Breakeven rents in Table 33's base case range from $1,270 to $1,389 for two-bedroom units. It would be difficult for average two-bedroom rents to reach such levels. Compared to 1993's real average monthly wage for Juneau, these breakeven rents would represent an average rent burden[30] of 48 percent to 52 percent. This is far above the peak 37 percent rent burden reached in 1983. It is also at the level, 50 percent, that is considered to constitute a severe rent burden.

Affordability of Breakeven Rents

Table 37 shows that some units with breakeven rents under a business as usual situation might be absorbed by the high end of the households needing two-bedroom units. Absorption would be more likely under current conditions of low vacancy rates and high pent-up demand, than under normal market conditions.

With development costs pushed down to the level of the lowest total development costs case, significant numbers of units with breakeven rents might rent up fairly readily. One- and two-bedroom units would be affordable to 30 percent or more of the households in the market for such rentals under the lower cost case. Still, only about 10 percent or so of one- or two-bedroom units command rents at this level.

[30] See the discussion relating to Table 8, under Critical Obstacles to New Multi-Family Construction in Chapter I, as to the limitations of this data for estimating rent burderns.

Three bedroom units at breakeven rents would be most at risk of an inability to be fully or quickly absorbed by the market. Only about 10 percent of households needing a three-bedroom unit could afford breakeven rents under the base case. About one-fourth of households could afford breakeven rents under the lowest total development cost case. But the current lack of any three-bedroom units at either breakeven level indicates such units renting at the breakeven rate may face some difficulty.

TABLE 37
Affordability and Supply at Breakeven Rents

		Base Case			Lowest Total Development Costs Case		
Project	Bedrooms	Breakeven Housing Costs	Households Able to Afford Breakeven	Existing Multi-Family Units at or above Breakeven	Breakeven Housing Costs	Households Able to Afford Breakeven	Existing Multi-Family Units at or above Breakeven
A	1	$1,096	21%	4%	$ 916	35%	14%
	2	1,395	16%	3%	1,159	30%	8%
B	1	1,187	18%	3%	999	35%	14%
	2	1,490	16%	3%	1,249	30%	8%
C	1	1,097	21%	4%	901	35%	14%
	2	1,396	16%	3%	1,140	30%	8%
	3	1,620	12%	0%	1,319	24%	0%
D	1	1,187	18%	3%	923	35%	14%
	2	1,514	12%	0%	1,168	30%	8%
	3	$1,759	8%	0%	$1,352	24%	0%

Sources:
1. Breakeven Housing Costs are rents from Table 33 plus $125 a month for utilities.
2. Households Able to Afford Breakeven and % of Units at or above Breakeven Housing Costs from Tables 12 through 14.

The average affordability of breakeven rents in the base case would be 16 percent for all rental households, i.e., those needing one, two, and three bedrooms. This average[31] uses the highest percentage of households that would be able to afford breakeven rents for any project (i.e., 21 percent for one-bedrooms, 18 percent for two-bedrooms, and 12 percent for three-or-more-bedrooms). An average[32] of 3 percent of existing multi-family units have rents above the base case breakeven level. This leaves a net of 13 percent of rental households that could afford additional multi-family housing at the base case breakeven rents.

[31] This is an average weighted by the percentage of rental households residing in units with the given number of bedrooms. This distribution of rental households by number of bedrooms is from the Juneau Household Survey conducted for this study.
[32] This is an average weighted by existing multi-family units by number of bedrooms. This distribution is shown in Chart 15.

The Juneau Housing Demand Forecast estimated a need for 242 additional multi-family[33] units through 1995, above and beyond projects planned or in-progress. The current supply of multi-family housing is 2,332 units. If a pro rata 13 percent of renters who are in multi-family units (as opposed to renting single-family, duplexes, etc.) could afford base case breakeven rents, that would allow absorption of up to an additional 303 units of new construction at breakeven rents.

This 13 percent of multi-family renters are currently paying less than breakeven rents. They could be expected to be resistant to trading up, unless the new units offered clearly superior housing. Unfortunately, the breakeven rents were figured on the basis of average sites, construction, appliances, and amenities, without carports or garages. Thus, the market may still be rather thin for driving in an opening wedge at the high end that would enlarge the multi-family housing supply. 80 percent of those renters who could afford the breakeven rents would have to trade up for 242 new multi-family units to be absorbed.

Competition from Single-Family Housing

Part of the reason there are no three-bedroom units at the breakeven rent levels under current market conditions is competition from single-family or other owner-occupied housing. An average single-family three-bedroom house with a two-car garage is estimated to cost about $155,000 to construct and would have a market value very close to that, according to Thomas P. King & Associates. With an 8.5 percent 30 year mortgage at 90 percent of market value, a homeowner would have a mortgage payment of approximately $1,200. Adding estimated taxes, insurance, utilities, and maintenance of about $480 a month, total housing costs would run about $1,680 a month. This is on par or below the housing costs a household would experience if rents were charged at breakeven levels under the base case. But, three-bedroom homes would not be competitive if multi-family development costs were brought down to the best case scenario (and assuming single-family development costs did not also fall commensurably). Single-family costs would be $300 or more above breakeven rents of $1,319 to $1,352 for the lowest total development cost cases.

[33] Multi-family in the case of this estimate was defined as housing with 3 or more units.

VIII. Local Government Multi-Family Housing Loan Programs

Inquiries to a number of associations representing local government or local government housing activities[34] failed to produce any information about multi-family housing loan programs conducted at the local level. The only source of information about housing programs below the national level that was identified is the National Council of State Housing Agencies (NCSHA). This agency publishes comprehensive surveys of all housing programs conducted by state housing agencies. Three of their compendiums were reviewed to determine the scope of housing programs conducted by these agencies.[35]

From this review, it appears that the primary role of local government with respect to housing programs is to provide a channel for local administration or local allocation of state programs, assistance, or financing. Many state programs, in turn, are stops on the way for federal programs, primarily HUD. Local governments often do not have the financial resources or expertise to initiate housing programs at the local level. It also would be inefficient and redundant, given the broad scope of programs available at the state level. Housing loan programs operating solely within a given municipality also would be subject to a much higher degree of risk, compared to the geographic and economic diversification inherent in a state-level program.

With few exceptions, government-sponsored housing programs are focused on affordable housing. These are programs that are aimed at households of low- to moderate-incomes, not market rent or market-priced housing. Even so, many types of programs could serve as models for market-based housing programs. The main problems would be those of politics and equity in generating or allocating resources to such programs.

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[34] Local government associations contacted include the Association of Local Housing Agencies, the National League of Cities, the U.S. Conference of Mayors, the International City Managers Association, and the Government Finance Officers Association. Other associations contacted include the National Housing Conference, the National Association of Homebuilders, the National Governors Association, the National Housing Institute, the U.S. Department of Housing and Urban Development, the Mortgage Bankers Association of America, the Council of State Community Affairs Agencies, and the National Council of State Housing Agencies.

[35] "State HFA Program Catalogue, Volume Two, Rental Housing Programs and Volume Five, Housing Finance & Technical Assistance Tools", January, 1992; and "Blue Ribbon State Housing Programs", September, 1993; National Council of State Housing Agencies.

The following is a review of multi-family housing loan programs operating in other states, as compiled by NCSHA. Most of these have an Alaskan counterpart in one of AHFC's programs.

- tax-exempt bonds—the issuance of tax-exempt bonds by state housing finance agencies is the most prevalent means of funding and subsidizing multi-family housing construction, acquisition, and rehabilitation; AHFC operates this kind of program in Alaska; program variations among the states include:
    - blending in agency reserves, state appropriations, or federal or foundation grants such as HOME funds to provide a further subsidy;
    - granting these funds to municipalities to operate loan programs or requiring local contributions to project financings;
    - targeting the financing toward households with incomes lower than the requirements for tax-exemption, projects with higher than federally required set-asides for low-incomes, energy efficient units, three-bedroom units, special needs groups (elderly, handicapped, etc.), small projects, or land acquisition;
    - establishing various loan terms and conditions; and,
    - providing construction loans or second mortgages in addition to permanent first lien mortgage loans;
- 501(c)(3) tax-exempt financing—organizations qualified as non-profits under section 501(c)(3) of the federal tax code can obtain tax-exempt financing without:
    - the annual recertification of tenant incomes;
    - an allocation under a state's volume cap for tax-exempt private activity bonds; and,
    - certain other restrictions otherwise applicable to tax-exempt housing bonds;
- low income housing tax credits—each state is required under federal law to designate a housing agency to administer the federal tax credit program; the credits can be used in conjunction with either tax-exempt or conventional financing of rental housing; AHFC is the designated agency in Alaska; Hawaii has established a state tax credit equal to 30 percent of the federal tax credit;
- taxable bonds—some states sell taxable bonds to allow projects using low-income housing tax credits to claim the larger credit allowable with such financing or to provide housing for income levels above those permitted by the Internal Revenue Code for tax-exempt bonds;

- mortgage-backed securities (MBS's)—a number of housing finance agencies have reduced interest costs, transaction costs, default risks, or the duration of interest rate risk in financing multi-family mortgage loans by issuance of GNMA MBS's or swapping loans for FNMA or Freddie Mac MBS's;

- rental rehabilitation programs—many states have loan programs targeted specifically toward rental rehabilitation; a defunct HUD program was the genesis in many cases; currently, funding comes from the federal HOME or Community Development Block Grant (CDBG) programs, state appropriations or general obligation bonds, housing finance agency resources, tax-exempt bonds, or the Local Initiatives Support Corporation (LISC), a non-profit corporation that is a new secondary market financing source for affordable housing loans;

- housing trust funds—some states have trust funds dedicated for housing programs; contributions to the trusts have come from state appropriations, housing finance agency assets, interest earnings on trust accounts held by real estate brokers, unclaimed property, and real estate transfer taxes;

- technical assistance—some states provide technical assistance or grants or deferred loans to finance predevelopment costs; the assistance often is needed to deal with the complex requirements and time-consuming efforts needed for many affordable housing programs; it is often targeted towards non-profits which generally don't have funds to finance predevelopment costs;

- loan guarantees—some states have established loan guarantees for multi-family housing; the guarantees have been provided through funding of a guarantee fund rather extending the general credit of a state or housing agency; in some cases, the amount and priority of loss coverage is specified; in one situation, a state has solicited bids from lenders on the amount of lending they would provided for a guarantee fund of a specified amount (the ceiling on the possible claims); at least one state, New York, has received claims-paying ratings from national credit rating agencies based on the capitalization of the fund and the contingent availability of a dedicated stream of state real estate transfer tax revenue;

- linked deposits—deposits with financial institutions are conditioned on the institutions providing housing financing on more generous terms and conditions or to higher-risk borrowers;

- Community Reinvestment Act—this act has been used by some housing finance agencies as well as non-profit organizations to induce financial institutions to provide financing on more generous terms and conditions, to higher-risk borrowers, or for second mortgages; and,

- public or non-profit development corporations—such organizations have been created to provide equity financing, orchestrate syndication of the sale of low-income housing tax credits, provide development expertise, and acquire existing housing to insulate rental rates from general appreciation in housing markets.

IX. Regulatory Barriers to Affordable Housing

Throughout the 1980's and early 1990's, the costs of housing far outpaced the growth of personal incomes and saving. This resulted in declining rates of homeownership and greater proportions of renters having to sacrifice more than 30 percent of their income for rent.

Advisory Commission on Regulatory Barriers to Affordable Housing

In response, in March 1990, the Secretary of HUD established the Advisory Commission on Regulatory Barriers to Affordable Housing. The Commission published its findings and recommendations in July, 1991 in a report entitled "'Not In My Back Yard', Removing Barriers to Affordable Housing". The recommendations of the Commission have resulted among other things in the establishment by HUD of the Regulatory Reform for Affordable Housing Information Center. The center is providing information, model codes, and technical assistance to state and local governments and other organizations regarding reform of regulations that hinder the production of affordable housing.

Major findings and recommendations flowing from this national initiative on regulatory reform for affordable housing are:

- rising costs of land purchase and development is the one factor most responsible for increasing prices and reduced affordability of new homes; Census Bureau data indicate that the average lot price as a percent of the average home price has risen from approximately 17 percent in 1974 to about 28 percent in 1989[36]; part of this increase is due simply to larger average lot sizes;

- design creep has ballooned home sizes and amenities as well as lot sizes; in Contra Costa County, California, the average new home has gone from 1,000 square feet with one bath and a one-car garage on a 5,000 square foot lot in the 1950's to a 2,800 square foot home with 3 baths and a 3-car garage on a 7,000 square foot lot in the 1990's; affordability for many households will require smaller housing units with fewer amenities on smaller lots;

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[36] "Affordable Housing Guidelines for State and Local Government", HUD, November 1991, page 17.

- in light of this, flexibility in zoning can make major contributions to housing affordability; for example,

    - higher allowed densities directly reduces the cost of land per unit;

    - clustering of housing, as may be allowed under planned unit developments (PUD's) or planned residential developments (PRD's), can save as much as 34 percent of the costs of subdivision development[37]; clustering allows developers to average the density of units across the entire tract rather than on a per lot basis; clustering results in more open space as well as reduced costs for clearing and grading of the construction sites; it avoids significant costs for extensions of streets, sidewalks, water and sewer, etc. and makes more of the land available for housing; clustering can be important where not all of the tract is buildable;

    - reduction of front setbacks can reduce the length of driveways and utility connections; and,

    - reduction of side setbacks can increase the number of units served by a street, curbs and gutters, sidewalks, and the main run of utilities;

- reducing the cost of land development was the single greatest factor in achieving housing affordability under a HUD demonstration project with local governments (Joint Venture for Affordable Housing); avoiding excessive subdivision requirements can provide a double-barreled benefit: not only are material and labor costs reduced by limiting the size of street widths and rights-of-way, incidence of sidewalks, etc., but more land is made available for housing; this results in the land and development costs of the subdivision being spread over a greater number of housing units;

- use of easements instead of rights-of-ways can provide the same legal access for utilities while making more land available for housing, leaving more land on the property tax rolls, and reducing the effective setback from streets and utilities, thus lowering costs for driveways and utility laterals;

[37] "Proposed Model Land Development Standards and Accompanying Model State Enabling Legislation", HUD, June 1993, page 3.

- the reliance on the developer for provision of infrastructure such as streets, curbs and gutters, water and sewer, etc. through subdivision development standards can have at least four drawbacks:

  - the infrastructure is financed at taxable rates, as opposed to tax-exempt rates if it were provided by the municipality through special assessment or general obligation bonds;

  - the higher equity investment required can limit the number of, or competition among, developers able to undertake projects;

  - the higher development cost biases construction away from affordable housing toward the high end of the market that can better absorb such costs; and,

  - the higher costs increase the risk of the project and make financing more difficult to obtain from lenders or available only on more stringent terms;

- the Commission has recommended establishing by law time limits on building code, zoning, and other approvals and reviews; the limits would establish a legal presumption of approval; the regulatory body would have the burden of justifying disapprovals within the time limit, else approval would be automatic;

- the Commission has called for adoption of the CABO (Council of American Building Officials) One- and Two-Family Dwelling Code; this code is tailored to residential construction and has less demanding requirements than the Uniform Building Code (UBC) whose standards must cover commercial construction as well; Juneau at one time had adopted the CABO Code but currently relies only on the UBC;

- the Commission calls for local governments to initiate comprehensive reviews of zoning, subdivision ordinances, building codes, and related development-control ordinances and administrative procedures to identify excessive barriers to housing affordability;

- many of these regulatory reforms would meet resistance from local individuals and groups on the mistaken belief that affordable housing will decrease property values; the Commission points to a survey of relevant research that found that 14 out of 15 studies "reached the conclusion that there are no significant negative effects from locating subsidized, special-purpose or manufactured housing near market-rate developments";

- accordingly, the Commission calls for local governments to undertake educational efforts to make the public aware of the economic effects of local regulation and the need for reform.

Survey of CBJ Land Development Regulations

The following is a survey of the extent to which CBJ follows recommendations of the commission, adheres to regulations that have been recommended in "Affordable Housing Development Guidelines for State and Local Government" published by HUD in November, 1991, or has adopted practices described in "Removing Regulatory Barriers to Affordable Housing: How States and Localities are Moving Ahead" published by HUD in December, 1992. The survey is not a recommendation that these guidelines or practices be adopted. Some of the HUD recommendations or practices in other states may not be appropriate for Alaskan conditions.

HOUSING REGULATORY GUIDELINES & PRACTICES

Adopted by CBJ ☒

Permit Processing

1. preapplication conference .... ☒
2. availability to developer of published materials including policy manuals, permits and fees required, processing times, procedures including appeals, checklists used by CBJ .... ☒
3. single permit .... ☐
4. single office/consolidated interdepartmental staffing of permitting officials (one-stop permitting) .... ☒
5. concurrent reviews by all permitting authorities .... ☒
6. one public hearing .... ☐
7. use of administrative hearing officers instead of commission review ☐
8. allow engineering review by private contract at developer's expense ☒
9. # of permits needed for multi-family project:

   two (if no variances needed)—building permit and allowable use permit; 5 code reviews required—Uniform Building Code, National Electric Code, Uniform Plumbing Code, Uniform Mechanical Code, and Uniform Fire Code

10. # of departmental reviews needed for multi-family project:

    three—Community Development, Engineering, and Fire Departments (review officials for all three departments work at one location—Community Development Department)

11. sample processing times for multi-family project (application date to permit date)

    (a) St. Vincent DePaul Shelter: 499 days–8/24/92 to 1/5/94
    (b) Fireweed Senior Housing: 150 days–10/4/93 to 3/3/94

Land Use

1. zero-lot-line ☒
   - (a) allowed by permit ☒
   - (b) allowed in all residential zoning districts ☒
   - (c) allowed by right ☒
2. average lot size development ☒
   - (a) allowed by permit ☒
   - (b) allowed in all residential zoning districts ☒
   - (c) allowed by right ☐
3. cluster development/PUD ☐
   - (a) allowed by permit ☐
   - (b) allowed in all residential zoning districts ☐
   - (c) allowed by right ☐
4. planned residential development (PRD) (mixed residence types, no minimum lot size) ☒
   - (a) allowed by permit ☒
   - (b) allowed in all residential zoning districts ☒
   - (c) allowed by right ☐
5. small lot zoning districts ☒
6. reduced setbacks ☒
7. density bonuses ☒
   - (a) affordable housing ☒
   - (b) special needs housing ☐
   - (c) location on transit lines ☒
   - (d) open space ☒
   - (e) extra landscaping ☒
   - (f) recreation amenities ☒
8. promotion of infill development to prevent sprawl ☒
9. promotion of mixed use (e.g., along transit lines) ☒
10. flexible zoning ☐
    - (a) fixed criteria by use ☐
    - (b) variable criteria by use ☐
    - (c) parking based on rent structure and proximity to transit, jobs, stores, and services ☐
11. manufactured homes (modular, panelized, prefabricated, precut, log, and shell homes) ☒
    - (a) allowed by permit ☒
    - (b) allowed in all residential zoning districts ☒
    - (c) allowed by right ☒
12. mobile homes ☒
    - (a) allowed by permit ☒
    - (b) allowed in all residential zoning districts ☐
    - (c) allowed by right ☐
    - (d) inspection limited to foundations and finished unit based on reliance on state standards or HUD "National Manufactured Home Construction and Safety Standards" ☒

13. single-room-occupancy (SRO) projects ☒
    (a) allowed by permit ☒
    (b) allowed in all residential zoning districts ☐
    (c) allowed by right ☒
    (d) allowed in commercial zones ☒
    (e) classed as hotels, reducing development cost (e.g., reduced parking) ☒
    (f) exempt from hotel tax ☐
    (g) no minimum unit floor space ☒
14. new accessory (mother-in-law) units ☒
    (a) allowed by permit ☒
    (b) allowed in all residential zoning districts ☒
    (c) allowed by right ☐

Streets

1. functional hierarchy classification system ☒
2. performance design standards based on traffic volume and type and on-street parking ☒

Pavement Width

Street Type	Standard Width (ft.)	Standard or Less
collector, parking both sides	36	☐
collector, emergency parking only	26	☐
subcollector	26	☐
access	22–24	☐
alley	12	☐
one-way loop	16–18	☐

Turnarounds

Turnaround Type	Standard Radius (ft.)	Standard or Less
Cul-de-sac	30	☐
"T"-turnarounds		
inside radius	26	☐
outside radius	38	☐
straight lengths (2)	@ 30	☐

3. parking
   (a) promote off-street parking .... ☒
   (b) common driveways for adjoining lots..................................... ☐
   (c) pavement thickness designed to actual parking load................. ☐
   (d) eliminate curbs and gutters in parking areas .... ☐
   (e) use unpaved shoulders for parking... ☐
   (f) prohibit travel and boat trailers and motor home parking on residential streets.. ☐
4. base rights-of-way widths on specific traffic and planning analysis .. ☐
5. use easements instead rights-of-way .... ☐

Curbs and Gutters

1. use grassy swales instead .... ☐
2. use mountable or rolled curbs .... ☒
3. gutter size no greater than 12 inches .... ☐
4. extruded construction rather than formwork .... ☒

Sidewalks .... (CBJ requires sidewalks in Service Area 1 only)

1. on one side of street for most local streets .... ☐
2. eliminate on lightly traveled streets .... ☐
3. use pathways .... ☐
4. limit width generally to 3 feet .... ☐
5. integrate 4 foot sidewalk with curb .... ☐

Storm Drainage

1. use plastic pipe .... ☒
2. design for specific performance.. ☒
3. consideration of retention in design.. ☐
4. use precast manholes and inlets.. ☒
5. space manholes 600 to 800 feet apart .... ☐
6. use curved pipe .... ☐

Sewers

1. curvilinear sewers—either rigid (bent or beveled joints) or flexible.. ☐
2. eliminate manholes for curved changes of alignment .... ☐
3. manholes spaced 600 feet apart with use of flush trucks................. ☐
4. inside connection on drop manholes... ☒
5. designed to 40 to 50 gallons/capita/day.. ☐
6. dead-ends and cul-de-sacs served with 4 to 6 inch sewers .... ☐
7. single dwelling 3 inch laterals... ☐
8. common laterals for adjoining properties .... ☐
9. use plastic pipe .... ☒

Water

1. design line size based on needs .... ☒
2. lines 2 inches to 4 inches for short runs .... ☐
3. plastic mains .... ☐
4. plastic service .... ☒
5. corporation stop instead of saddle-type connections .... ☐
6. multiple dwelling connections to a common service .... ☐
7. blow-offs instead hydrants .... ☒

Utilities

1. use easements instead of rights-of-way .... ☐
2. direct burial of TV, phone, and cable .... ☐
3. common trenching for water and sewer or TV, phone, and cable .... ☐

Design

1. eliminate minimum floor space requirements .... ☐
2. promote design on 2 foot grids to match incremental lumber dimensions .... ☐

Building Code

1. alternate materials and systems provision in code (allows innovations with adequate evidence) .... ☒
2. footing widths based on performance standards (loads vs. soil bearing capacity) .... ☒
3. footing reinforcement usually unnecessary .... ☐
4. frost-protected shallow footings .... ☒
5. wood foundation walls .... ☒
6. slab floors .... ☒
7. eliminate wire mesh reinforcement of slab floors .... ☐
8. sill plates using 2' x 4's .... ☐
9. sill plates fastened with anchor stops instead of anchor bolts .... ☐
10. no sill plates for level foundations .... ☐
11. built-up wood beams for floor center support beam instead of "I"-beams .... ☒
12. eliminate double floor joists under non-bearing walls if 5/8" floor sheathing used .... ☐
13. off-center splicing of floor joists .... ☐
14. conform wall dimension and window and door spacing to lumber dimensions .... ☒
15. seven and 1/2 foot walls (vs. 8 foot walls) .... ☒
16. stud spacing of 24" for one story or upper story construction .... ☒
17. corners using 2 studs .... ☐
18. eliminate partition posts where interior partition intersects exterior wall .... ☒
19. no mid-height fire-blocking .... ☒
20. no structural headers in non-bearing partitions and end walls .... ☒
21. glue-nailed plywood headers instead of structural headers .... ☒

22. single-layer panel siding ☒
23. single-frame openings in non-bearing partitions ☒
24. National Association of Home Builders (NAHB) National Research Center "Residential Plumbing Guidelines" ☐
25. Council of American Building Officials (CABO) cluster drainage fixture unit values ☐
26. drain cleanout spacing of 75 feet ☐
27. CABO smaller-diameter traps and longer trap-arms ☐
28. CABO smaller diameter drain pipe (1 and 1/2" below grade) ☐
29. CABO smaller diameter vents ☐
30. common and stack venting ☒
31. individual fixture stops optional ☒
32. CABO fixture water supply pipe sizes ☐
33. small families' water heaters of 30 to 40 gallons ☒
34. #14 wire and 15 amp devises ☐
35. plastic utility and junction boxes ☒
36. dropped hall ceiling plenum for low-temperature heating (i.e., electric, heat pump) ☐

X. Housing Tax-Exemption and Fee Waivers

Tax-Exemptions

The City and Borough of Juneau appears to have no significant latitude to aid multi-family construction with exemptions from property taxes.

State law governs what property must be or may be exempted from property taxes by municipalities in Alaska. Federal, state, municipal, educational, charitable, religious, hospital, and certain other property have mandatory exemptions under State law. Some other exemptions are permitted at the option of a municipality.

In general, State of Alaska statutes do not appear to allow any property tax exemptions that could be used to assist private development of multi-family housing. AS 29.45.050 (a) does allow a $10,000 exemption per residence by ordinance, if ratified by voters. This exemption has not been adopted by the City and Borough of Juneau.

Conceivably, the statutory language could be interpreted to allow a $10,000 exemption per unit for multi-family housing. But, the better legal arguements probably militate against such an interpretation. It appears that the state assessor and attorney general's offices have not encountered the issue of bringing multi-family housing within the scope of the exemption.

Also, enacted into law in 1994[38] was an option for municipalities to exempt by ordinance privately owned property used exclusively for student housing for the University of Alaska under a written agreement with the university. This exemption also has not been adopted by the city.

AS 29.45.050 (b)(2)(a) allows the city to exempt property of non-profits used exclusively for community purposes. The DIPAC hatchery at Salmon Creek is the only property with a continuing exemption under this provision. This provision was at issue when the city granted a one-year exemption to Senior Citizens Support Services, Inc. for their multi-family project. By the language of the provision, it would not be available for a for-profit developer, no matter how community purpose were defined.

AS 29.045.090 (m) allows an optional exemption for economic development property. Multi-family housing is unlikely to qualify as economic development property unless it could be shown to create employment in the municipality as a trade or business. Even then, the land would not be exempt unless it had not been taxed previously.

As allowed under AS 29.045.090 (f), the value of certain residential rehabilitation and repairs are partially exempted for four years under CBJ 69.10.010 (6).

[38] Chapter 65, Session Laws of Alaska 1994.

Fee Waivers

Under CBJ Code, there also is no authority to waive building permit fees or water and sewer hook-up fees. Of course, the city could amend the CBJ Code with regard to fee waivers.

The main problems with doing so are the loss of fee revenue and fairness with regards to other types of development. A fee waiver for multi-family projects of five or more units certainly would not reduce city revenues relative to recent years, because only 25 units in such projects were permitted between 1986 through 1993. On a $1 million project, building permit fees would be $4,247.40 and a commercial plan review fee of $2,760.81 would be required, a total of $7,008.21 or 0.7 percent.

If fee waivers made the difference between developing and not developing a multi-family project, it could be argued that the generation of additional property tax revenue that otherwise would not occur answers both the fiscal and equity questions. Current millage rates are 14.08 for downtown, or 1.4 percent. Waived fees would be recaptured in less than a year and many times over during the life of a project. It would be impossible to say with any certainty that a fee waiver was critical to any particular project. But, waivers could be provided only for projects with profitability or feasibility criteria below some arbitrary level. Also, waivers could be limited to periods when the vacancy rate is below some specified level or allowed pursuant to an administrative determination.

Juneau Housing Demand Forecast

Section II of the

Juneau Multi-Family Housing Program Feasibility Study

Prepared for:

City and Borough of Juneau

Prepared by:

McDowell Group

Juneau • Ketchikan

in association with

Thomas P. King & Associates/Milton B. Barker

July 1994

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Juneau Multi-Family Housing Program Feasibility Study

Volume I

Prepared for:

City and Borough of Juneau

Prepared by:

Milton B. Barker
Thomas P. King & Associates
The McDowell Group

July, 1994

Introduction

As in most housing markets, the demand for housing in Juneau has been directly affected by local economic conditions. During the early 1980s, residential building increased dramatically (900 units constructed in 1983 alone) due primarily to increasing state government employment in Juneau. Juneau's population grew by 6,000 residents over a five year period. During this period of rapid growth, the supply of housing could not keep up with the demand. High housing costs reflected this imbalance.

In 1986 and 1987, however, the speculative bubble in real estate construction collapsed, resulting in the loss of over 1,100 jobs. The population declined by nearly 1,500 residents and the housing market was flooded with units for sale or rent. Property values declined by as much as 40% in some areas.

Since about 1988, Juneau's economy has been on the upswing. State government has grown and now employs as many workers as before the recession. Retail expansion has occurred at an unprecedented rate. Juneau population, at about 29,000 residents is the highest ever. For a number of reasons Juneau's housing supply has not kept pace with local population growth. With a vacancy rate of less than 1%, the community again faces a situation where the supply of housing falls short of demand.

As part of the *Juneau Multi-Family Housing Program Feasibility Study,* this analysis predicts future housing demand in Juneau and identifies the likely imbalance between housing supply and demand. Predicting housing demand through the year 2000 entailed a four step process, including the following:

1. Identify Juneau's existing housing stock
2. Measure pent-up demand through household survey research and other data
3. Project changes in housing demand as a result of population change in Juneau and
4. Compare future housing demand with existing supply.

This report includes an Executive Summary and four sections. Detailed housing inventory and demand data is presented in the appendix. Following is a summary of results.

Summary of Findings

Juneau's Current Housing Supply

- According to data provided by the City and Borough of Juneau (CBJ), Juneau's current housing supply is 10,821 units. This includes 4,144 single family units, 2,281 multi-family units, 1,468 units in duplexes, 1,172 mobile homes, 871 condominium units and 741 zero-lot line units. The balance is comprised of live-aboard boats in Juneau harbors.

Pent-up Demand

- There is pent-up demand among local residents for at least 300 additional housing units. Pent-up demand includes local residents currently sharing housing who would have their own housing if not for the constrained market in Juneau.
- More than half (180 units) of the pent-up demand is for multi-family rental housing. The remaining demand is for owner-occupied housing, including single family homes, condominiums or zero lot lines.
- Though not quantified in this study, survey results suggest that there is also pent-up demand among non-residents for housing in Juneau.
- These estimates of pent-up demand suggest that construction of 300 additional units would not reduce Juneau's vacancy rate, depending on the cost and location of the additional housing.
- These estimates of pent-up demand are conservative. They represent a fraction of pent-up demand indicated in survey results. Adjustments to survey results were made to attempt to account for factors such as affordability, location, and size of unit that would limit local household members from acting on their perceived housing needs.
- Also, potential non-residential demand was discounted entirely due to an inability to confidently quantify its magnitude. Yet, almost one-quarter of Juneau households have relatives or friends that might move to Juneau if they could find satisfactory housing.

Housing Demand Forecast

- According to population figures presented in the Final Socioeconomic Impact Assessments for the Alaska-Juneau (AJ) and Kensington Mines, Juneau's baseline population is expected to grow in 1994 and begin declining slowly after 1995.
- To meet increased housing demand associated with growth during 1994, 170 additional housing units will be required, including 40 multi-family units. This is the increase necessary to meet new demand. Construction of 170 units would not increase the vacancy rate.
- The gradual population decline after 1995, ranging between 0.34% and 0.36% annually will be offset by mining-related growth projected to occur between 1995 and 1999.
- Between 1995 and 1999, Juneau will need a net increase of 730 housing units to meet the needs of the mining-related population, including 395 multi-family units.
- The greatest influx of mining-related population will occur in 1998 when the AJ is predicted to be in full operation and the Kensington is in its second year of construction. That year, 445 new housing units will be needed, including 185 multi-family units.

- To meet existing pent-up demand and future mining-related demand, by the year 2000, Juneau will need an estimated 1,215 new housing units, including 615 multi-family units.
- A variety of factors will determine the location of future housing development, including land availability, economic development and market preferences. The survey of Juneau households found that two-thirds of Juneau renters are satisfied with the location of their current housing. Due to small sample sizes, it was not possible to identify location preferences among those renters that are not satisfied with their current housing. For purposes of this study, the location of existing and future housing demand has been allocated among service areas according to information in the *Juneau Unified Transportation Plan.*

Vacancy Rates

- Construction of 1,215 additional housing units over the next six years would meet pent-up demand and expected increases in demand, but it would not bring Juneau's housing market to a "healthy" condition. Housing industry professionals indicate that a vacancy rate of 5% is normal and healthy. Juneau's current vacancy rate is less than 1% for all housing types, according to data from the CBJ Community Development Department.
- To become a healthy housing market today, Juneau needs 880 additional housing units, including the number necessary to satisfy pent-up demand (310 units) and the number of units needed to bring the community to 5% vacancy (around 570 units). This total includes 315 multi-family units.
- In 1994, an additional 175 dwelling units would be needed to fulfill the demand for housing due to projected population growth over the year and to maintain a 5% vacancy rate.

Multi-Family Housing Losses

- Over the last six years, Juneau has lost an average of 17 multi-family units each year to conversion to other uses, fire or demolition, or approximately 0.75% of the multi-family housing stock annually. For purposes of predicting future demand for new multi-family housing, it is assumed that this rate of loss will continue.

Demand Forecast Summary

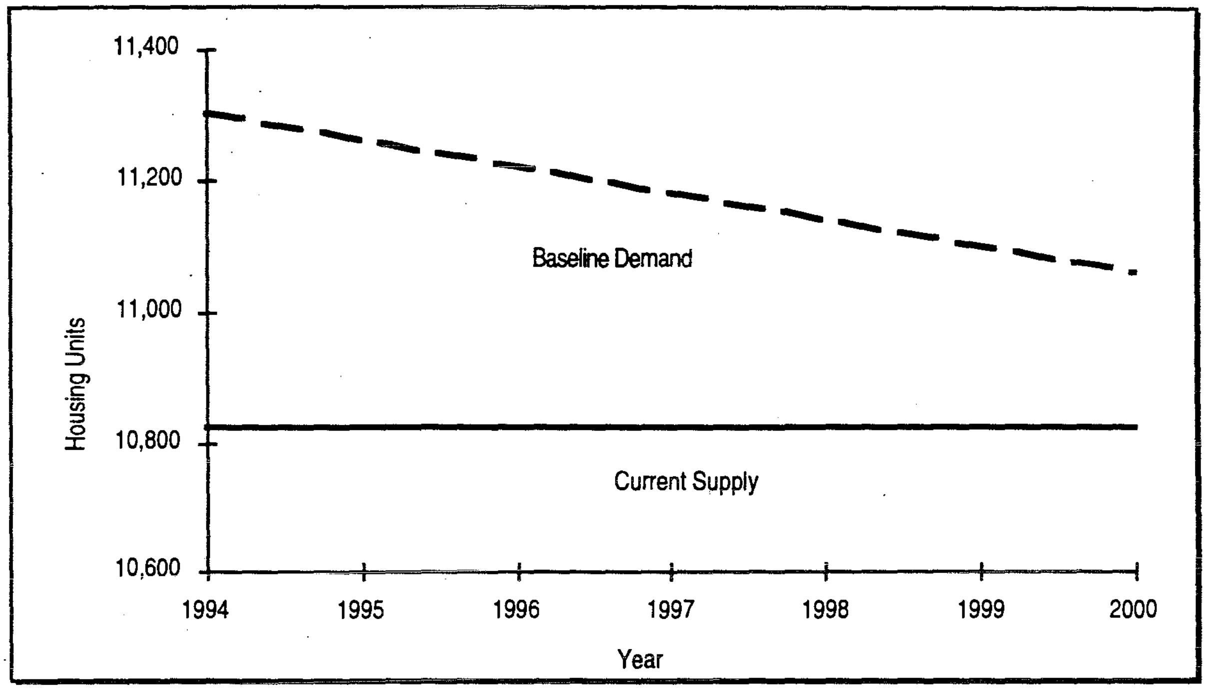
- To be considered a healthy housing market, over the next six years Juneau's housing inventory must expand by a total of approximately 1,800 units. This includes the number of units necessary to satisfy pent-up demand (310 units), the number of units needed to house the mining-related population (735 units), and the number of additional units needed to bring the community to 5% vacancy (around 775 units). This total includes 770 multi-family units. Including approximately 140 multi-family units that may be needed to replace conversions, fire losses and demolitions over the next seven years, construction of new multi-family units would need to total roughly 910 units through the year 2000.

In-Progress or Planned Housing Development

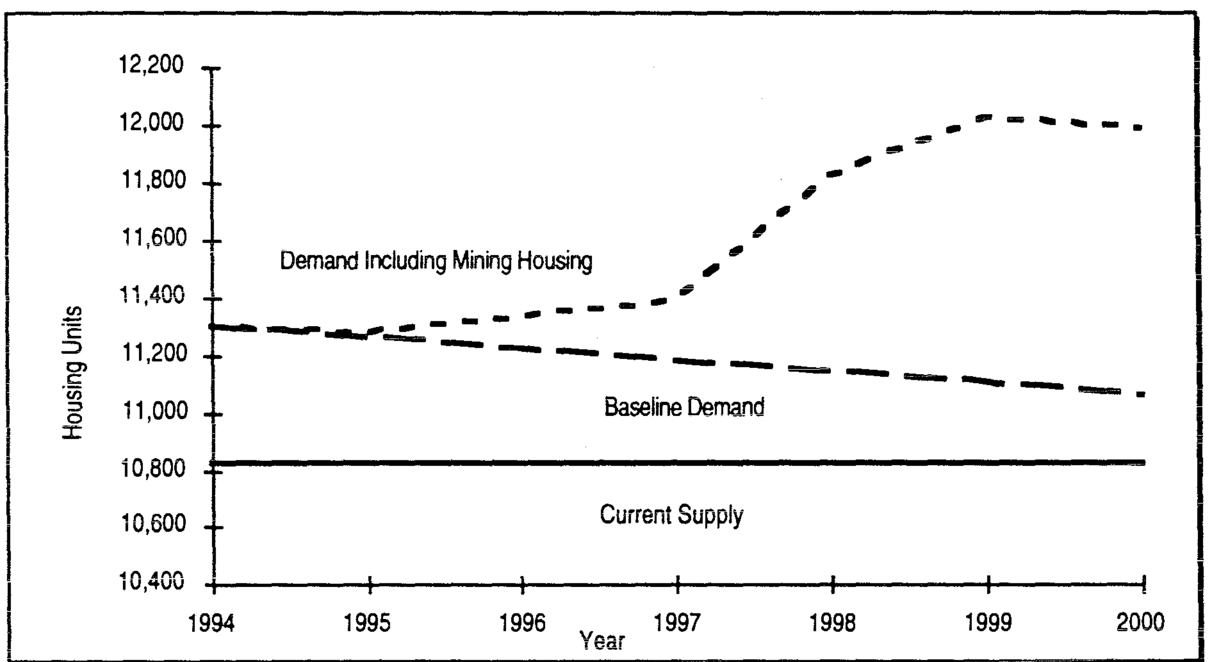
- Construction projects either in progress or planned will satisfy some of the pent-up demand for housing in Juneau. A total of 158 multi-family units are expected to be developed over the next two years, including the 67 unit Senior Citizen Support Services, Inc. project and the 45 unit Alaska Housing Finance Corporation project. A number of other projects could add a total of 46 new multi-family housing units.

- In-progress or planned construction of other types of housing will provide an additional 146 units over the next two years, including the addition of 30 mobile home rental spaces. In total, 304 housing units are currently under construction or planned.

Juneau's Current Supply vs. Projected Baseline (non-Mining Related) Housing Demand, 1994-2000



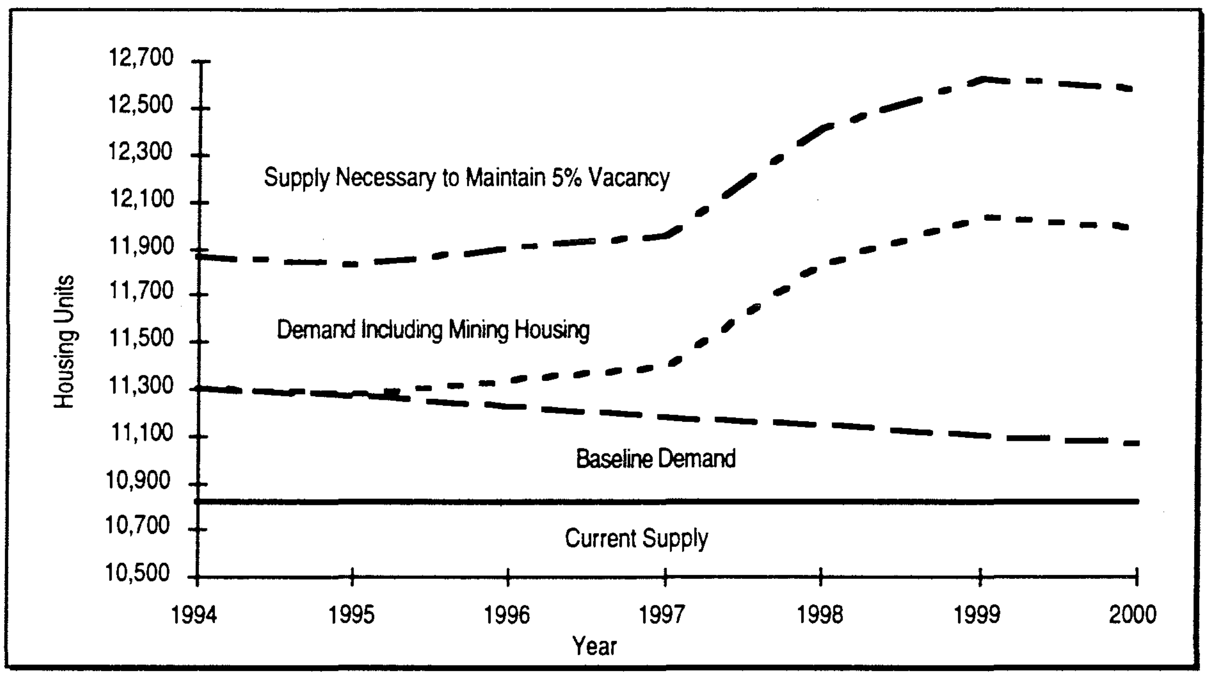
Juneau's Current Supply vs. Projected Mining Demand 1994-2000



Net Demand for New Housing Units Including Mining-Related Demand 1994-2000

Housing Type	Pent-up Demand	1994	1995	1996	1997	1998	1999	2000	Total
		<——Additional Demand due to Population Growth——>							
Single Family	60	65	0	0	0	140	0	0	265
Duplex	0	25	0	0	0	0	0	0	25
Zero Lot Line	10	10	0	<5	0	50	25	0	100
Condominium	60	15	0	<5	0	50	25	0	150
Multi- Family	180	40	5	50	65	185	90	0	615
Mobile Home	0	15	0	10	5	20	10	0	60
Total	**310**	**170**	**5**	**65**	**70**	**445**	**150**	**0**	**1,215**

Juneau's Housing Supply and Demand
Including Mining Housing and Maintenance of 5% Vacancy
1994-2000



New Housing Units Needed
To Maintain 5% Vacancy Rate
(excluding conversions/fire losses)
1994-2000

Housing Type	Housing Deficit[1]	<---Additional Demand due to Population Growth---> 1994	1995	1996	1997	1998	1999	2000	Total
Single Family	270	65	0	0	0	145	0	0	480
Duplex	75	25	0	0	0	0	0	0	100
Zero Lot Line	45	10	0	<5	0	55	25	0	140
Condominium	110	15	0	<5	0	55	25	0	205
Multi- Family	315	40	5	55	70	190	95	0	770
Mobile Home	60	20	0	10	5	20	10	0	125
Total	**875**	**175**	**5**	**70**	**75**	**465**	**155**	**0**	**1,820**

[1] Housing deficit includes pent-up demand and the number of units needed to attain a 5% vacancy rate.

Net Demand for Multi-Family Housing
1994-2000

	Housing Deficit[1]	1994	1995	1996	1997	1998	1999	2000	Total
Gross Demand (Units)	315	40	5	55	70	190	95	0	770
Plus: Replacement of Losses	-	20	20	20	20	20	20	20	140
Less: Projects in Progress	-	(31)	(127)	-	-	-	-	-	(158)
Total Net Demand	315	29	(102)	75	90	210	115	20	752

[1] Housing deficit includes pent-up demand and the number of units needed to attain a 5% vacancy rate.

I. Juneau's Current Housing Inventory

In this section, Juneau's housing baseline is defined by housing type and service area. As required by the study contract, housing types identified include single family homes, duplex, zero lot line, condominium, multi-family, mobile homes and boats.

Initial baseline information was compiled from the City and Borough of Juneau's *Population Estimate 1993,* produced by the Community Development Department as part of their effort to measure Juneau's population. However, the City's study combined single family, zero lot lines and condos under the single family category. More detailed housing inventory data was provided by the CBJ Community Development office.

The following table presents Juneau's October 1993 housing inventory by housing type and service area. The total number of dwelling units in Juneau in 1993 was 10,821, with over 4,000 in the single family unit category and approximately 2,300 in the multi-family category.

Current Juneau Housing Supply

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi-Family (3 or More Units)	Mobile Home	Boats (Live Aboards)	TOTALS
1	675	380	21	367	927	6	98	2,474
2	197	170	2	181	282	1	6	839
3	44	16	0	0	0	7	0	67
4	568	168	84	114	139	28	34	1,135
5	2,027	532	460	189	859	1,063	6	5,180
6	224	100	84	0	28	57	0	493
7	135	60	90	18	40	2	0	345
8	230	42	0	2	6	8	0	288
Totals	**4,144**	**1,468**	**741**	**871**	**2,281**	**1,172**	**144**	**10,821**

Juneau's service areas are listed below:

Service Area 1	Juneau	Service Area 5	Glacier Valley
Service Area 2	Douglas	Service Area 6	North Douglas
Service Area 3	Rural Roaded	Service Area 7	Salmon Creek
Service Area 4	Auke Bay	Service Area 8	Lynn Canal

II. Juneau's Pent-up Demand for Housing

Local Pent-up Demand

There is pent-up demand in a housing market if residents are constrained from buying or renting by unusual market conditions. One indication that such constraints may exist is the vacancy rate. If vacancy rates are significantly below 5%, pent-up demand likely exists. Pent-up demand can also reveal itself in high average household size (more persons per household). For example, in housing markets with very low vacancy rates, people are often forced to share housing with non-family members, grown children are forced to live with parents, and more households include extended family members.

Recent vacancy rates published by the CBJ indicate an overall vacancy rate of 0.87%. This very low rate strongly suggests that there is pent-up demand for housing in Juneau. To measure pent-up demand in Juneau, a survey of 367 randomly selected Juneau households was conducted. The survey was performed during March 1994. The margin of error for the survey is a maximum of 5%, at the 95% confidence level.

Detailed survey results are presented in the appendix to this report. While analysis of the survey data is a somewhat subjective exercise, in general, the survey clearly identified a high level of pent-up demand for housing among Juneau residents.

In total, about 15% of the households surveyed indicated that there was someone in the household (roommate, grown son or daughter, or other relative) that would move out if additional "affordable" housing were available (suggesting a pent-up demand for 1,600 units). Of course, some of this demand is simply a function of price, rather than realistic availability. Households with pent-up demand were queried about the price, location and type of housing being sought. Some of the responses were clearly unrealistic; $500 for a three bedroom rental, for example, or $40,000 for a three bedroom home. These households were removed from the estimate of pent-up demand.

After making the adjustment for unrealistic demand, firm pent-up demand for rentals totaled 5% of all households (approximately 530 units). Firm pent-up demand for housing to purchase totaled 3% of all households (approximately 320 units).

Pent-up demand levels were refined to reflect actual behavior among locals considering changing their housing situation. Even if another 850 units were available to rent or purchase, much of the reported pent-up demand would not be satisfied because of the location of the new available housing, the size of the new units or other factors. For purposes of this analysis, it was assumed that with the addition of 850 new units, only about one in three of the households with pent-up demand would actually expand into new housing.

Pent-up Demand For Housing in Juneau

	Percent of Juneau Households	Pent-up Demand Number of Units
Pent-up Rental Demand	1.65 %	180
Pent-up Purchase Demand	1.0 %	130
Total	2.6 %	310

Source: McDowell Group estimates based on the Juneau Household Survey 1994.

The pent-up demand was assigned across the city's eight service areas by housing type. Housing units were distributed according to the *Juneau Unified Transportation Plan* model updates provided by the Community Development office. A total of 180 units were spread across service areas in the multi-family unit category. The 130 units demanded by potential buyers was distributed among single family dwelling units, zero lot lines or condominiums.

The following table presents total current demand for housing in Juneau, by service area and housing type, including pent-up demand.

Current Housing Inventory and Pent-up Demand Combined

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family (3 or more units)	Mobile Home	Boats	TOTALS
1	685	380	21	372	957	6	98	2,519
2	202	170	2	186	292	1	6	859
3	44	16	21	21	21	7	0	130
4	578	168	84	114	149	28	34	1,155
5	2,091	532	465	219	929	1,063	6	5,305
6	234	100	84	10	53	57	0	538
7	140	60	30	23	70	2	0	325
8	230	42	0	7	11	8	0	298
Totals	**4,204**	**1,468**	**707**	**952**	**2,482**	**1,172**	**144**	**11,129**

There is a very high degree of uncertainty concerning the level of local pent-up demand for housing in Juneau. In light of survey results, the pent-up demand estimates presented in this analysis should be viewed as conservative estimates. Actual pent-up demand could be significantly higher.

Non-Resident Pent-up Demand

Though not quantified in this study, survey results suggest that pent-up demand for housing in Juneau also exists among non-residents. Nearly a quarter (23%) of Juneau households know of someone that would like to move to Juneau if more affordable housing were available.

The non-resident group considering moving to Juneau consists largely of retired family and friends (65%). One-quarter would be looking for work and students account for most of the remainder.

Because this source of pent-up demand is much less certain than local pent-up demand, it has not been incorporated into this demand analysis. Clearly there is pent-up demand among non-residents but there is insufficient data to draw any quantitative conclusions. In any case, further research may be warranted as this non-resident pent-up demand may represent an important economic development opportunity for Juneau.

III. Current Demand by Unit Size (Number of Bedrooms)

The following table presents the current mix of Juneau housing inventory in terms of number of bedrooms by housing type. This data is based on household survey results.

Juneau's Housing Inventory by Housing Type and Number of Bedrooms

	One Bedroom*	Two Bedrooms	Three Bedrooms	Four+ Bedrooms
Single Family	175	740	2,020	1,190
Duplex	60	535	800	120
Zero-Lot Line	35	225	410	75
Condominium	220	480	175	–
Multi-family	1,015	990	250	45
Mobile Home	45	455	630	–
Total	**1,550**	**3,425**	**4,285**	**1,430**

*Includes efficiency units.
Source: McDowell Group estimates based on the Juneau Household Survey 1994.

With respect to pent-up and future demand, it is useful to consider demand in terms of unit size. In the *Juneau Household Survey*, renters were asked if their current housing was large enough to meet their needs. One-third of all renters indicated their current rental housing did not have an adequate number of bedrooms. Most of these respondents desired either two (36%) or three-bedroom (30%) units. Four-bedroom units were desired by 18% of the renters with inadequate housing.

The key question, for future development of multi-family housing, is what should the mix be in terms of number of bedrooms? Ignoring the issue of affordability, survey results suggest that compared to the current mix, future multi-family construction ought to be weighted more toward two and three-bedroom units rather than one-bedroom units.

Currently, Juneau's multi-family housing stock includes about 44% one-bedroom, 43% two-bedroom, and 11% three-bedroom units. According to survey results, a mix of approximately 30% one-bedroom, 45% two-bedroom and 25% three-bedroom units would more closely match the current demand. Therefore, future multi-family development should be weighted more toward the two and three-bedroom units.

IV. Future Housing Demand in Juneau

In the future, demand for housing will be directly related to changes in Juneau's population. As a part of this study's requirements, population forecasts were taken from the studies *Final Socioeconomic Impact Assessment, Alaska Juneau Gold Mine, February 1993* (FEIS AJ) and the *Final Socioeconomic Impact Assessment, Kensington Gold Project, June 1992* (FEIS Kensington), prepared by Reed Hansen & Associates.

Since the writing of the two FEIS documents, projected start-up dates for construction and operation have changed due to permitting and other delays. Anticipated start-up dates designated by the Community Development Department for purposes of this study are 1995 for AJ construction and 1997 for Kensington construction. Both mines are assumed to be in operation two years after commencement of construction.

The forecast shows baseline (non-mining) population growth of about 1.5% in 1994, then a slow decline thereafter. The following table provides baseline and mining-related population trends through the year 2000.

Juneau's Population Forecast
Including AJ and Kensington Mine-Related Population
1993-2000

Year	CBJ Baseline Population	Mining Population	Total Population
1993	28,791		28,791
1994	29,236	0	29,236
1995	29,689	211	29,900
1996	29,588	696	30,284
1997	29,483	713	30,196
1998	29,374	2,059	31,433
1999	29,266	2,412	31,678
2000	29,157	2,533	31,690

[1] Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Kensington Gold Project*, City and Borough of Juneau, June 1992 and Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Alaska-Juneau Gold Mine*, City and Borough of Juneau, February 1993.

The 1994 increase of 1.54% indicates demand for an additional 172 dwelling units. After 1995, baseline housing demand is expected to begin declining at a rate of about 0.3% annually through the year 2000. However, by 1995, construction of the AJ is assumed to have begun so overall there is a slight net increase in housing demand. Between 1995 and 1999, mining-related development generates substantial demand for housing. The following table provides detailed data on the mining-related demand.

Mining Housing Demand by Housing Type
Alaska Juneau and Kensington Mines[1]
1994-2000

Year	Single Family Unit	Other Owned Units[2]	Multi-Family Unit	Mobile Home	Total
1994	0	0	0	0	0
1995	0	0	15	0	15
1996	15	10	60	15	100
1997	5	<5	75	10	95
1998	150	110	190	25	475
1999	80	55	100	10	245
2000	0	0	0	0	0
Totals	**250**	**180**	**440**	**60**	**930**

[1] Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Kensington Gold Project*, City and Borough of Juneau, June 1992 and Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Alaska-Juneau Gold Mine*, City and Borough of Juneau, February 1993.
[2] Includes condominiums, duplexes and zero lot line structures.

These additional units were distributed each year across service areas and housing types. Allocation was based on the *Juneau Unified Transportation Plan* model. Distribution of mining-related housing is provided in the appendix to this report. Including existing pent-up demand, total demand for housing peaks in 1999 at 12,033 units, approximately 1,200 more than are now in Juneau's housing inventory.

Juneau Housing Demand Forecast
1993-2000

Year	Housing Supply	Net Increase in Demand*	Total Demand
1993	10,821	310	11,129
1994		481	11,300
1995		458	11,277
1996		517	11,336
1997		569	11,388
1998		1,008	11,827
1999		1,214	12,033
2000		1,171	11,990

*1993 figure is pent-up demand.

The following table provides the estimated mix of this demand in terms of housing type and service area.

Housing Demand
1999
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	716	379	31	381	1,025	6	98	2,636
2	213	170	8	192	316	1	6	906
3	44	16	21	21	21	7	0	130
4	624	168	90	120	188	42	34	1,266
5	2,179	531	510	265	1,102	1,095	6	5,687
6	272	100	95	24	109	57	0	656
7	168	60	38	30	145	14	0	455
8	229	42	0	7	11	8	0	297
Totals	**4,446**	**1,464**	**792**	**1,039**	**2,918**	**1,230**	**144**	**12,033**

V. Juneau's Vacancy Rate

By any standard Juneau's current vacancy rate of less than one percent is an unusual market condition. A 1% vacancy suggests that the supply of housing is in some way constrained and that housing costs are higher than an unconstrained market would offer. In order for Juneau to achieve a less constricted housing market, the inventory of available housing would need to increase. To determine what a "healthy" vacancy rate is, a series of interviews were conducted with housing and real estate professionals in Juneau, with the Alaska Housing Finance Corporation and the Anchorage office of Housing and Urban Development. The general consensus was that a healthy vacancy rate is around 5%.

If Juneau is to achieve a 5% vacancy the supply of housing must expand by about 500 units, ignoring pent-up demand and future population growth. Including pent-up demand, future population growth and new units needed to reach a 5% vacancy rate, Juneau requires in 1994 an estimated total of 11,900 housing units and by the year 2000, 12,600 units.

Housing Demand Forecast
and Number of New Units to Reach 5% Vacancy
1993-2000

Year	Housing Supply	Demand Adjusted for Population Growth	Supply Necessary for 5% Vacancy
1993	10,821		
1994		11,300	11,858
1995		11,277	11,826
1996		11,336	11,896
1997		11,388	11,950
1998		11,827	12,411
1999		12,033	12,628
2000		11,990	12,582

VI. Multi-Family Housing Losses

Since 1988, Juneau has lost an average of about 0.75% of its multi-family housing stock annually to fire, demolition or conversion. The rate of loss has been inconsistent, ranging from zero losses in 1989 and 1992, to 56 units lost in 1990 (including 31 units from demolition of the Channel Apartments).

For purposes of forecasting demand for new multi-family housing units in Juneau, it is assumed that the rate of loss for the 1988 to 1993 period will continue through 2000. At an annual loss rate of 0.75%, Juneau would need approximately 20 new units annually over the forecast period to compensate for fire loss, demolition and conversion.

Annual Average Loss Ratios
Loss Due to Fire, Demolition or Conversion
1988 to 1993

Year of Loss	Units Lost	Existing Multi-Family Units	Annual Loss Ratio (%)
1988	25	2,217	1.12
1989	0	2,209	0
1990	56	2,237	2.50
1991	7	2,225	0.31
1992	0	2,215	0
1993	12	2,281	0.53
Total	100		
Average	17	2,231	0.75

VII. Seasonal Demands on Juneau's Housing Inventory

Vacancy rates in Juneau are affected by seasonal population fluctuations. These include the beginning of the legislative session, tourism in the spring and summer and an influx of students attending the University of Alaska Southeast in the fall. It is not certain to what extent each of these groups impacts Juneau's housing situation.

Legislative Session

The session commencing in January brings legislators, aides, lobbyists and occasionally their families for the 120-day session. Though some session employees are Juneau residents, many are not, creating a strain on Juneau's housing market at the beginning of each year.

Neither Legislative Affairs or the CBJ keep track of the numbers migrating to Juneau for session work. Some general calculations based on the legislative population and employment figures for Legislative Affairs Agency provide estimates of session seasonal in-migration.

The legislature-related influx includes 57 legislators and their staffs (average around 3 per legislator). Lobbyists requiring long-term housing could potentially add another 25 or 30 to the total influx to Juneau for the session.

The Legislative Affairs Agency employs 194 workers. About one-third of the agency's staff are year-round locals, and about 130 are from other areas of the state.

Legislative Session In-migration	
Legislators	57
Aids/Staff Members	170
Lobbyists	25
Legislative Affairs Staff	130
Total	382

This seasonal population influx would require about 350 units, assuming that some would choose to share housing. Each year, this population finds housing but clearly there is pent-up demand within this group for additional, more conveniently-located, or higher quality housing. However, without further research, it is impossible to estimate this pent-up demand.

Tourism-Related Population

Summer-time tourism industry activity creates significant seasonal housing demand in Juneau. The arrival of non-residents seeking summer employment follows closely the end of the legislative session, resulting in little housing vacancy change between spring and summer.

Though there are no hard numbers available concerning the influx of tourism-related population, interviews with the major tour operators in Juneau revealed some need for housing summer employees. Local tour operators such as Princess, Grayline and Alaska Travel Adventures provide assistance in locating housing to their non-resident employees. For example, they attempt to utilize the same landlords each year. One operator actually purchased a home to house its employees, leasing it during the winter months to other renters. For the most part, operators listen for word-of-mouth referrals and use the newspaper classifieds to locate housing for their non-resident employees

There is no data available concerning the number of people who come to Juneau during the summer to work in the tourism trade. Employment in the tourist-affected retail, service and transportation businesses increases by about 200 jobs between April and June. However, many of these jobs are filled by locals.

Student Population

Every summer the University of Alaska Southeast begins its annual task of finding suitable housing for students. For on-campus housing, students are required to fill out paperwork requesting housing and place a deposit of $100 which pays a portion of their annual housing fees. When student housing is no longer available, students are wait-listed and later notified if a unit becomes available.

There are two groups of students seeking housing: single students and students with families. All of the single students usually are housed. In many cases when the University does not contact the student before the beginning of the term, he/she gives up and opts not to attend the University or resorts to finding housing independently. The wait list for students with families never clears.

The University has been planning on building additional student housing. But, the 1994 legislature adjourned without authorizing appropriations or bonding authority for additional housing.

Juneau's housing market is also affected by returning Juneau residents who have been out of town attending school. Again, there is no data available that quantifies this demand.

Summary of Seasonal Demand

Juneau's vacancy rate is probably at its lowest during the legislative session. Summer housing demand may be somewhat less than the legislature-related demand. Juneau's vacancy rate is probably at its highest during the fall and early winter. Even during these months, however, there is apparently un-met seasonal demand from university students. The City's vacancy estimates are based on surveys done in the fall. Thus, year-round vacancy rates can be assumed to be even lower than the City's estimates. In general, while there are a number of unique seasonal components to Juneau's housing market, the net year-round effect is a very low vacancy rate.

Appendices

Projected Housing Demand based on Population Projections 1994-2000

Current Housing Inventory and Pent-Up Demand Combined

Service Area	Single Family (Includes Cabins)	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	685	380	21	372	957	6	98	2,519
2	202	170	2	186	292	1	6	859
3	44	16	21	21	21	7	0	130
4	578	168	84	114	149	28	34	1,155
5	2,091	532	465	219	929	1,063	6	5,305
6	234	100	84	10	53	57	0	538
7	140	60	30	23	70	2	0	325
8	230	42	0	7	11	8	0	298
Totals	**4,204**	**1,468**	**707**	**952**	**2,482**	**1,172**	**144**	**11,129**

Housing Demand 1994 Including 1.54% Increase

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	696	386	21	378	972	6	100	2,558
2	205	173	2	189	296	1	6	872
3	45	16	21	21	21	7	0	132
4	587	171	85	116	151	28	35	1,173
5	2,123	540	472	222	943	1,079	6	5,387
6	238	102	85	10	54	58	0	546
7	142	61	30	23	71	2	0	330
8	234	43	0	7	11	8	0	303
Totals	**4,269**	**1,491**	**718**	**967**	**2,520**	**1,190**	**146**	**11,300**

Housing Demand
1995
Including .34% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	693	385	21	376	968	6	99	2,549
2	204	172	2	188	295	1	6	869
3	45	16	21	21	21	7	0	132
4	585	170	85	115	151	28	34	1,169
5	2,116	538	471	222	940	1,076	6	5,368
6	237	101	85	10	54	58	0	544
7	142	61	30	23	71	2	0	329
8	233	43	0	7	11	8	0	302
Totals	4,254	1,486	715	963	2,512	1,186	146	11,262

Housing Demand
1996
Including .35% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	691	383	21	375	965	6	99	2,540
2	204	171	2	188	294	1	6	866
3	44	16	21	21	21	7	0	131
4	583	169	85	115	150	28	34	1,165
5	2,109	536	469	221	937	1,072	6	5,350
6	236	101	85	10	53	57	0	543
7	141	61	30	23	71	2	0	328
8	232	42	0	7	11	8	0	301
Totals	4,239	1,480	713	960	2,503	1,182	145	11,223

Housing Demand
1997
Including .36% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	688	382	21	374	962	6	98	2,531
2	203	171	2	187	293	1	6	863
3	44	16	21	21	21	7	0	131
4	581	169	84	115	150	28	34	1,161
5	2,101	535	467	220	933	1,068	6	5,330
6	235	100	84	10	53	57	0	541
7	141	60	30	23	70	2	0	327
8	231	42	0	7	11	8	0	299
Totals	4,224	1,475	710	957	2,494	1,178	145	11,182

Housing Demand
1998
Including .36% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	686	380	21	372	958	6	98	2,522
2	202	170	2	186	292	1	6	860
3	44	16	21	21	21	7	0	130
4	579	168	84	114	149	28	34	1,156
5	2,093	533	466	219	930	1,064	6	5,311
6	234	100	84	10	53	57	0	539
7	140	60	30	23	70	2	0	325
8	230	42	0	7	11	8	0	298
Totals	4,209	1,470	708	953	2,485	1,173	144	11,142

Housing Demand
1999
Including .36% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	683	379	21	371	955	6	98	2,513
2	202	170	2	186	291	1	6	857
3	44	16	21	21	21	7	0	130
4	577	168	84	114	149	28	34	1,152
5	2,086	531	464	218	927	1,060	6	5,292
6	233	100	84	10	53	57	0	537
7	140	60	30	23	70	2	0	324
8	229	42	0	7	11	8	0	297
Totals	4,194	1,464	705	950	2,476	1,169	144	11,102

Housing Demand
2000
Including .36% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	681	378	21	370	951	6	97	2,504
2	201	169	2	185	290	1	6	854
3	44	16	21	21	21	7	0	129
4	575	167	83	113	148	28	34	1,148
5	2,078	529	462	218	923	1,057	6	5,273
6	233	99	83	10	53	57	0	535
7	139	60	30	23	70	2	0	323
8	229	42	0	7	11	8	0	296
Totals	4,179	1,459	703	946	2,467	1,165	143	11,062

Projected Housing Demand Including Additional Mining Housing 1994-2000

Housing Demand
1994
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	696	386	21	378	972	6	100	2,558
2	205	173	2	189	296	1	6	872
3	45	16	21	21	21	7	0	132
4	587	171	85	116	151	28	35	1,173
5	2,123	540	472	222	943	1,079	6	5,387
6	238	102	85	10	54	58	0	546
7	142	61	30	23	71	2	0	330
8	234	43	0	7	11	8	0	303
Totals	4,269	1,491	718	967	2,520	1,190	146	11,300

Housing Demand
1995
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	693	385	21	376	970	6	99	2,551
2	204	172	2	188	296	1	6	870
3	45	16	21	21	21	7	0	132
4	585	170	85	115	154	28	34	1,172
5	2,116	538	471	222	945	1,076	6	5,373
6	237	101	85	10	56	58	0	546
7	142	61	30	23	73	2	0	331
8	233	43	0	7	11	8	0	302
Totals	4,254	1,486	715	963	2,527	1,186	146	11,277

Housing Demand
1996
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	693	383	22	375	977	6	99	2,555
2	205	171	2	189	298	1	6	872
3	44	16	21	21	21	7	0	131
4	586	169	86	115	158	31	34	1,180
5	2,114	536	471	224	966	1,080	6	5,397
6	238	101	85	11	63	57	0	556
7	143	61	31	23	83	5	0	346
8	232	42	0	7	11	8	0	301
Totals	4,254	1,480	718	965	2,578	1,196	145	11,336

Housing Demand
1997
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	691	382	22	374	986	6	98	2,559
2	204	171	2	188	301	1	6	873
3	44	16	21	21	21	7	0	131
4	585	169	85	115	164	33	34	1,184
5	2,108	535	470	224	992	1,082	6	5,417
6	238	100	84	12	72	57	0	565
7	143	60	31	23	95	7	0	359
8	231	42	0	7	11	8	0	299
Totals	**4,244**	**1,475**	**716**	**964**	**2,643**	**1,202**	**145**	**11,388**

Housing Demand
1998
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	709	380	28	379	1,013	6	98	2,614
2	210	170	6	190	311	1	6	895
3	44	16	21	21	21	7	0	130
4	612	168	88	118	180	39	34	1,239
5	2,157	533	498	251	1,066	1,092	6	5,603
6	261	100	91	20	96	57	0	625
7	159	60	36	28	128	11	0	422
8	230	42	0	7	11	8	0	298
Totals	**4,383**	**1,470**	**768**	**1,015**	**2,826**	**1,221**	**144**	**11,827**

Housing Demand
1999
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	716	379	31	381	1,025	6	98	2,636
2	213	170	8	192	316	1	6	906
3	44	16	21	21	21	7	0	130
4	624	168	90	120	188	42	34	1,266
5	2,179	531	510	265	1,102	1,095	6	5,687
6	272	100	95	24	109	57	0	656
7	168	60	38	30	145	14	0	455
8	229	42	0	7	11	8	0	297
Totals	**4,446**	**1,464**	**792**	**1,039**	**2,918**	**1,230**	**144**	**12,033**

Housing Demand
2000
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	714	378	31	380	1,022	6	97	2,627
2	213	169	8	191	315	1	6	902
3	44	16	21	21	21	7	0	129
4	622	167	89	119	188	42	34	1,261
5	2,171	529	508	264	1,098	1,091	6	5,667
6	271	99	94	24	108	57	0	654
7	167	60	38	30	145	14	0	453
8	229	42	0	7	11	8	0	296
Totals	4,430	1,459	789	1,036	2,907	1,225	143	11,990

Projected Housing Demand Including Supply Necessary to Maintain 5% Vacancy Rate, 1994-2000

Housing Demand
1994
Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	723	406	21	383	992	6	100	2,631
2	215	178	5	192	304	1	6	901
3	45	16	21	21	21	7	0	132
4	619	171	92	116	158	43	35	1,234
5	2,202	578	484	249	993	1,114	6	5,626
6	271	107	90	17	70	58	0	614
7	166	66	40	26	93	13	0	405
8	241	43	0	10	15	8	0	317
Totals	4,482	1,566	754	1,015	2,646	1,250	146	11,858

Housing Demand
1995
Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	720	405	21	381	991	6	99	2,624
2	214	177	5	191	304	1	6	898
3	45	16	21	21	21	7	0	132
4	617	171	91	115	161	42	34	1,232
5	2,195	576	482	248	995	1,109	6	5,612
6	270	106	90	17	72	58	0	614
7	166	66	40	26	95	13	0	406
8	233	43	0	10	15	8	0	308
Totals	4,460	1,560	751	1,011	2,653	1,245	146	11,826

Housing Demand
1996
Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	720	404	22	380	998	6	99	2,628
2	214	177	5	192	306	1	6	901
3	44	16	21	21	21	7	0	131
4	618	170	92	115	166	46	34	1,241
5	2,193	574	482	251	1,017	1,114	6	5,637
6	272	106	90	18	80	57	0	623
7	167	66	41	26	105	16	0	421
8	239	42	0	10	15	8	0	315
Totals	4,467	1,554	754	1,013	2,707	1,256	145	11,896

Housing Demand
1997
Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	718	402	22	379	1,007	6	98	2,632
2	214	176	5	191	309	1	6	902
3	44	16	21	21	21	7	0	131
4	617	169	92	115	171	47	34	1,245
5	2,187	572	482	251	1,045	1,116	6	5,658
6	272	106	90	19	89	57	0	632
7	167	65	41	26	118	18	0	436
8	238	42	0	10	15	8	0	313
Totals	4,456	1,549	752	1,012	2,774	1,262	145	11,950

Housing Demand
1998
Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	737	401	28	385	1,036	6	98	2,690
2	220	175	9	193	319	1	6	925
3	44	16	21	21	21	7	0	130
4	645	169	95	118	188	54	34	1,302
5	2,239	570	510	280	1,122	1,127	6	5,853
6	296	105	97	28	114	57	0	696
7	184	65	46	31	152	23	0	501
8	238	42	0	10	15	8	0	313
Totals	4,602	1,544	806	1,066	2,967	1,282	144	12,411

Housing Demand 1999

Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	744	399	31	386	1,049	6	98	2,713
2	223	175	12	195	324	1	6	936
3	44	16	21	21	21	7	0	130
4	658	168	97	120	197	57	34	1,330
5	2,261	568	522	294	1,160	1,131	6	5,942
6	307	105	101	32	127	57	0	728
7	193	65	49	33	171	26	0	536
8	237	42	0	10	15	8	0	312
Totals	**4,668**	**1,537**	**832**	**1,091**	**3,064**	**1,292**	**144**	**12,628**

Housing Demand 2000

Attaining 5% Vacancy

Svc Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	742	398	31	385	1,045	6	97	2,704
2	223	174	11	194	323	1	6	933
3	44	16	21	21	21	7	0	129
4	656	167	96	119	196	56	34	1,325
5	2,253	566	520	293	1,156	1,126	6	5,920
6	306	105	100	32	126	57	0	726
7	192	65	48	33	170	26	0	534
8	236	42	0	10	15	8	0	311
Totals	**4,652**	**1,532**	**828**	**1,088**	**3,052**	**1,286**	**143**	**12,582**

Juneau Household Survey Topline Results

1. How many persons, including yourself, live in your household on a permanent year round basis?

Mean 2.9 People

14%	One	19%	Four	–%	Don't Know/Not Sure
36	Two	8	Five	1	Refused
17	Three	5	Six or more		

2. Which age category are you in?

Mean 43.5 Years of age

7%	Under 25	10%	55–64 Years
22	25–34 Years	10	65 years and over
29	35–44 Years	–	Don't Know/Not Sure
21	45–54 Years	1	Refusal

3. Are there persons who live with you who travel for extended periods, attend school, or work outside of Juneau? (How many?)

Mean 0.2 People

9%	One	–%	Four	1%	Refused
2	Two	86	None		
1	Three	–	Don't Know/Not Sure		

4. What type of home do you live in here in Juneau?

50%	Single Family House	8%	Mobile Home/Trailer in Park
5	Condominium	1	Mobile Home/Trailer on Private Lot
1	Townhouse	1	Boat or House boat
5	Zero Lot Line	2	Other
8	Duplex	–	Not Sure/Don't Know
19	Apartment/multi family	1	Refused

5. Which area of the borough do you live in?

37%	Mendenhall Valley	3%	Salmon Creek
7	Back Loop/Auke Bay	4	No. Douglas
3	14 Mile or beyond	9	Douglas
2	Airport Area	5	West Juneau
10	Lemon Creek	16	Juneau
3	Switzer	1	Thane
1	Not Sure/No Answer		

6. **How many years have you lived in your current home?**

Mean	6.9 Years				
24%	1-2 years	10%	11-15 years	19%	Less than one year
18	3-5 years	5	16-20 years	1	Don't Know/Not Sure
17	6-10 years	7	Over 20 years		

7. **Could you please tell me the number of bedrooms your home has?**

Mean	2.6 Rooms				
14%	One	13%	Four	–%	Don't Know/Not Sure
27	Two	2	Five	2	Refused
40	Three	1	Six or More		

8. **Are you satisfied with the quality and condition of you current housing?**

73%	Yes	1%	Refused
26	No		

9. **Why are you not satisfied with your current housing?**

36%	Small	1%	Location inconvenient for busses
22	Expensive	1	Too many people in household
3	No Pets	5	No Garage/No Parking
38	House in disrepair/rundown	2	Have No House
3	Don't Like Trailers	18	Other
3	Loud and Noisy Here	8	Refused

10. **Do you own or rent your home in Juneau?**

62%	Own	2%	Refused
36	Rent		

Renters Only (Questions 11 through 16)

11. **Is your current housing adequate in terms of number of bedrooms?**

75%	Yes
25	No

12. **How many bedrooms do you need?**

Mean	2.9 Rooms		
3%	One	18%	Four
36	Two	9	Five
30	Three	3	Refused

13. **Would you prefer to rent somewhere else in town?**

30%	Yes	2%	Don't Know/Not Sure
68	No		

14. (If answered yes to question 13) Where in Juneau would you prefer to live?

38%	Mendenhall Valley	–%	Salmon Creek
3	Back Loop/Auke Bay	5	No. Douglas
8	14 Mile or beyond	10	Douglas
3	Airport Area	3	West Juneau
3	Lemon Creek	21	Juneau
–	Switzer	3	Thane
5	Not Sure/No Answer		

15. What style of rental housing do you prefer?

12%	Duplex	2%	Hall Entry	55%	Single Family Housing
8	Townhouse	8	Apartment in House	14	Don't Know/Not Sure
2	Separate Outside Entry	3	Four-plex/more units	2	Refused

16. Are you or others in your household in the process of buying or building a home in Juneau?

5%	Buying	–%	Don't Know/Not Sure
4	Building	1	Refused
89	No		

17. Is there anyone in your household who would move out if more affordable housing were available? Who in the household would move?

68%	Nobody would move	3%	Grown child	1%	Refused
26	Self	10	Other household member		
2	Roommate	1	Don't Know/Not Sure		

18. Can you describe what type of housing, cost and location they are looking for?

28%	Buy	10%	Don't Know/Not Sure
56	Rent	10	Refused

Specific responses to this questions follow of topline survey results.

19. Do you have non-resident friends or family who would move to Juneau if more affordable housing were available?

23%	Yes	3%	Don't Know/Not Sure
73	No	1	Refused

20. Can you describe what type of housing, cost and location they are looking for?

34%	Buy	31%	Don't Know/Not Sure
41	Rent	1	Refused

Specific responses to this questions follow of topline survey results.

21. How would you describe the friends/family awaiting affordable housing?, a student?, retired person living outside Juneau?

65%	Retired Relative/Friend	6%	Cannot Find Affordable Housing
5	Student	4	Don't Know/Not Sure
25	Looking for work in Juneau	6	Refused

22. Could you please stop me when I come to the category best describing your total monthly household rental or mortgage payment . . . . .

Mean $755

6%	Under $300	8%	$700 - $800	3%	$1,401 - $1,600
6	$300 - $400	8	$801 - $900	4	Over $1,600
5	$401 - $500	11	$901 - $1,00	8	None
9	$501 - $600	9	$1,001 - $1,200	1	Don't Know/Not Sure
9	$601 - $700	10	$1,201 - $1,400	4	Refused

23. What is your average total monthly expense for heat (electric or oil), electricity, water and sewer?

Mean $229

14%	Under $100	5%	$351 - $400	1%	$651 - $700
12	$101 - $150	–	$401 - $450	–	$751 - $800
19	$151 - $200	3	$451 - $500	1	Over $901
4	$201 - $250	–	$501 - $550	7	Don't Know/Not Sure
14	$251 - $300	1	$551 - $600	9	Refused
9	$301 - $350	–	$601 - $650		

24. For my last question, could you please stop me when I come to the category which best describes your total combined annual household income (for all household members) for 1993 before taxes.

Mean $52.4

5%	Under $10,000	6%	$35,000 - $40,000	6%	$60,000 – $70,000
5	$10,000 – $15,000	2	$40,000 - $45,000	9	$70,000 – $80,000
3	$15,000 - $20,000	9	$45,000 - $50,000	16	$80,000 or over
4	$20,000 - $25,000	5	$50,000 - $55,000	4	Don't Know/Not Sure
6	$25,000 – $30,000	5	$55,000 – $60,000	10	Refused
6	$30,000 - $35,000				

25. Gender::

44%	Male	56%	Female

Responses to Survey Questions 18 and 20

18. Can you describe what type of housing, cost and location they are looking for?

Buy	Rent	# of Bedrooms	Location
Buy/Rent			
125,000	1,000	2	Lena Loop
130,000	900	3	Valley
want to buy no $$	800-1,200	2-3	Don't know
<100,000	600-700	2	anywhere
Buy			
100,000	0	3	Juneau
want to build	0	2	Downtown
80-90,000	0	3	downtown
125-150,000	0	5	14 Mile or beyond
100,000	0	3	14 Mile or beyond
110-130,000	0	3	14 Mile or beyond
15,000	0	2	14 Mile or beyond
90-100,000	0	3	Salmon Creek
90-100,000	0	2	Auke Bay
70-80,000	0	3	Auke Bay
80,000	0	3	Valley
40,000	0	3-4	Valley
100-150,000	0	4	Valley
150-200,000	0	4	Valley
150,000	0	3	Valley
100,000	0	3	Valley
<100,000	0	2	Valley
100,000	0	3	Valley
?	0	2-3	Valley/14 Mile or beyond
180,000	0	3	14 mile or beyond/Valley
100-150,000	0	?	Don't know
120,000	0	?	Don't know
130-160,000	0	3	anywhere
>150,000	0	2-3	anywhere
150,175,000	0	?	?
Rent			
0	600	2	Juneau
0	350-400	1	Downtown
0	600	2	Downtown
0	800	2	Downtown
0	400	1	Downtown
0	600	4	Juneau
0	600	1	Downtown
0	Low	1	Downtown
0	600	2	Douglas
0	700-825	?	Douglas
0	<600	1	Douglas
0	<1,000	2	Douglas
0	550	2	Douglas
0	200-300	2	Douglas
0	500	1	Douglas
0	750-900	3	Auke Bay
0	<600	1 studio	Auke Bay
0	1,100	3	Auke Bay
0	200-300	2	Valley or Downtown

Buy	Rent	# of Bedrooms	Location
Q. 18 Continued			
Rent			
0	550-600	2	Downtown/Valley
0	500	2	Douglas/Downtown
0	600	3	Douglas/Valley
0	700-800	3	Valley/Douglas
0	1,200	4	Valley
0	<925	3	Valley
0	500-800	2	Valley
0	500-700	1	Valley
0	800	2	Valley
0	600	2	Valley
0	Low	1-2	Valley
0	<700	1	Valley
0	Low	1	Valley
0	<400	1	Valley
0	<800	2-3	Valley
0	Low	2	Valley
0	150	1	Valley
0	600-700	2	Valley
?	600-700	2-3	Valley
0	1,100-1,200	3	Valley
0	800	2	Valley
0	300-500	2	Valley
0	200-300	2	North Douglas
0	1,500	2-3	14 Mile or beyond
0	600-900	1	14 Mile or beyond
0	<1,000	2-3	Lemon Creek
0	500	2	Lemon Creek
0	500	1	Lemon Creek
0	<400	1	Lemon Creek/Valley
0	500	1-2	Switzer/Lemon Crieek
0	600	1-2	Downtown/W. Juneau/Douglas
0	low	3	anywhere
0	500	3	anywhere
0	600-800	2	anywhere
0	Low	1	anywhere
0	500-600	2	anywhere
0	?	1	anywhere
0	500-600	1	anywhere
0	575-625	2	anywhere
0	<900	2	anywhere
0	<600	3	anywhere
0	750	?	Don't Know
0	700	?	Don't know
0	<1,000	2	Don't Know
0	500	1	Doesn't matter
0	500	0	0

20. Can you describe what type of housing, cost and location they are looking for?

Buy	Rent	# of Bedrooms	Location
Buy/Rent			
<150,000	600-800	1-2	Downtown
100,000	500-700	2	Valley
110-130,000	1,200	3-4	14 Mile or beyond
750	750	2	Douglas
100,000 or less	900	3	anywhere
Buy			
80-90,000	0	3-4	Downtown
300,000	0	3	Auke Bay
100,000	0	3	Valley
100,000	0	4	Valley
80,000	0	3	Valley
Not sure	0	4	Valley
100-130,000	0	3	Valley
120,000	0	2-3	Valley
130-160,000	0	3	Salmon Creek
130-150,000	0	3-4	Salmon Creek/Valley
100-150,000	0	3	14 Mile or beyond/Salmon creek
180,000	0	3	14 Mile or beyond/Valley
150,000	0	3	Back Loop/AukeBay
40-50,000	0	3-4	anywhere
80-100,000	0	3	anywhere
100-125,000	0	0	0
Rent			
0	Low	1	Downtown
0	350-400	1	downtown
0	300-500	1	Juneau
0	600-900	3	Downtown
0	750-900	3	Auke Bay
0	1,100	3	Auke Bay
?	0	2	Auke Bay
0	600-700	2	Valley
0	<800	2	Valley
0	900-1,000	3	Valley
0	600	2	Valley
0	600-800	1-2	Valley
0	500-800	3-4	Valley
0	200-300	2	Valley or Downtown
0	500	1	Downtown/Douglas
0	500-600	1-2	Salmon creek
0	500-600	1	Lemon Creek
?	?	5	Lemon Creek
0	800-1,000	2	anywhere
0	400-600	3	anywhere
0	600	2-3	anywhere
0	<900	2-3	anywhere
0	575-625	2	anywhere
0	500	1	anywhere
0	?	3-4	anywhere
0	600	2-3	anywhere
0	600-700	2-3	anywhere

Buy	Rent	# of Bedrooms	Location
Q. 20 Continued			
Rent			
0	400-500	1	anywhere
0	Low	1	Waterfront
?	0	3	Don't Know
0	1,000 or under	3	Don't know
0	700	4	Convenient?
?	?	3	??
0	?	3	?

Juneau Community Profile

Section III of the

Juneau Multi-Family Housing Program Feasibility Study

Prepared for:

City and Borough of Juneau

Prepared by:

McDowell Group

Juneau • Ketchikan

in association with

Thomas P. King & Associates/Milton B. Barker

July 1994

TABLE OF CONTENTS

This profile of Juneau, Alaska provides general information about the community and a brief overview of local demographic and economic conditions. Several other reports, available through the City and Borough of Juneau, provide much more detailed data on the local economy and population. These include the *Juneau Trends* series of publications and the *Comprehensive Community Assessment*. Interested readers are urged to review these documents to learn more about Juneau.

Location

In the area known as the Alaskan Panhandle, Juneau is located in the Alexander Archipelago, a network of Pacific islands and waterways extending some 350 miles along the western edge of North America. Juneau is accessible by air or sea. Its latitudinal geographic position is approximately the same as Aberdeen, Scotland, Stockholm, Sweden and Leningrad, Russia.

Juneau is bordered on the north and east by the Coast Range mountains and the Juneau Ice Field, a 300-square mile expanse of snow and ice. To the south and west is the complex chain of densely forested and rugged islands of the Alexander Archipelago. Juneau lies within the boundaries of the largest national forest, the 18 million acre Tongass National Forest.

Climate

The coldest month in Juneau is most often January, the warmest usually is July. Temperature extremes are a result of the air flow from Canada. During the summer maximum (June 21) there is 18:18 hours of daylight; during the winter maximum (December 21) there is 6:21 hours of daylight. The average tidal range is 13.8'.

Juneau Area Climate Data

Juneau:

Temperature: Summer 47° to 63°, Winter 25° to 35°
Extremes: -10° to 87°
Precipitation: 91" includes 94" snow

Auke Bay:

Temperature: Summer 46° to 65°, Winter 15° to 37°
Extremes: -15° to 84°
Precipitation: 58" includes 104" snow

Source: Juneau Economic Development Council, *Comprehensive Community Inventory*, VII.A. 10/91.

Community Services

The City and Borough of Juneau offers a full range of public services, many of which are augmented by the services of the State and Federal Government. These include police, fire, health and human services, library, transit, parks and recreation, public works, and economic development and planning. Other services are offered through the private sector, such as refuse collection, electrical system, and telephone system.

Additionally, Juneau has branches of most Alaska banks and credit unions, one daily newspaper, radio and television stations and a cable television company. There are a number of health care options and services, numerous recreational facilities and opportunities, such as Eaglecrest Ski Area and Augustus Brown swimming pool, and a wide variety of cultural events ranging from the Alaska Folk Festival to Perseverance Theater.

Historical Summary of Juneau's Development

The first human inhabitants of the Juneau area were people of the Tlingit Auk and Taku tribes. The Tlingit people migrated down the Taku, Stikine and other river valleys from interior Canada. The earliest white settlers were European and Russian fur traders arriving in the late 1700s.

Prospectors Joseph Juneau and Richard Harris explored the area in 1880, finding gold. Almost overnight the town of Harrisburg –later renamed Juneau – was born. Over the next two decades Juneau became the hub of mining activity from Berners Bay to Windham Bay, a 120-mile-long mineralized area known as the Juneau Gold Belt. Two local mines, the Treadwell (located on Douglas Island) and the Alaska-Juneau Mine, recovered $130 million in gold, making them two of the largest gold mines in the world.

The Alaska-Juneau Mine closed in 1944 because of labor shortages and increasing costs. Eventually, the seafood industry and growing state government took up the slack. As the capital city of Alaska, Juneau benefited from increasing levels of government spending and employment particularly during the Depression years and later during World War II.

Statehood in 1959 and discovery of oil in Prudhoe Bay ten years later dramatically changed Juneau. State government increased Juneau's population and became its largest basic industry.

Alaska's economy experienced a serious recession in the mid-1980s, triggered by falling oil prices and declining state revenues. The economy peaked in 1985, and bottomed out in 1987. State government employment, population, and real estate values all fell dramatically during this period. However, state government employment has since recovered to all-time high levels.

Today state government is still Juneau's primary employer. However, private industry has increased in importance relative to government and recent growth in the mining and visitor industries bode well the for local economy.

Population

Increasing government employment pushed Juneau's population from around 9,700 in 1960, 13,500 in 1970, 19,500 in 1980 and to 26,751 in 1990. The City and Borough of Juneau (CBJ) estimates the population at 28,791 in 1993. Table 1 is a population projection, starting with the 1993 population estimate, from the *Final Socioeconomic Impact Assessment for the Alaska-Juneau Gold Mine* (February 1993).

Juneau's Population Forecast
Including AJ and Kensington Mine-Related Population
1994-2000

Year	CBJ Baseline Population	Mining Population	Total Population
1993	28,791		28,791
1994	29,236	0	29,236
1995	29,689	211	29,900
1996	29,588	696	30,284
1997	29,483	713	30,196
1998	29,374	2,059	31,433
1999	29,266	2,412	31,678
2000	29,157	2,533	31,690

[1] Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Kensington Gold Project*, City and Borough of Juneau, June 1992 and
Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Alaska-Juneau Gold Mine*, City and Borough of Juneau, February 1993.

Juneau has a highly educated population, with almost 90% of the residents being high school graduates or higher. A significant portion of the population (31%) have bachelor's degree or higher.

More than 50% of the population are between the ages of 20 and 50 years, with the median age being between 30 and 34 years. Just over one-third of the population of Juneau was born in Alaska.

In 1989, the Bureau of Census reported that the median household income for Juneau was $47,924. The median family income was $54,088 and the per capita income was $19,920. Approximately 4% of families were reported as living below the poverty level.

Education

The Juneau-Douglas School District has five elementary schools, two middle/junior high schools and one high school. A new middle/junior high school is currently being built and is scheduled to open with the start of the 1994-95 school year. Juneau has a number of private school programs available as well as the primary campus for the University of Alaska Southeast.

Enrollment in the Juneau-Douglas School District during the 1988-1989 school year was 4,603 (First Attendance Report). By 1993-94, the First Attendance Report showed an enrollment of 5,392 pupils in the Juneau-Douglas School District, and annual rate of increase of about 3.5%. Currently, 50% of the total student enrollment are elementary level; 24% are in junior high/middle school. Private school enrollment (K through 12) for 1993-94 was 235.

The University of Alaska Southeast, located north of the city of Juneau next to Auke Lake, had a Fall 1989 enrollment of 2,768 for total credit hours of 13,315. The majority of these students were part-time students. There was a total enrollment of 2,444 with total credit hours of 13,632 in Fall 1993.

Basic Industry

Government

As Alaska's capital, government is Juneau's largest basic industry. Administrative staff of most state agencies, plus the Office of the Governor and those of the Legislative Branch have their bases in Juneau. Juneau also serves as a regional center for Southeast Alaska and is home to the University of Alaska Southeast.

The federal government has its Alaska headquarters for the U.S. Forest Service, the U.S. Coast Guard, the Bureau of Indian Affairs and the National Marine Fisheries Service in Juneau. Federal government employs approximately 1,100 workers in Juneau.

Though not classified as a basic industry, the unified City and Borough of Juneau (CBJ) has a significant economic impact with over 1,300 employees. The CBJ has an eight member elected assembly, an elected mayor and salaried professional manager with support staff. Local government includes the hospital, public schools, fire protection, law enforcement, public transit, public utilities, and other public services.

Table 2 shows the strength of government as Juneau's largest basic industry. Between 1989 and 1992, government sector employment accounted for 50% of the employment in Juneau and, according to Table 4, more than 60% of the wages and salaries paid.

Despite current attempts to move the legislature and/or the capital, there are strong indications that Juneau will remain the capital of Alaska . A proposition has been placed on the 1994 general election ballot to move the capital to Anchorage. However, Juneau and a statewide citizens group have begun efforts to keep the legislature in Juneau. As a result, also on the ballot is a proposition requiring voter approval of the cost of any such move (which is likely to significantly dampen enthusiasm for a move).

Wage and Salary Employment, Juneau Labor Area by Industry 1989-1992

(Number of Employees)

Industry	1989 Total	1990 Total	1991 Total	1992 Total
Private Employment				
Mining	112	75	84	75
Construction	345	414	518	548
Manufacturing	319	148	199	268
Transportation-Communication-Utilities	857	911	880	957
Wholesale Trade	211	197	217	197
Retail Trade	1,993	2,042	2,199	2,268
Finance, Insurance & Real Estate	535	496	558	584
Services	2,152	2,333	2,279	2,357
Agriculture, Forestry, Fisheries & Non-classifieds	*	*	*	*
Government Employment				
Federal Government	1,092	1,148	1,039	1,095
State Government	4,411	4,534	4,518	4,530
Local Government	1,397	1,508	1,521	1,567
Total Non-Agricultural Employment	13,504	13,837	14,081	14,518
Private Sector Employment	6,605	6,646	7,003	7,327
Government Sector Employment	6,899	7,191	7,078	7,191

Wage and Salary Employment, Juneau Labor Area by Industry Third Quarter, 1992 - 1993

(Average Number of Employees Per Month)

Industry	3rd Quarter - 1992	3rd Quarter - 1993
Private Employment		
Mining	65	95
Construction	706	919
Manufacturing	327	324
Transportation-Communication-Utilities	1,107	1,016
Wholesale Trade	206	201
Retail Trade	2,501	2,443
Finance, Insurance & Real Estate	611	640
Services	2,444	2,576
Agriculture, Forestry , Fisheries & Non-classifieds	*	103
Government Employment		
Federal Government	1,146	986
State Government	4,475	4,261
Local Government	1,255	1,291
Total Non-Agricultural Employment	14,943	14,866
Private Sector Employment	8,067	8,328
Government Sector Employment	6,876	6,538

* Data non-disclosable
Source: Alaska Department of Labor

Wages and Salaries Paid in the Juneau Labor Area by Industry 1989 - 1992

(In Thousands of Dollars)

Industry	1989 Total	1990 Total	1991 Total	1992 Total
Private Employment				
Mining	$4,419	$2,858	$4,114	$4,052
Construction	11,361	13,919	16,679	19,716
Manufacturing	11,394	3,037	4,370	7,959
Transportation-Communication-Utilities	22,987	25,118	25,297	28,062
Wholesale Trade	6,017	6,325	6,548	6,379
Retail Trade	29,162	31,755	34,619	36,431
Finance, Insurance & Real Estate	15,684	15,163	16,341	17,199
Services	34,349	39,170	42,413	46,497
Agriculture, Forestry, Fisheries & Non-classifieds	*	*	*	*
Government Employment				
Federal Government	40,471	45,501	43,394	49,412
State Government	159,097	168,804	179,430	185,493
Local Government	44,052	47,863	50,869	54,026
Total Non-Agricultural Employment	379,366	400,168	426,542	456,804
Private Sector Employment	135,747	138,000	151,858	167,873
Government Sector Employment	$243,619	$262,168	$273,684	$288,931

Wages and Salaries Paid in the Juneau Labor Area by Industry Third Quarter 1992 - 1993

(In Thousands of Dollars)

Industry	3rd Quarter - 1992	3rd Quarter - 1993
Private Employment		
Mining	$ 831	$1,089
Construction	7,015	9,002
Manufacturing	2,449	2,169
Transportation-Communication-Utilities	8,055	7,607
Wholesale Trade	1,607	1,642
Retail Trade	9,767	10,185
Finance, Insurance & Real Estate	4,036	4,765
Services	11,893	13,173
Agriculture, Forestry, Fisheries & Non-classifieds	*	499
Government Employment		
Federal Government	12,504	12,514
State Government	47,996	44,686
Local Government	10,117	10,695
Total Non-Agricultural Employment	$116,779	$117,952
Private Sector Employment	46,162	50,057
Government Sector Employment	$70,617	$67,895

* Data non-disclosable
Source: Alaska Department of Labor

Private Sector Industries

While Juneau's economy is primarily based on government, the private sector is playing an increasingly important role. Tourism, seafood and mining are all important local industries

Juneau has the second largest number of commercial fishing permit holders in Southeast Alaska. While local processing activity is small compared to other Southeast communities, Juneau's seafood processing industry is growing.

Tourism is Juneau's largest private basic industry. Visitors from outside Alaska spent $53 million in Juneau during the summer of 1993. Visitors to Juneau arrive by cruise ship, airline or via the Alaska Marine Highway System. During 1993, cruise ships made over 427 stops in Juneau, bringing a total of 314,065 passengers and 138,659 crew members. The outlook for the tourism industry in Juneau is for employment growth of around 3% to 5% per year.

When Greens Creek Mine closed in 1993, Juneau lost 200 jobs in the private sector. However, two major mining projects, the Kensington Mine and the Alaska-Juneau Mine, continue to move through the permitting and development stages. As seen in the population projection data, the construction and operation of these projects would result in overall population growth while the baseline economy is likely to be declining.

Juneau's role as a regional service and supply center is rapidly growing. In 1993, Juneau added Costco to its list of major businesses, which already included Fred Meyers, Lamont's, Payless, and J. C. Penney's. The entry of Mapco in early 1994 increased competition in local retail gasoline sales. Kmart had their grand opening in April 1994 and is expected to be followed by a Carr's supermarket in 1995.

A strong positive effect of the development of these service industries has been an upswing in the construction industry as well as other support industries. Expansion of the service and retail sectors is expected to moderate and over the long term follow more closely trends in Juneau's basic economy.

Other indicators suggest a growing economy in recent years. The number of private sector employers has increased from 798 in 1989 to 834 in 1992. Reported gross business sales in 1989 were $603 million. By 1992, the CBJ reported gross business sales of $764 million.

Transportation

The Alaska Marine Highway System has experienced a steady flow of traffic into and out of Juneau. In 1989, 69,229 passengers came into Juneau via the ferry system, while in 1992, more than 73,000 passengers arrived this way.

Since 1989, Juneau International Airport has experienced a variety of changes, reflective of the factors affecting the entire airline industry. In 1989, there were three airlines in Juneau; 3,999 departing flights, carrying 176,429 passengers, 1,805 tons of mail and 1,437 tons of air freight. Since that time there have been two to three major airlines serving Juneau. In 1992, Alaska Airlines was joined by Delta and Mark Air for varying periods of time. There were a total of 4,943 departing flights: 231,505 passengers, 1,816 tons of mail and 5,067 tons of air freight. In 1993, Delta again offered limited service and gives every indication of continuing to do so. Mark Air has returned to Juneau in 1994 and appears to be working towards uninterrupted service. In addition, Juneau is served by a number of smaller airlines offering service to Juneau's outlying communities and Canada.

Other Information

The following tables provide further information about the economic and demographic nature of Juneau, Alaska.

Average Annual Unemployment Rate
Juneau 1989-1993

1989	1990	1991	1992	1993
5.0%	5.1%	6.3%	7.1%	6.2%

Juneau Assessed Real Property Valuation
As of July 31, 1989 - 1993
(In Thousands of Dollars)

	1989	1990	1991	1992	1993
Type of Real Property					
Commercial	$280,485	$256,074	$247,050	$243,179	$272,638
Industrial	27,527	26,014	44,494	44,051	18,906
Apartment	34,158	42,489	36,116	38,411	43,546
Trailer Courts	9,030	9,257	9,325	8,147	10,846
Total Business	351,200	333,834	336,985	333,788	345,936
Residential	581,176	630,254	689,308	761,944	770,494
* Other				578	46,555
Vacan Land	85,001	87,870	94,167	103,6100	87,949
Total	$1,017,376	$1,051,958	$1,120,460	$1,199,920	$1,250,933
By Area					
1. Juneau	$275,875	$275,620	$275,366	$292,699	$296,883
2. Douglas	51,073	50,304	51,749	55,080	60,819
3. Rural (on/off road)	30,264	22,048	23,279	23,763	24,700
4. Auke Bay	122,917	130,504	139,742	150,209	156,170
5. Glacier Valley	401,047	438,334	483,270	523,818	548,685
6. North Douglas	48,201	48,898	53,436	56,545	61,411
7. Salmon Creek	52,624	49,873	55,240	58,199	60,986
8. Lynn Canal	35,375	35,785	38,378	39,608	41,281
Total	$1,017,376	$1,051,366	$1,120,460	$1,199,920	$1,250,933

* Other: boat houses, mining related properties, non-exempt utilities property
Source: Annual Reports on Assessment and Taxation and Certified Assessment Roll, Assessor's Office, City and Borough of Juneau

Deeds of Trust Recorded in the Juneau Recording District 1989 - 1992

	1989	1990	1991	1992
Total Deeds of Trust	963	888	1,043	1,371
Total Amount (In thousands of dollars)	$104,202	$258,275*	$135,540	$128,549

*In 1990 a single deed of trust was recorded in the amount of $104,000,000 causing the large increase in dollar amount for that reporting period.
Source: Motznik Computer Services. Derived from State Office Records, complies by the McDowell Group.

New Housing Units Authorized by Building Permits in Juneau 1989 - 1993

Type of Dwelling	1989	1990	1991	1992	1993*
Single Family	30	32	40	73	66
2-4 Family Units	0	2	1	4	4
5 or More Units	0	2	7	12	0
Mobile Homes	10	22	46	19	9
Total Housing Units	40	58	94	108	79

*Totals for first three quarters only.
Source: City and Borough of Juneau Building Division and the Alaska Department of Commerce and Economic Development.

Average Residential Unit Sale Price, 1989 - 1992

	1989	1990	1991	1992
Single Family				
(Mendenhall Valley SA #5)				
Number of Sales	96	96	93	130
Total Sales	$9,396,688	$11,107,358	$11,255,265	$16,081,213
Total Square Feet	149,920	144,288	278,943	353,976
Average Price	$97,882	$115,701	$121,024	$123,701
Average Size	1,562	1,503	1,575	1,573
Price Per Square Foot	$62.66	$76.98	$76.84	$78.64
Single Family				
(All Other Areas)				
Number of Sales	52	59	63	57
Total Sales	$6,321,100	$8,257,142	$7,639,249	$7,916,698
Total Square Feet	89,844	102,424	160,092	190,287
Average Price	$121,560	$139,951	$121,257	$138,889
Average Size	1,728	1,736	1,554	1,572
Price Per Square Foot	$70.35	$80.62	$81.18	$104.35
Total Single Family Housing				
Number of Sales	148	155	156	187
Average Price	$106,201	$124,932	$121,118	$127,796
Average Size	1,620	1,592	1,567	1,573
Price Per Square Foot	$65.56	$78.47	$77.29	$85.25
Condominium				
Number of Sales	79	43	52	52
Total Sales	$3,711,800	$3,178,480	$3,871,112	$4,249,947
Total Square Feet	71,987	44,247	49,440	*
Average Price	$46,985	$73,918	$74,444	$81,729
Average Size	911	1,029	950	*
Price Per Square Foot	$51.58	$71.83	$78.36	*
Zero-Lot Line				
Number of Sales	69	56	51	52
Total Sales	$4,755,388	$4,853,432	$4,837,436	$5,249,466
Total Square Feet	90,316	47,626	119,912	103,325
Average Price	$68,918	$86,668	$96,364	$100,951
Average Size	1,309	1,322	1,332	1,291
Price Per Square Foot	$52.65	$65.56	$72.34	$78.20

Juneau Housing and Land Inventory

Section IV of the

Juneau Multi-Family Housing Program Feasibility Study

Prepared for:

The City and Borough of Juneau

Prepared by:

Thomas P. King & Associates
Juneau, Alaska

in association with

Milton B. Barker/McDowell Group

July, 1994

Juneau Housing and Land Inventory

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Juneau Housing and Land Inventory

Introduction

A major component of the Juneau Multi-Family Housing Program Feasibility Study is to inventory existing housing units and vacant land in the Juneau area. The housing inventory is provided by type of housing and location. Vacancy rates and the persons per unit by type and location also are provided. A separate, detailed inventory of multi-family properties with 5 or more units is included.

The information in this report is a compilation of data from the City Assessors Office, the City Community Development Department, and from independent investigation by Thomas P. King & Associates. The report consists of the following information:

1. types of units;
2. location of types of units by service area;
3. persons per household;
4. vacancy rates;
5. inventory of vacant land;
6. inventory of multi-family buildings with five or more units;
7. trends of loss by fire, demolition, or conversion; and,
8. in-progress or planned construction of new housing.

I. Housing Inventory

In this section, Juneau's existing housing inventory is defined by type and location. Housing types are categorized as single family homes, duplex, zero lot line, condominium, mobile homes and live-aboard boats.

Housing units by type and location are based on Community Development Department data. Information on vacancy rates and persons per household is from *Population Estimate 1993*, prepared by the Community Development Department. Three or more units in a building are considered as multi-family.

Table 1 summarizes the existing housing inventory. Tables 2 and 3 contain vacancy rates and persons per household respectively.

TABLE 1
Housing Units By Type And Location

Service Area	Single-Family	Duplex	Zero Lot Line	Condominium	Multi-Family (3 or more units)	Mobile Home	Live-Aboard Boats	Total
1	675	380	21	367	927	6	98	2,474
2	197	170	2	181	282	1	6	839
3	44	16	0	0	0	7	0	67
4	568	168	84	114	139	28	34	1,135
5	2,071	532	460	189	859	1,063	6	5,180
6	224	100	84	0	28	57	0	493
7	135	60	90	18	40	2	0	345
8	230	42	0	2	6	8	0	288
Total	4,144	1,468	741	871	2,281	1,172	144	10,821

Key to Service Areas

Service Area 1	Juneau	Service Area 5	Glacier Valley
Service Area 2	Douglas	Service Area 6	North Douglas
Service Area 3	Rural Roaded	Service Area 7	Salmon Creek
Service Area 4	Auke Bay	Service Area 8	Lynn Canal

TABLE 2

Vacancy Rates

Service Area	Single-Family	Duplex	Zero Lot Line	Condominium	Multi-Family (3 or more units)	Mobile Home	Live-Aboard Boat	Average
1	0.00%	0.00%	0.00%	0.00%	0.93%	0.45%	0.00%	0.36%
2	0.00	0.00	0.00	0.00	0.93	0.45	0.00	0.36
3	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.49
4	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.15
5	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.06
6	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.01
7	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.16
8	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.39
Average	0.96%	0.96%	0.96%	0.96%	0.86%	0.45%	0.00%	0.87%

Notes:

1. Vacancy rates for single-family, duplexes, zero-lot-lines, and condominiums were estimated on a consolidated basis. Single-family and multi-family rates were each consolidated for service areas 1 and 2 and separately consolidated for all other service areas.
Mobile home and boat rates were estimated on an area-wide basis.
2. The averages by type or service area are weighted by the number of units in Table 1.

Key to Service Areas

Service Area 1	Juneau	Service Area 5	Glacier Valley
Service Area 2	Douglas	Service Area 6	North Douglas
Service Area 3	Rural Roaded	Service Area 7	Salmon Creek
Service Area 4	Auke Bay	Service Area 8	Lynn Canal

TABLE 3
Persons per Household

Service Area	Single-Family	Duplex	Zero Lot Line	Condominium	Multi-Family (3 or more units)	Mobile Home	Live-Aboard Boat	Average
1	2.39	2.39	2.39	2.39	1.73	2.87	1.95	2.13
2	2.42	2.42	2.42	2.42	2.15	2.87	1.95	2.33
3	2.81	2.81	2.81	2.81	2.00	2.87	1.95	2.82
4	2.81	2.81	2.81	2.81	2.00	2.87	1.95	2.67
5	3.01	3.01	3.01	3.01	2.41	2.87	1.95	2.88
6	2.81	2.81	2.81	2.81	2.00	2.87	1.95	2.76
7	3.01	3.01	3.01	3.01	2.41	2.87	1.95	2.94
8	2.81	2.81	2.81	2.81	2.00	2.87	1.95	2.79
Average	2.79	2.79	2.79	2.79	2.07	2.87	1.95	2.64

Notes:

1. Persons per household for single-family, duplexes, zero-lot-lines, and condominiums were estimated on a consolidated basis. Single-family and multi-family figures were each consolidated for service areas 1 and 2 and separately consolidated for all other service areas. Mobile home and boat figures were estimated on an area-wide basis.
2. The averages by type or service area are weighted by the number of units in Table 1.

Key to Service Areas

Service Area 1	Juneau	Service Area 5	Glacier Valley
Service Area 2	Douglas	Service Area 6	North Douglas
Service Area 3	Rural Roaded	Service Area 7	Salmon Creek
Service Area 4	Auke Bay	Service Area 8	Lynn Canal

II. Land Inventory

A review of the Use Code Report prepared by the City Assessors Office indicates a large number of vacant land parcels in the City and Borough of Juneau. A large percentage have sites that would be suitable for most development allowed by zoning.

The Community Development Department, as part of its *Juneau Wetlands Management Plan*, conducted an inventory of developed and undeveloped land by zoning classifications. This study also indicated a large amount of vacant land that could be developed for housing use.

The Plan's total of vacant developable acres in districts zoned purely for residential purposes was 1,946 acres in 1988. This total does not include wetlands, steep slopes, or inaccessible property. Table 4 summarizes the results of the Plan inventory. The D-1 through D-5 zoning classes are for single-family and duplex residential use. The D-10 through D-18 districts are for multi-family.

TABLE 4
Vacant and Developable Acres

Zone Class	Developed Acres	Vacant Acres	Developable Acres
D-1	1,242	2,246	650
D-3	340	663	203
D-5	3,376	1,453	475
D-10	54	86	51
D-15	338	970	508
D-18	244	129	59
Total	5,594	5,547	1,946

Source: *Juneau Wetlands Management Plan*, Department of Community Development, City and Borough of Juneau, May 1989.

The *Juneau Wetlands Management Plan* inventory has not been updated since it was prepared on August 15, 1988. If acreage available in 1988 were developed at the maximum density allowed by zoning, an estimated 12,826 dwelling units could be constructed. Permits for only 388 new housing units have been issued between 1987 and the fourth quarter of 1993. Most residential development since 1987 has occured in the D-3 and D-5 zoned areas. Development has been primarily single-family homes with almost no multi-family development.

An estimated current capacity for an additional 12,400 units is over seven times the 1,656 units of net housing demand through the year 2000 forecasted in the Juneau Housing Demand Forecast (Section II of this study). The potential new construction is also more than the current stock of dwelling units in Juneau.

Table 5 shows the number of publicly and privately owned vacant parcels by zoning class. This information is from the City Assessor's records. The MU zoning class is for mixed use, which includes residential development.

TABLE 5
Publicly and Privately Owned Vacant Parcels

Zone Class	Private	Public	Total Parcels
D-1	517	101	618
D-3	150	23	173
D-5	523	86	609
D-10	47	10	57
D-15	63	8	71
D-18	215	19	234
MU	46	24	70
Total Parcels	1,561	271	1,832

The above numbers represent the total parcels. Undersized parcels may not be developable as a single parcel. The number of potential units on private or public land will depend on the size and zoning class of the parcels.

III. Multi-Family Housing Inventory

92.9 percent of existing multi-family properties having five or more units were examined to produce the multi-family inventory contained in Table 6. The inventory accounts for 93 properties totaling 1,535 housing units, out of 102 existing multi-family properties totaling 1,652 units.

TABLE 6
Multi-Family Housing Inventory

Service Area	Efficiency	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Unknown	Total Units
1	435	136	167	21	0	5	764
2	57	3	42	71	8	3	184
4	13	1	27	0	33	0	74
5	131	3	218	63	20	49	484
6	0	0	0	0	0	5	5
7	3	1	16	4	0	0	24
8	0	0	0	0	0	0	0
Total Units	640	144	472	162	65	62	1,535

Table 7 provides information on the character of the multi-family housing stock. The age, size, and number of bedrooms of multi-family buildings were determined from the City Assessors records. Each property was inspected to determine its condition. Management was contacted to determine rents and vacancies.

Many of the units in the downtown area are older and in fair to average condition. Many buildings were constructed during the 1930's, 1940's and 1950's. About 30 units are considered to be in poor condition and are expected to be torn down. The buildings in the Valley area are typically newer, with most constructed in the 1970's and 1980's. This is also true for buildings in the Douglas area. These are typically in average to good condition.

Another source of information for market rents is AHFC. Their 1994 Home Program uses the following as fair market rents for Juneau:

-	efficiency	$572
-	1 bedroom	695
-	2 bedrooms	890
-	3 bedrooms	1,057
-	4 bedrooms	$1,184.

TABLE 7
Character of Multi-Family Housing Stock

Service Area	Number of Bedrooms	Number of Units	Typical Size (square feet)	Typical Rent	Typical Vacancy	Typical Age (years)	Typical Condition
1	0	136	475	$500	0%	45	average
	1	435	550	700	0	45	average
	2	167	783	850	0	45	average
	3	21	1,000	900	0	45	average
	4	0	1,200				
	Unknown	5					
2	0	3	450	575	0	9	good
	1	57	600	650	0	15	average
	2	42	830	850	0	10	good
	3	71	1,200	920	0	20	good
	4	8	1,200	Section 8			
	Unknown	3					
4	0	1	450	400	0	40	average
	1	13	600	775	0	40	average
	2	27	830	950	0	9	good
	3	0	1,000	0	0	0	
	4	33	1,200	1,100	0	9	good
5	0	3	450	500	0	22	average
	1	131	600	650	0	15	average
	2	218	830	850	0	15	average
	3	63	1,000	700	0	20	average
	4	20	1,200	$740	0	20	average
	Unknown	49					
6	Unknown	5					
7	0	1	450	Section 8	0	NA	NA
	1	3	600	Section 8	0	NA	NA
	2	16	830	Section 8	0	NA	NA
	3	4	1,000	Section 8	0	NA	NA
	4	0	1,200	Section 8	0%	NA	NA

IV. Multi-Family Losses By Fire, Demolition, Or Conversion

Table 8 indicates the number of multi-family units lost to fire, demolition, or conversion to other uses for the years 1988 through 1993. Information on losses and the number of multi-family units for various years was provided by the Community Development Department. Fire losses were were confirmed from records of the Juneau District of the city Fire Department. Table 9 provides the detail of such losses on which Table 8 is based.

TABLE 8

Multi-Family Housing Losses

1988 - 1993

	Service Area 1			Service Area 2			Service Area 5		
Year of Loss	Units Lost	Existing Multi-Family Units	Annual Loss Ratio	Units Lost	Existing Multi-Family Units	Annual Loss Ratio	Units Lost	Existing Multi-Family Units	Annual Loss Ratio
1988	25	971		0	287		0	799	
1989	0	947		0	287		0	813	
1990	43	923		13	287		0	812	
1991	5	921		0	280		2	809	
1992	0	915		0	280		0	812	
1993	12	927		0	282		0	859	
Total	85			13			2		
Average	14	934	1.52%	2	284	0.76%	0	817	0.04%

Sources:

1. Units Lost from Table 9.
2. Existing Multi-Family Units from Community Development Department, City and Borough of Juneau.

TABLE 9
Detail of Multi-Family Housing Losses
1988 - 1993

Year	Multi-Family Property	Units Lost	Parcel	Reason for Loss
1988	Gross Apartments	22	1CC70A030030	closed due to plumbing problems
	Guildford	3	1C070I010050	demolition
	Rocovich Apartments	10	1C040A260050	conversion to Juneau Alliance for Mentally Ill (JAMI) group home for persons who would otherwise independently seek rental apartments; units not rented to JAMI participants are available for rental to the public
	Total excluding JAMI	25		
1990	Gross Apartments	2	1CC70A030030	closed due to plumbing problems
	Soriano	10	1C070B0Q0010	demolition
	Perseverance Theater	4	2D040T040040	conversion
	Klein	9	2D040T040030	fire
	Channel Apartments	31	1C060K680010	demolition for ADEC building
	Total	56		
1991	Milnes Apartments	5	1C070A140070	fire
	Gastineau Human Services	2	5B1201050200	conversion to group home for offenders who would otherwise be incarcerated
	Total	7		
1993	Knight Apartments	9	1C060B010030	demolition for Senior Citizens Support Services project
	Calhoun Avenue 3-plex	3	1C060B010020	demolition for Senior Citizens Support Services project
	Total	12		

Source: Community Development and Assessor's Office, City and Borough of Juneau

V. Current Additions To The Housing Stock

Table 10 summarizes the current additions being made to Juneau's housing stock. These are units that are either under construction or planned for construction. These units are not included in the existing housing inventories contained in this report.

The records of the Community Development Department and the Assessors Office were reviewed to determine housing units planned or in-progress. Newspaper reports and interviews with developers were also used in arriving at the estimated units.

TABLE 10
Housing Units Planned or Under Construction

	Number of Bedrooms				
Multi-Family Projects	0	1	2	3+	Total Units
Senior Citizen Support Services, Inc.	21	30	16		67
Alaska Housing Finance Corporation		13	22	10	45
Housing First	6	6	3		15
Gruening Park			8	8	16
Mad-Tiff Construction	NA	NA	NA	NA	15
Total Multi-Family Units	27	49	49	18	158

Other Housing	Type	Units
Tlingit-Haida Housing Authority		
	single-family lease-purchase	30
	duplex rentals	20
Park Place Townhomes	single-family attached	16
Building permits under review	miscellaneous	50
Mobile home rental spaces		30
Total Other Units		146
Total Multi-Family and Other Housing Units		304

Juneau Multi-Family Housing Program Feasibility Study

Volume II

Appendix to the Market Analysis

Prepared for:

City and Borough of Juneau

Prepared by:

Milton B. Barker
Juneau, Alaska

in association with

Thomas P. King & Associates/McDowell Group

July, 1994

Appendix to the Juneau Multi-Family Housing Market Analysis

Contents

Project C - 45 Unit Valley Low-Income Project
20% of Units Restricted to Rents @ 30% of 50% of Median Income

Project D - 45 Unit Valley Low-Income Project
40% of Units Restricted to Rents @ 30% of 60% of Median Income

Appendix A

Juneau Housing Market Model
Regression Statistics

Real Rent
as a Function of the
Change in Population
from the Prior Year

Regression Summary
Real Rent vs. Change in Pop

Count	12
Num. Missing	3
R	.812
R Squared	.659
Adjusted R Squared	.625
RMS Residual	85.655

ANOVA Table
Real Rent vs. Change in Pop

	DF	Sum of Squares	Mean Square	F-Value	P-Value
Regression	1	142035.670	142035.670	19.360	.0013
Residual	10	73367.246	7336.725		
Total	11	215402.917			

Regression Coefficients
Real Rent vs. Change in Pop

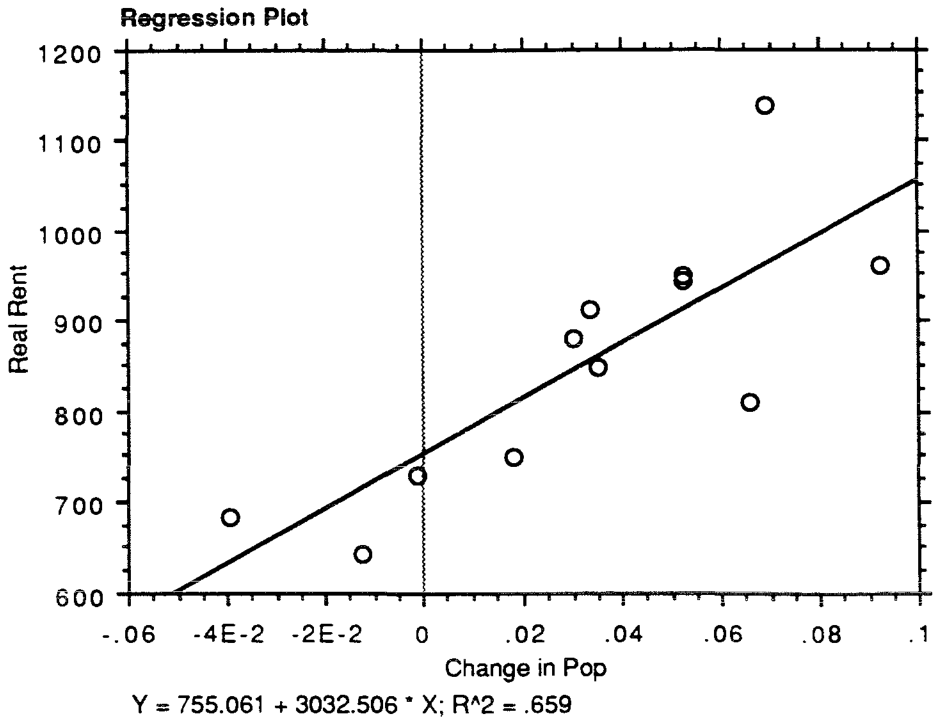
	Coefficient	Std. Error	Std. Coeff.	t-Value	P-Value
Intercept	755.061	33.588	755.061	22.480	<.0001
Change in Pop	3032.506	689.214	.812	4.400	.0013

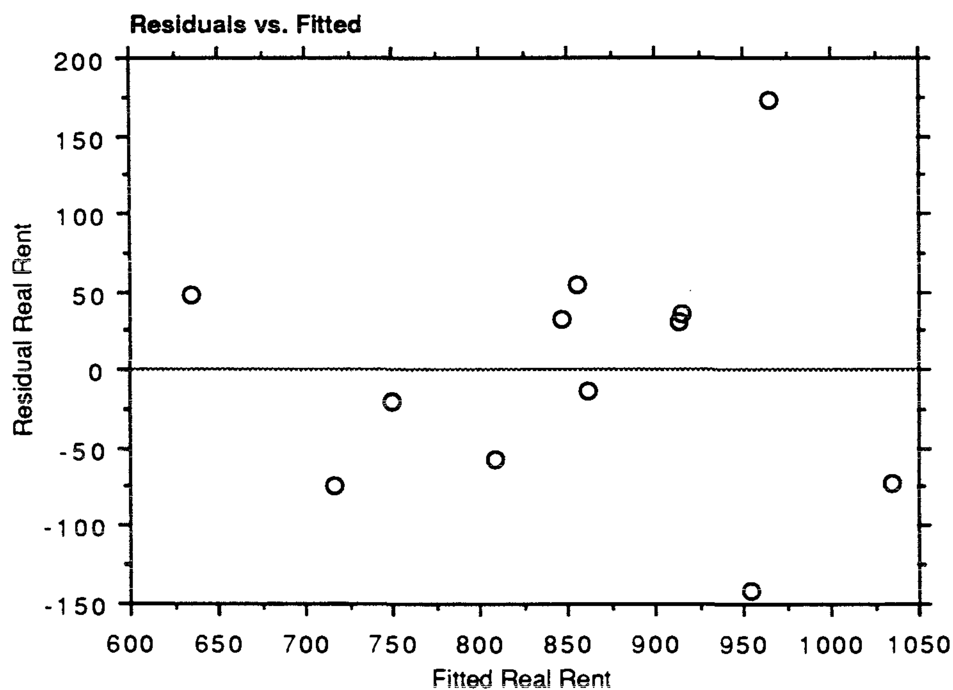
Confidence Intervals
Real Rent vs. Change in Pop

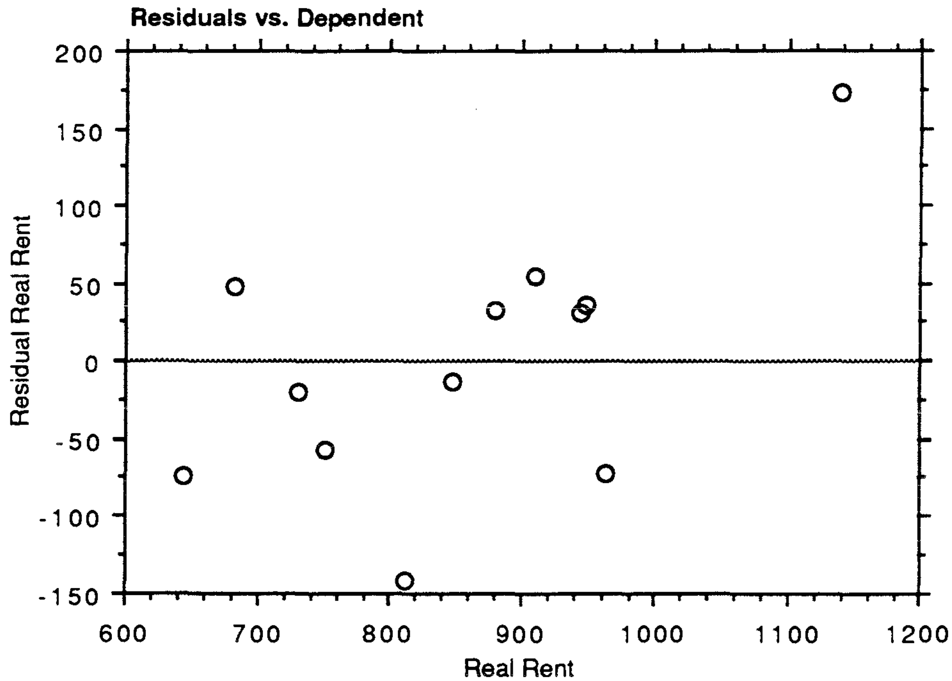
	Coefficient	95% Lower	95% Upper
Intercept	755.061	680.222	829.900
Change in Pop	3032.506	1496.842	4568.171

Residual Statistics
Real Rent vs. Change in Pop

# >= 0	6
# < 0	6
SS[e(i) - e(i-1)]	123743.546
Durbin-Watson	1.687
Serial Autocorrelation	.120


Regression Plot
1200
1100
1000
900
800
700
600
Real Rent
-.06
-4E-2
-2E-2
0
.02
.04
.06
.08
.1
Change in Pop
Y = 755.061 + 3032.506 * X; R^2 = .659


Residuals vs. Fitted
200
150
100
50
0
-50
-100
-150
Residual Real Rent
600
650
700
750
800
850
900
950
1000
1050
Fitted Real Rent


Residuals vs. Dependent
200
150
100
50
0
-50
-100
-150
Residual Real Rent
600
700
800
900
1000
1100
1200
Real Rent

Multi-Family Housing Building Permits

as a Function of

Real Rent

and

a Dummy Variable for Rents < $800

two independents are dummy (<$800) and real rent

Regression Summary
MF Permits vs. 2 Independents

Count	14
Num. Missing	1
R	.901
R Squared	.811
Adjusted R Squared	.777
RMS Residual	47.319

ANOVA Table
MF Permits vs. 2 Independents

	DF	Sum of Squares	Mean Square	F-Value	P-Value
Regression	2	106023.933	53011.966	23.676	.0001
Residual	11	24629.782	2239.071		
Total	13	130653.714			

Regression Coefficients
MF Permits vs. 2 Independents

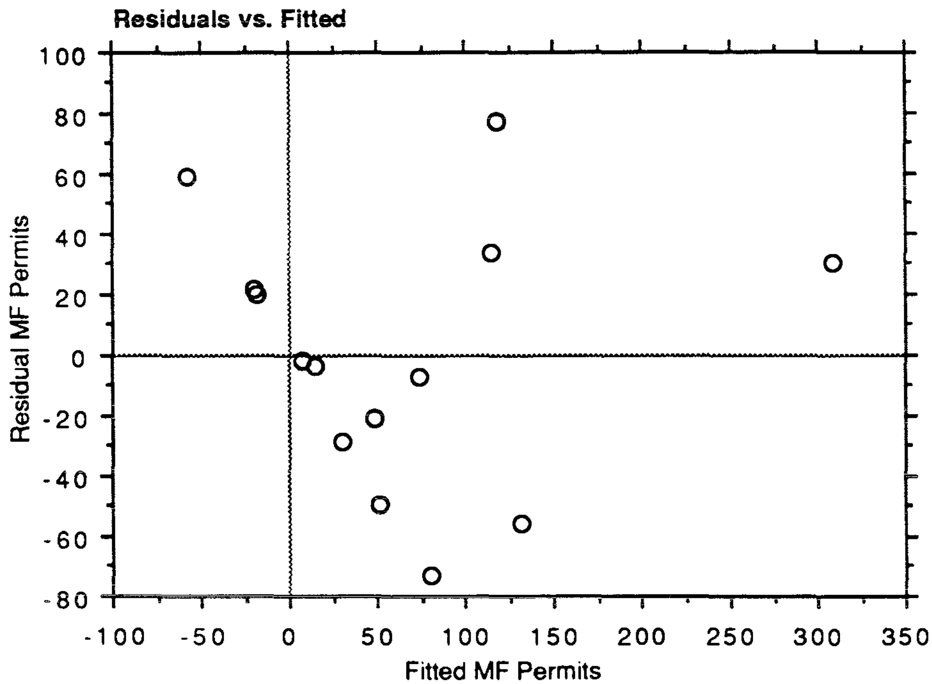
	Coefficient	Std. Error	Std. Coeff.	t-Value	P-Value
Intercept	-705.933	117.551	-705.933	-6.005	<.0001
Real Rent	1.006	.164	1.300	6.139	<.0001
DUMMY<800	-131.571	45.289	-.615	-2.905	.0143

Confidence Intervals
MF Permits vs. 2 Independents

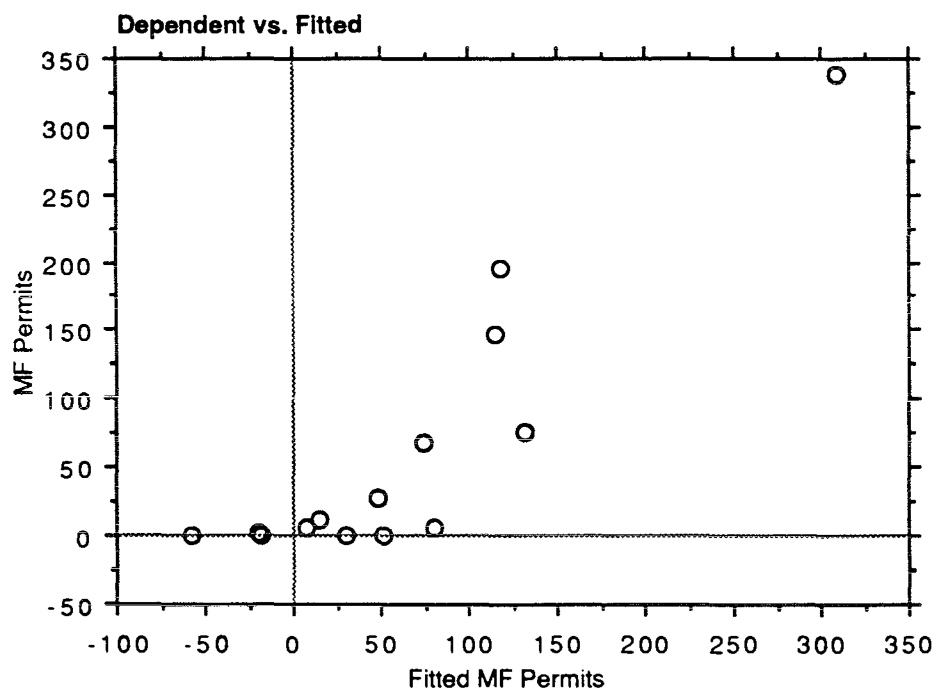
	Coefficient	95% Lower	95% Upper
Intercept	-705.933	-964.660	-447.206
Real Rent	1.006	.646	1.367
DUMMY<800	-131.571	-231.251	-31.890

Residual Statistics
MF Permits vs. 2 Independents

# >= 0	6
# < 0	8
SS[e(i) - e(i-1)]	57542.661
Durbin-Watson	2.336
Serial Autocorrelation	-.232



Residuals vs. Fitted
100
80
60
40
20
0
-20
-40
-60
-80
Residual MF Permits
-100
-50
0
50
100
150
200
250
300
350
Fitted MF Permits



Dependent vs. Fitted
350
300
250
200
150
100
50
0
-50
MF Permits
-100
-50
0
50
100
150
200
250
300
350
Fitted MF Permits

Appendix B

Alaska Housing Finance Corporation Multi-Family Housing Programs

Alaska Housing Finance Corporation

Special Housing Fund

Management Guidelines
General Mortgage Revenue Bond Funds

Special Housing Fund Investment Guidelines

(1) Loans made from the Special Housing Fund will be originated within current or future lending programs of the Corporation. Designation to the Special Housing Fund will be made at the discretion of the Corporation to provide interest rate and/or credit accommodations as determined necessary and appropriate.

(2) A reasonable expectation of repayment must be established and the credit standards of the applicable lending program complied with. Loan underwriting and monitoring requirements will take the experience and track record of a sponsor/borrower into consideration. Program and credit determinations will be made recognizing the revolving nature of the Special Housing Fund and the expected impact on future available resources.

(3) Project eligibility should be based upon:
- (a) the priority established in CHAS; or
- (b) the public purpose nature of the project; or
- (c) the improvement made to energy efficiency ; and
- (d) the need for the project or improvement; and
- (e) the capabilities of the sponsor/borrower.

(4) Recommendation for designation of loans to the Special Housing Fund and suggested forms and levels of accommodations shall be made by the department responsible for administration of the program under which the loan is being considered. The departmental recommendation shall be subject to approval by senior management and, if applicable, the AHFC Board. The use of Special Housing Funds shall be reported to the Finance Department. The Finance Department will monitor and report amounts available within the Special Housing Fund.

(5) To maximize available resources, interest rate and credit accommodations should be limited to that which is "necessary and reasonable." The assistance should be based upon its need to make the project viable. The level of assistance should be no more than moderate. The intent is not to make poor projects feasible. Interest rate accommodations should not be provided as a means of supplementing ongoing operations unrelated to the project for which the loan is being made.

(6) Interest rate and/or credit accommodations may be necessary and appropriate, they should not, however reward inefficiency. Projected expenses must appear reasonable and a sponsor/borrower will need to document their attempts to develop other financial or programmatic resources.

Special Housing Fund Investment Guidelines, Continued

(7) Special Housing Fund loans will be available without regard to profit orientation. Depending on the form and level of accommodation requested, additional requirements on rent levels, net cash-flow, or term and type of permitted use may be imposed.

(8) In determining the type and level of accommodations to make to sponsors/borrowers, the authorization and emphasis of the Corporation's governing statutes as well as the income levels of the beneficiaries of the funded properties (homeowner or rental) should be considered.

(9) The Corporation will insure that loans, including those made from the Special Housing Fund, benefit all areas of Alaska through the design, outreach and marketing of programs to rural communities and by working with regional housing authorities and/or other local groups.

arbuse/mkc

Alaska Housing Finance Corporation

Multi-Family, Special Needs & Congregate Housing Program

ALASKA HOUSING FINANCE CORPORATION
MULTI-FAMILY, SPECIAL NEEDS & CONGREGATE HOUSING
LOAN PROGRAM SUMMARY

1. **PROGRAM FOCUS:**

To promote affordable multi-family, special needs and congregate housing for persons of lower- to moderate-income through the providing of loan funds for the purpose of acquisition, new construction, rehabilitation, improvement or refinance. An exception to the lower- to moderate-income focus may be made in remote, underdeveloped or blighted areas as defined in Alaska Statute 18.56.900(12).

2. **DIRECT LENDING PROGRAM:**

For further information regarding this program, or to apply for financing consideration, please contact AHFC's Mortgage Project Department.

3. **PROPERTY DEFINITIONS:**

"Multi-Family" means a building or a group of buildings, improvements or structures, including land, used or useful for housing persons and which may have related facilities, including without limitations, day care and other support facilities. The housing may be on contiguous, non-contiguous or scattered sites and may include operational apparatus.

"Special Needs Housing" means residential housing, including operational apparatus, designed to meet the needs of persons with specific and special housing needs, including supportive services. Special needs housing includes: i) housing for the elderly; ii) individuals with a disability; iii) individuals with mental illness; iv) emergency shelter for the homeless; and v) transitional housing. "Special needs housing" may be on contiguous, non-contiguous or scattered sites.

"Congregate Housing" means a building or a group of buildings, improvements or structures, including land, used or useful for housing persons and which may have related facilities, including without limitations, day care and other support facilities. The housing may be on contiguous, non-contiguous or scattered sites and may include operational apparatus. Congregate services are integrated into the housing and there may be sharing of common facilities such as kitchen and sanitation. Congregate service means a service or activity that is common (available) to all residents of the housing which may include, but is not limited to, general housekeeping, meal service, counseling, job training, medical care, or child care.

4. **BORROWER ELIGIBILITY:**

A) Non-Profit Corporations;

B) Agencies of the State;

C) A Municipality;

D) Individual's, Partnership's, Joint Venture's, or For-Profit Corporation's;

E) Regional Housing Authorities;

F) A Corporation organized under 43 U.S.C sections 1601 - 1629E, as amended, or any wholly owned subsidiary of such corporation.

5. **LOAN PARAMETERS:**

Loan-To-Value Ratios:

Multi-Family Properties

A. **Individuals, Partnership's, Joint Venture's, or For-Profit Corporation's:**

(i) **Acquisition** - the lesser of 85% of the acquisition price or 85% of the appraised value.

(ii) **Interim Construction, Rehabilitation or Improvement Loans** - the lesser of 80% of the appraised value or 80% of allowable project cost which excludes developer's profit and overhead. All applicants are strongly encouraged to seek construction financing from another source based on a term-loan commitment issued by the Corporation.

(iii) **Term loan which takes out an interim construction, rehabilitation, or improvement loan** - the lesser of 85% of the appraised value or 100% of the allowable developmental costs which may include developer's profit in an amount acceptable to the Corporation.

(iv) **Refinance** - 75% of appraised value with no cash back to borrower. Generally, only refinance proposals which add to the inventory of affordable housing units for persons of lower- to moderate-income will be considered.

B. **Other Eligible Borrowers:**

(i) **Acquisition or Refinance, or Term loan which takes out an Interim Construction, Rehabilitation, or Improvement Loan** - an amount which does not exceed an acceptable risk to the corporation as determined by an analysis of the housing's current and forecasted cash flows relative to the housing's operating expenses, reserves and debt repayment requirements.

(ii) **Interim Construction, Rehabilitation or Improvement Loan** - the lesser of (a) 80% of the appraised value, or (b) allowable project cost, excluding developer's profit and overhead. Consideration may be given to exceeding these guidelines if there are, in the Corporation's opinion, offsetting positive merits in the application. <u>All applicants are strongly encouraged to seek construction financing from another source based on a term loan commitment issued by the Corporation.</u>

<u>Special Needs and Congregate Properties</u>

A) **Acquisition or Refinance, or Term loan which takes out an Interim Construction, Rehabilitation, or Improvement Loan** - an amount which does not exceed an acceptable risk to the corporation as determined by an analysis of the housing's current and forecasted cash flows relative to the housing's operating expenses, reserves and debt repayment requirements.

B) **Interim Construction, Rehabilitation or Improvement Loan** - the lesser of (i) 80% of the appraised value, or (ii) allowable project cost, excluding developer's profit and overhead. Consideration may be given to exceeding these guidelines if there are, in the Corporation's opinion, offsetting positive merits in the application. <u>All applicants are strongly encouraged to seek construction financing from another source based on a term loan commitment issued by the Corporation.</u>

<u>Loan Term:</u>

The loan term may not exceed 30 years, or the useful life expectancy of the housing as determined by the Corporation, whichever is less. Depending upon the collateral type and condition, loan risk, or other credit variables, a shorter term loan may be required. The term of an interim construction, rehabilitation or improvement loan may not exceed 18 months.

<u>Debt Service Coverage Ratio (DSCR):</u>

This ratio is a measure of the availability of the project's cash flow after paying project expenses (net operating income) to pay loan payments. Simply, the DSCR is net operating income divided by the mortgage payment. Generally, a minimum ratio of 1.15% is required. Consideration may be given to a lower ratio if there are, in the Corporation's opinion, offsetting positive merits in the application.

<u>Loan Fees:</u>

(A) **Loan Application Fee** - a $2,500 non-refundable application fee is due upon submission of an application for project approval and funding commitment. In the event that the loan application is approved and closed, the application fee will be credited towards the loan origination fee.

(B) **Loan Origination Fee:**

(i) Term loan made to a(n):

1) non-profit corporation, agency of the state, municipality, regional housing authority, or corporation organized under 43 USC 1601-1629e, as amended, or any wholly-owned subsidiary of such corporation -

the first $1,000,000	.500%
the next $4,000,000	.375%
the next $10,000,000	.250%
the next $15,000,000	.125%

2) individual, partnership, joint-venture or for-profit corporation -

the first $1,000,000	1.00%
the next $4,000,000	.750%
the next $10,000,000	.500%
the next $15,000,000	.250%

(ii) Interim construction, rehabilitation or improvement loan made to a(n):

1) non-profit corporation, agency of the state, municipality, regional housing authority, or corporation organized under 43 USC 1601-1629e, as amended, or any wholly-owned subsidiary of such corporation -

.750% of the loan amount;

2) individual, partnership, joint-venture or for-profit corporation -

1.5% of the loan amount.

(C) **Loan Commitment** - if bonds are issued for a specific project(s) prior to funding the loan, a commitment fee equal to 1.5% of the approved loan amount is required at the time of commitment acceptance by the borrower.

The commitment fee is refundable, or will be credited towards closing costs, upon acceptably closing the loan within the specified firm commitment period.

(D) **Secondary Mortgage Purchase Fee** - if the mortgage is subject to purchase from a secondary investor such as Fannie Mae or Freddie Mac, all costs associated with the purchase must be paid by the applicant/borrower.

(E) **Extension of Commitment** - a 120 day extension of the firm commitment may be granted for good cause upon written request and receipt of an extension fee equal to -

(i) for a non-profit corporation, agency of the state, municipality, regional housing authority, or corporation organized under 43 USC1601-1629e, as amended, or any wholly-owned subsidiary of such corporation -

.5% of the loan amount;

(ii) for an individual, partnership, joint-venture or for-profit corporation -

1% of the loan amount.

Interest Rates:

AHFC's cost of funds, including administrative and servicing costs, generally indexed to the bond market based on **taxable** or **tax-exempt** financing.

Tax-exempt financing may be available to -

A) non-profit corporations for the acquisition, rehabilitation, improvement or new construction of multi-family, special need or congregate housing.

B) other borrowers for new construction or substantial rehabilitation of multi-family properties only.

Tax-exempt means that the interest paid to the bond holders is not taxable which generally means a lesser interest rate to the borrower.

Inquiries regarding current interest rate estimates for multi-family, special needs or congregate housing loans should be direct to the Mortgage Project Department.

6. **SET-ASIDE REQUIREMENTS:**

Due to this program's lower- to moderate-income housing focus, borrowers are generally required to set-aside (restrict) units within the project which must be rented at affordable (restricted) rents to lower income persons or families. As noted earlier, an exception may be made for projects which are located in areas that are considered to be "remote, undeveloped, or blighted" as defined in AS 18.56.900(12).

At a minimum, one of the following options must be chosen:

A) 20% of the units in the project must be set-aside for persons or families whose income does not exceed 50% of the area median income, adjusted for family size.

OR

B) 40% of the units in the project must be set-aside for persons or families whose income does not exceed 60% of the area median income, adjusted for family size.

Alaska Housing Finance Corporation

Low-Income Housing Tax Credit Program

STATE ALLOCATION PLAN LOW-INCOME HOUSING TAX CREDIT PROGRAM

ALASKA

January 1994

Ver. 1/94

ALLOCATION PLAN FOR THE
LOW-INCOME HOUSING TAX CREDIT PROGRAM

ALASKA HOUSING FINANCE CORPORATION

Table of Contents

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I. PURPOSE

The Low-Income Housing Tax Credit Allocation Plan (LIHTC Plan) has been prepared by the allocating agency (Alaska Housing Finance Corporation) to comply with the mandates of Title 26, U.S.C. Section 42 of the IRS Code, as amended ("Section 42").

II. POLICY

It is the policy of the Alaska Housing Finance Corporation (the Corporation or AHFC), to promote, foster, and encourage the responsible development of low-income housing through the allocation of Low-Income Housing Tax Credits.

It is the policy of the Corporation to minimize the impact of the tax credit program on existing residents of buildings which receive tax credits for acquisition and or rehabilitation.

The amount of credit allocated to a project may not exceed the amount necessary for the financial feasibility and long term viability of the project. To determine the appropriate amount of credit to be allocated the Corporation will consider the sources and uses of funds and the reasonableness of development and operational costs.

The priorities established by 26 U.S.C.S. 42 for the LIHTC are:

(1) Projects that serve the lowest income tenants; and

(2) Projects that are obligated to serve qualified low-income tenants for the longest period of time.

III. ALLOCATION PROCEDURES

The Corporation has established several procedures to allocate tax credits under the Low-Income Housing Tax Credit Program:

A. Notification of Local Jurisdiction

Upon receipt of an application for tax credits, the Corporation shall notify the chief executive officer of the jurisdiction in which the project, requesting credit, is located. The notification will identify the applicant and describe the project and its exact location. Where applicable, community councils or other representative neighborhood organizations will also be notified.

B. Increase in Eligible Basis For Difficult to Develop Areas

For projects in "difficult to develop" areas, an applicant may apply for a credit allocation by multiplying a project's eligible basis by 130 percent. Only new construction and rehabilitation expenditures are eligible for this increase in basis. To qualify, a project must be located in either a qualified census tract or a difficult development area as determined by the U.S. Department of Housing and Urban Development (HUD).

A qualified census tract is a census tract in which 50 percent or more of the households have an income which is less than 60 percent of the area median gross income. A difficult development area is an area which has high construction, land and utility costs relative to area median gross income.

Neither a qualified census tract nor a difficult to develop area may exceed 20 percent of the population of the metropolitan statistical area in which it is located.

A complete listing of the qualified census tracts and difficult to develop areas, in Alaska, are available from the Corporation.

C. Allocation Periods

Applications for the allocation of tax credit may be submitted during the application rounds for which credit is requested. The Corporation will not accept applications for a reservation of a future year's credit. There are two allocation rounds per year:

Period	Cutoff Date	% of Annual Credit Ceiling
1	February 28	100%
2	May 15	Remaining credits if necessary

If the annual credit ceiling is not reserved during the established rounds, the Corporation may advertise an additional round later in the calendar year.

If the amount of credit applied for exceeds the amount of credit available, a waiting list will be established. Qualified projects from the applicable round will be put on the waiting list, should credit become available within the same calendar year.

D. Evaluation Review Committee

An evaluation committee, will rank applications for tax credits based on the selection criteria outlined in this plan, review proposals for viability and recommend to the executive director the amount of credit to be allocated.

The applications will be reviewed for financial feasibility and viability in order of their point rankings. If an application is considered both feasible and viable, it will be recommended for a credit reservation based on its place in the point ranking.

However, the committee may recommend credit reservations to projects out of order, based on the size of the requested credit reservation, or the feasibility and viability of the project.

The committee may include representatives from the Corporation, the U.S. Department of Housing and Urban Development, the real estate, construction or financial industries. The committee will complete the evaluation within thirty days of the end of each application period.

The executive director of the Corporation will recruit and appoint the members of the evaluation committee.

E. Carryover Allocation Provisions

If an applicant is unable to complete a proposed project within the calendar year in which a credit reservation is made, then a carryover allocation must be requested in order to keep the reservation.

If a carryover allocation is requested, all documents requested by the Corporation must be submitted within two (2) weeks of the end of the calendar year, unless another time period is agreed to by the Corporation and the applicant. In addition, the appropriate processing fees must be paid to the Corporation before the carryover allocation is made.

F. Changes to Applications After a Credit Reservation is Made

Changes to project characteristics that were attested to in the application, after receipt of a credit reservation, may only be made under the following conditions:

1. A written description of the changes and the justification must be received by the Corporation, at least 15 working days before the change is made.

2. The applicant must receive written authorization from the Corporation that the proposed change has no significant impact on the ranking or financial evaluation of the application.

3. If the Corporation determines that a proposed change has a significant impact on the ranking and or financial evaluation of the application, it may revoke the reservation (15 AAC 151.700-890).

If the Corporation revokes a reservation of credit to the project due to substantial changes to the project as proposed in the initial application, a new application will be required to regain the credit reservation.

Evaluation of the new application will occur during the next credit application round. The application will not take precedent over other applications, but will be evaluated in the same manner. If the next credit application round is after the end of the calendar year, the Corporation may choose to open a special round, or evaluate the application by itself.

G. Displacement/Relocation of Residents

The Corporation will not allocate credits for an acquisition and/or rehabilitation project unless the Applicant submits a residential rental-unit relocation plan, in the event displacement of the current residents may occur. The Corporation is the sole determinant as to whether or not displacement will occur as a result of the project's development.

H. Project Cost Limitations

The limitations discussed below pertain to the amounts which will be allowed in eligible basis. In all cases, the Corporation will also analyze the projected net return to the developer and or contractor/builder.

a) *Developer Profit and Overhead* - The Corporation does not limit the size of the development fee (including overhead) that may be included in the eligible project costs. However, development fees/overhead above 15% of the total development cost must be substantiated to the Corporation's satisfaction with written documentation.

In addition, the Corporation reserves the right to reduce the amount of the developer's fee included in eligible project costs based on an analysis of the project's net return to the developer or other characteristics of the project such as, an identity of interest with the contractor or builder, scope of work, etc.

The percentage of the project's costs allowed in the eligible basis attributable to "intermediary costs" will be taken into consideration when reviewing the project's development fee and overhead.

b) *Builder/Contractor Profit and Overhead* - For builder/contractor profit and overhead and general requirements the following standards will be used:

Builder Profit -	10 percent of construction costs
Builder Overhead and General Requirements -	10 percent of construction costs

c) *Per Unit Total Development Costs* - Any project where the total development costs are in excess of the maximum mortgage limits, by bedroom size, published by the U.S. Department of Housing and Urban Development (HUD) for the Section 221 (d)(3) program must provide written documentation to justify the additional project costs.

If the proposed per unit cost is less than the 221 (d)(3) limits for the area, no further justifications will be required from the developer. If the per unit costs are higher, written justification explaining exactly why the additional costs are needed, will be required. The justification will be examined by the tax credit review committee which will recommend acceptance or denial of the justification to the executive director, who will make the final determination.

Total development costs for the purposes of calculating the development fee will not include the builders profit if there is an identity of interest between the developer and the contractor/builder.

I. Appeal Procedures

The procedures for filing an appeal of the revocation of a credit reservation are outlined in Alaska Administrative Code (15 AAC 151.830). An applicant has 10 days to submit a written protest of the decision. The 10 days starts from receipt of the letter informing the applicant of the decision.

The letter of protest should include the name, address, telephone number of the applicant, the name of the project receiving the credit allocation, an explanation of the protest, and a statement of the relief requested.

The Corporation will respond within 30 days. The Corporation's decision may be appealed to the Board of Directors, within 10 days of the receipt of the response to the protest. The decision of the Board of Directors is final.

J. Allocation Plan Priorities

The criteria used to evaluate applications is based on the following:

1) accessibility for the elderly, the physically handicapped, the mentally ill, the developmentally disabled, the homeless, or other special needs populations.

2) the number of units available for larger families (three or more bedrooms).

3) the number of units constructed or rehabilitated in the project.

4) location of the project in rural communities.

5) a high degree of competition in the rental market, reducing the affordability of existing rental housing in the project area.

In addition to "extended use" and "serving the lowest income tenant" criteria, U.S.C. Section 42 requires additional criteria to be used in the selection of credit applications. These criteria are listed below and are included in the selection criteria.

1) project location
2) housing needs characteristics
3) project characteristics
4) sponsor characteristics
5) targeting individuals on public housing waiting lists
6) participation of local tax-exempt organizations
7) targeting special needs populations

K. Transfer of Credit Allocation Prior to Placement in Service

If plans to alter the ownership of the project are being considered, the Corporation must be notified in writing at least 60 days prior to the intended change. For the transfer of a credit allocation to occur, specific legal documents must be submitted to the Corporation prior to approval. These documents may include:

1. Copy of recorded deed showing transfer of the property title between the two entities.

2. Copy of provisions within new and old owners' incorporation documents relating to transfers of real property.

3. Certification by an authorized representative, of both parties, as to the true transfer of the property title and that it is not a mortgage or transfer for security purposes.

4. Copy of provisions within both partnership agreements relating to transfers of real property.

5. Certification by authorized representatives approving the transfer of the property and identifying authorized signatures.

Prior written approval, from the Corporation, must be obtained before a sale or transfer of any portion of a property receiving a conditional or formal allocation of credits can be executed.

6. Certification by authorized representative or opinion of an attorney that the new partnership legally exists and has full power to effect the proposed transfer, that the agreement between parties is a legal, valid and binding obligation of the partnership and that the transfer of the property does not violate the partnership agreement, any resolutions of the partnership, or any laws, regulations, administrative orders, contracts or other agreements which apply to the partnership.

7. Copy of preliminary title insurance commitment/report showing new partnership as the owner of the property.

The exact form of the documentation listed above may vary depending on whether a transfer involves two partnerships, general partners within a partnership, or transfer of the credit allocation without a transfer of real property.

Once the Corporation has determined to its satisfaction that the transfer is legal and appropriately documented, a transfer agreement will be executed. The transfer becomes effective upon the date signed by the Corporation's representative and released to the parties to the agreement.

L. Affirmative Marketing Agreement

All project sponsors will be required to sign an Affirmative Marketing Statement which outlines their obligations to provide equal access to housing for individuals regardless of race, creed, color, age, sex, familial status, or national origin. This statement will also require the sponsor to describe how they intend to reach minority and special needs groups with advertising.

IV. APPLICATION SELECTION CRITERIA

Applications will be ranked according to the number of points received under the primary category first. The applications will then be evaluated based on the secondary criteria.

A. Primary Criteria

1) Serving The Lowest Income Tenants
(Maximum 16 points)

Additional points may be received for targeting populations with lower incomes than those required under Section 42 occupancy restrictions. Points will be awarded based on the percentage of units affordable to the populations below 50% of area median gross income, above the 20% minimum set aside.

Points		
2	21 - 30%	of units.
4	31 - 40%	of units.
6	41 - 50%	of units.
8	51 - 60%	of units.
10	61 - 70%	of units.
12	71 - 80%	of units.
14	81 - 90%	of units.
16	91 - 100%	of units.

"Affordable rent" is defined as 30% or less of the gross monthly income.

2) Extended Low-Income Use

Section 42 requires a 30 year extended use agreement with an option to sell after 15 years. Three (3) points will be added to a proposal for every additional five (5) years of low-income use the applicant will commit to beyond the minimum 15 year compliance. (Maximum 9 points)

3) Accessibility To Special Needs Populations
(Maximum 5 points)

Award of these points will be based on information contained in the application. An application shall not receive any points for meeting the minimum level of accessibility required by federal fair housing law, applicable to the project.

Points will be awarded based on the extent of the commitment stated in the application.

4) Public Housing Waiting Lists

A maximum five (5) points may be awarded to applications that contain a ***written commitment*** to give priority to households on waiting lists for subsidized housing. A commitment may consist of accepting tenants receiving rental subsidies (Section 8 program) and established gross rents below the Fair Market Rent limits established by the Department of Housing and Urban Development.

Nothing in this subsection shall be construed as entitlement, for prospective applicants, to have access to waiting lists for subsidized housing.

5) Rural Housing Preference (Maximum 5 points)

Based on how far the site is from an "urban location", where "rural" is defined as a small community with a population which is less than 5,500 and is not connected by road or rail to Anchorage or Fairbanks; or a population of 1,400 or less that is connected by road or rail to Anchorage or Fairbanks.

6) High Cost Areas (Maximum 5 points)

Up to five (5) points may be awarded if the project is located in a qualified census tract or a difficult development area. A complete list is available from the Corporation.

7) Local Government/Community Participation (Maximum 5 points)

Applicants must show documented support for the project from the local government and or community groups. Projects which leverage other state/local/community financial (cash or in-kind) support will receive higher points than those just providing letters of support.

8) Need For Low-Income Housing In The Area (15 points)

A maximum of fifteen points may be awarded based on the applicant's ability to show a significant lack of affordable (to the population below 60% of area median gross income) rental housing in the area. Material that can be used to show need are letters from community groups or local government, market studies or demand analysis, waiting list information for subsidized housing, vacancy rate information, or any other information that will support a claim.

A combination of two or more of these information sources will be necessary to receive maximum points.

The maximum points possible in the primary category is 65. Applicants must receive at least 25 points in this category for the application to be accepted for review by the Corporation.

B. Secondary Criteria

1) Participation By Local Tax-exempt Organizations (Maximum 2 points)

A qualified non-profit must be involved in the project on a regular, continuous and substantial basis in both the development and operation of the project (See definition in section VIII).

2) Availability For Larger Families (Maximum 13 points)

Points are based on the percentage of units with 2 or more bedrooms.

13 points	25% or more 3+ bedroom units
6 points	50% or more 2+ bedroom units
0 points	less than 50% 2+ bedroom units

3) Density Of Units (Maximum 5 points)

For new construction:

0 points	51 or more
2 points	25 - 50
5 points	less than 25

At the Corporation's discretion, points may be awarded for project designs that group a small number of the total units together with open spaces, in a development with 50 or more units.

For acquisition with rehabilitation or just rehabilitation:

5 points	51 or more
2 points	25 - 50
0 points	less than 25

NOTE: Rehabilitation costs must be the greater of $3,000 per unit or 10% of the adjusted basis for the building.

4) Sponsor Characteristics (5 points)

The applicant's experience with the tax credit program, the Alaskan construction industry, and/or the ownership and management of rental housing.

5) Project Characteristics (10 points)

Elements examined may include, but are not limited to, innovative designs, appropriateness for local housing market, energy conservation, compliance with State lighting and thermal standards, preservation of existing low-income stock, and location within the jurisdiction.

Total number of points in primary criteria:	65
Total number of points in secondary criteria:	35
Total points possible:	100

V. APPLICATION SUBMISSION REQUIREMENTS

Applicants must submit a completed application package, which includes forms provided by the Corporation. Each application package will be evaluated for completeness based on the checklist included in the packet. If the material submitted is not complete, and the application deadline has passed, the application and fee will be returned. If the application deadline has not passed, the applicant will have until the deadline to submit the additional information.

Applications which do not receive at least twenty-five (25) points when ranked under the primary selection criteria will be rejected and the application fee will not be returned. If the application is resubmitted within the same allocation period, no additional application fee is required.

An application that is resubmitted must describe how the project characteristics have changed so that it meets the 25 point threshold for ranking. A rejected application that is resubmitted in a subsequent allocation period must be accompanied by the application fee.

Applications for tax credit are evaluated three times. The evaluation stages, and the threshold requirements for each, are listed below.

A. First Stage Evaluation - Acceptance

1) Complete application form.

2) Certification of all state, local and federal subsidies.

3) Project costs and revenue estimates.

4) Evidence that project construction, rehabilitation, or acquisition will start within 180 days of credit reservation (evidenced by project schedule).

5) Payment of application fee.

6) Preliminary evidence of the application meeting the minimum number of points under the primary criteria.

7) Project is eligible to receive tax credits.

If these conditions are satisfied then the application will be accepted for evaluation by the review committee.

B. Second Stage Evaluation - Conditional Allocation

1) Certification of all state, local and federal subsidies.

2) Permanent financing commitments, if available.

3) Site control and all necessary federal, state, or local permits.

4) Updated cost and revenue projections.

5) Syndication or partnership agreements, if applicable.

6) Ranking by evaluation review committee.

7) Evidence of sufficient housing demand in project area to maintain project viability.

8) Relocation plan if current residents are displaced. (For acquisition and/or rehabilitation applications)

Once these conditions are met, an application may be given a conditional allocation of credit (reservation).

Within 90 days of the receipt of the reservation letter, an applicant must show evidence of financing commitments, or significant progress in securing commitments. Actual construction, site development, etc. shall begin within 180 days of the receipt of the reservation letter. Extensions for the 180 day construction start may be granted by the Corporation upon demonstration of reasonable cause.

Eligible applications not ranked high enough to receive an allocation in the period reviewed will automatically be considered in a subsequent allocation period in the same allocation year. An additional application fee shall not be required. In this event, the Applicant will be notified of the status of the application and given an opportunity to amend the application.

C. Third Stage Evaluation - Allocation Documents

1) Certification of all state, local and federal subsidies.

2) Cost certification.

3) Low-income use agreement (restrictive covenant).

4) Certificate of occupancy/completion.

5) Payment of processing fees.

6) Permanent financing commitments.

7) Affirmative Fair Housing Marketing Statement

When the Corporation has received and accepted all requested documentation and required fees and determined to its satisfaction that the applicant and project comply with all requirements of Internal Revenue Code Section 42, other applicable sections of the IRS code, and regulations adopted under the code, the Corporation will issue a low-income housing credit allocation certification signed by the Executive Director.

A copy of the certification shall be sent to the applicant for his/her federal tax return.

VI. PROGRAM FEES

The fees for Alaska's 1994 LIHTC program are:

1. Application Fee: Non-refundable
   $500 for non-profit sponsors
   $1,000 for all other sponsors

   Due at time of application.

2. Project Review and Allocation Fee: Non-refundable

Non-Profits:	1-4 Units	No Fee Required
	5-10 Units	.5% ten year credit
	11+ Units	1% ten year credit

Maximum: $10,000

For-Profits:	1-4 Units	No Fee Required
	5-10 Units	.5% ten year credit
	11+ Units	1% ten year credit

Maximum: $20,000

For projects receiving a permanent financing commitment from the Corporation, the Owner may choose to pay either the maximum processing fee or 75% of the estimated fees as calculated above.

The processing fees are due upon issuance of the IRS Form #8609 or a carry-over agreement pursuant to Section 42(h)(1)(E), whichever comes first.

3. Annual Compliance Monitoring Fee: Non-refundable

All Projects:	$20 per low-income unit up to a maximum of $1,000
FmHA 515 Projects:	$15 per low-income unit up to a maximum of $300
Late Fee:	$25 per day

All fees shall be established by the Corporation and reviewed by the Executive Director on a yearly basis to insure they adequately cover the administrative cost of the program.

VII. COMPLIANCE MONITORING PLAN

(a)(1)(A) ***Monitoring Authority*** - All projects "placed in service" since the 1986 enactment of the Low-Income Housing Tax Credit Program, are subject to monitoring for compliance with the rules and regulations of 26 U.S.C. Section 42.

(B) The compliance monitoring of all tax credit projects will be conducted by the Alaska Housing Finance Corporation (the Corporation), or a designee of the Corporation, in accordance with the procedures outlined below. The Corporation's obligation to monitor for compliance with the requirements of Section 42 does not make the Corporation liable for an owner's noncompliance.

(C) The areas to be reviewed for compliance shall include, but are not limited to:

i. Tenant income qualifications, calculations and appropriate supporting documentation.

ii. Gross rent payments and any components of the gross rent figure.

iii. The vacancy history of the low-income and market rate units.

iv. Items agreed to in the extended use agreement.

v. Certifications made by the Owner during the application process regarding project design and other building characteristics (e.g. accessibility for people with disabilities, use of non-residential space, etc.).

vi. The annual amount of eligible basis and the applicable fraction claimed for the property.

(b)(1) *Record Keeping* - The owner of a project receiving a credit allocation shall maintain project records (A - I, below) for six (6) years past the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period must be retained for at least 6 years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building. The records must include, but are not limited to, the following:

(A) the total number of residential rental units in the project (including the number of bedrooms and square footage of each residential rental unit).

(B) the percentage of residential rental units in the building that are low-income units.

(C) the rent charged on each unit in the project, including the utility allowance used.

(D) the vacancy history of the low-income units and information that shows when and to whom the next available units were rented.

(E) annual income certifications for each low-income tenant and sufficient documentation to prove that annual income was calculated in a manner consistent with the requirements of Section 8 of the U.S. Housing Act of 1937.

(F) the character and use of the non-residential portion of the building(s) within the project (common areas, etc.) if included in eligible basis.

(G) the number of occupants in each low-income unit.

(H) the eligible basis and qualified basis of the building at the end of the first year of the credit period.

(I) evidence that supports any of the project characteristics the Owner may have certified to, in his/her application for tax credits, to receive points in the ranking process.

*(2) **Corporation Record Retention*** - The Corporation must retain the records and certifications used to review the projects for compliance, for three years after the end of the calendar year in which it receives them. If non-compliance is found, records and certifications related to that specific compliance review must be retained for 6 years beyond the filing of the IRS Form 8823.

(c)(1)(A) ***Monitoring Review Procedures*** - Upon request from the Corporation, the owner of the subject project shall submit project information required by the Corporation to complete a monitoring review. The required information is detailed in section (b)(1), above. After receipt of the information described in section (b)(1), the Corporation will review the documentation for compliance with 26 U.S.C. Section 42. The Corporation shall notify the owner within 15 working days as to the result of the initial review. If additional information is required by the Corporation to complete its review the owner shall respond within 10 working days. A $25 per-day late fee will be assessed on sponsors who do not submit the requested compliance information within the deadlines established by the Corporation.

(B) *Inspections* - The Corporation has the right to perform audits which may include site inspections on any tax credit project during the full term of the agreed upon compliance period or eighteen (18) years, whichever is greater. The compliance period is established in an extended-use agreement, which is recorded as a restrictive covenant when the project is placed-in-service. The focus of the inspection(s) will include, but not be limited to, those items referred to in (a)(1)(C) and (b)(1), above.

(C) *Minimum Monitoring Standard* - The Corporation will, on an annual basis, require all owners of Alaskan tax credit projects to submit a copy of the annual income certification, the documentation used to support that certification, and the rent record for a minimum of 20 percent of the units within their projects.

(D) *Required Certifications* - In addition to the required information referred to in section (b)(1) above, owners of tax credit projects shall submit annual certifications attesting to their compliance with the requirements of Section 42, under penalty of perjury. The owner shall also certify that the resident of the low-income facility was informed of the Corporation's right and intent to review tenant income certifications for compliance with Section 42 and the procedures of this section. A certification form is available from the Corporation.

(E) *Exceptions For Farmers Home Administration (FmHA) Projects* - Projects that are financed under FmHA's section 515 program, may submit the same tenant income certification forms to the Corporation, as are required by the FmHA.

(d)(1) ***Calculating Family Income*** - (A) All families of the low-income portion of a building receiving tax credits must be income qualified. Owners of tax credit projects shall use the guidelines established by the U.S. Department of Housing and Urban Development (HUD) for the Section 8 Voucher and Certificate program for calculating family income.

(B) *Technical Assistance* - The Corporation's statewide Section 8 office personnel will be available to provide limited technical assistance to Owners unfamiliar with Section 8 income estimation procedures. For the location of the Section 8 office nearest to the project, contact the Alaska Housing Finance Corporation at (907) 561-1900 or 800-478-2432. A Compliance Procedures Manual is available from the Corporation.

(e)(1) ***Notification of Non-Compliance*** - (A) If the Corporation does not receive the required certifications, is denied access to income certification forms, support documents, or rent records for any tenant family or unit, or finds general non-compliance with the requirements of Section 42, the owner will be immediately notified of the violation, in writing, and the time period for correcting it.

(B) *Correction Periods* - An owner shall have sixty (60) days, from the date of the notice of non-compliance, to correct the finding, except in the case of a missed certification where the cure period is 10 working days.

(C) *IRS Notification* - The Corporation will notify the Internal Revenue Service (IRS) of a finding of non-compliance within 45 days of the end of the correction period, regardless if the finding was corrected. The Corporation will also notify the IRS of instances of non-compliance that it becomes aware of that may have occurred prior to January 1, 1992.

(f)(1) ***Monitoring Fees*** - (A) An annual fee will be charged to all projects for compliance monitoring, except where otherwise noted in (f)(1)(C). The monitoring fee shall be established by the Corporation and reviewed on a yearly basis to insure it adequately covers the administrative cost of monitoring.

(B) The first credit year's monitoring fee shall be payable upon issuance of the IRS Form 8609. For the following years, the monitoring fee shall be payable by the anniversary of the placed-in-service date for the project.

(C) For projects placed in service before December 31, 1989, there will be no monitoring fee assessed. All other monitoring requirements apply.

(D) Failure to pay the monitoring fees by the established due date will constitute a violation of the terms of the extended use agreement, under which a credit allocation is made. The applicant will be barred from receiving any future credit reservations and the Corporation will reserve the right to pursue a legal action and or the recapture of the credit allocation to the fullest extent permissible by state and federal law.

(h) Monitoring Office Contact - All information requested under this section shall be submitted to:

Alaska Housing Finance Corporation
P.O. Box 101020
Anchorage, Alaska 99510
Attn: Internal Audit Department

VIII. CLARIFICATIONS

The Corporation's evaluation of an application is not a warranty of the viability or feasibility of the project.

No member, officer, agent or employee of the Corporation may be held personally liable concerning any matters arising out of, or in relation to, the allocation of low-income housing credit.

The board of directors or the executive director may waive all or part of the provisions of this plan if the Board of Directors or the Executive Director determines that such a waiver is in the best interest of the LIHTC program in Alaska and that such a waiver does not conflict with the requirements of U.S.C. Section 42, and there is good cause for the waiver.

An established protest and appeal process for the allocation of tax credits, by the Corporation, is described in Alaska Housing Finance Corporation's regulation 15 AAC 151.700-890.

The Department of Housing and Urban Development (HUD) requires tax credit applicants who apply for HUD mortgage insurance or subsidy programs, to declare their intention to apply for tax credits. The Corporation will notify HUD's Anchorage Field Office of all applications for the tax credit.

The Corporation and the Farmers Home Administration (FmHA) have entered into Memorandums of Agreement to share information on the underwriting and servicing of Section 515 loans made to developers receiving tax credit allocations. The Corporation will provide FmHA any appropriate information regarding tax credit applications that also receive Section 515 financing.

The Corporation may not allocate any credits to an acquisition/rehabilitation project if Section 8 Moderate and Rehabilitation funding is involved.

It is the responsibility of the tax credit applicant to comply with all requirements of U.S.C. Section 42 whether or not they have been specifically addressed in this allocation plan.

The Alaska Housing Finance Corporation reserves the right to amend this allocation plan as required by either federal law and regulation or by the practical administration of the Low-Income Housing Tax Credit Program.

IX. DEFINITIONS

In the LIHTC Plan:

(1) "allocating agency" means the Corporation of the State of Alaska designated to allocate tax credit under the low-income housing credit program.

(2) "annual credit ceiling" means the annual amount established for allocation in the state under 26 U.S.C. 42(h)(93)(c). That amount is $1.25 multiplied by the state population.

(3) "applicant" means an individual or individuals applying for tax credit on a qualified project under Section 42 of the Internal Revenue Code (LIHTC program).

(4) "chief executive officer" means the head of the local governmental jurisdiction in which the project applying for credits is located.

(5) "compliance period" means the 15 years over which a project must continue to meet various LIHTC requirements in order to avoid tax credit recapture. The period begins with the first taxable year of the credit period.

(6) "construction costs" are defined as all costs incurred in the construction of the project that are related to the work of the contractor. Soft costs incurred by the developer are not considered as "construction costs" for purposes of estimating the builder profit, overhead or general requirements. The estimate of builder profit would include overhead and general requirements as well other soft costs included in the contractor's scope of work.

(7) "Corporation" means the Alaska Housing Finance Corporation.

(8) "eligible basis" means a component of the qualified basis of an LIHTC project: the eligible basis is generally equal to the cost basis of the project.

(9) "fair market rent" means the rent payment limits established by the Department of Housing and Urban Development for recipients of Section 8 certificates and vouchers.

(10) "gross rent" means the maximum rent a tenant may be charged under the LIHTC Program. Gross rent includes utilities. Gross rent is calculated by multiplying the income election (60%. 50%. 40%) of area median annual gross income by 30 percent and dividing that number by twelve.

(11) "intermediary costs" refers to the costs associated with the sale or syndication of the credits. These costs may include, but are not limited to, partnership organization fees, syndication costs, attorney, accountant or project consulting fees.

(12) "qualified non-profit" is defined in 26 U.S.C Section 42 (h)(5)(c) as (a) an organization described in paragraphs 3 and 4 of Section 501 (c) of the Internal Revenue Code and is exempt from tax under sec. 501(a); and (b) one of the organizations exempt purposes includes fostering of low-income housing and; (c) the State housing credit agency (the Corporation) has determined that the organization is not affiliated with or controlled by a for-profit organization.

(13) "rural" means a small community with a population which is less than 5,500 and is not connected by road or rail to Anchorage or Fairbanks; or a population of 1,400 or less that is connected by road or rail to Anchorage or Fairbanks.

(14) "Section 8 Program" means the federally subsidized rental housing program operated by housing authorities or the U.S. Department of Housing and Urban Development. The rental subsidy may be in the form of either certificates or vouchers.

(15) "special needs populations" means elderly, people with physical or mental disabilities, the developmentally disabled, the homeless, or other groups that have special housing needs.

(16) "total development costs" are defined as all cost incurred on the project, except the development fee and builders profit when there is an identity of interest between the developer and the builder/contractor.

(17) "20% set-aside" means 20% of the units in the project are reserved for households whose incomes are at or below 50% of area median gross income.

(18) "40% set-aside" means 40% of the units in the project are reserved for households whose incomes are at or below 60% of area median gross income.

Low-Income Housing Tax Credit Program

Program Summary

version 1/94

LOW-INCOME HOUSING TAX CREDIT PROGRAM SUMMARY

The Low-Income Housing Tax Credit Program is operated by the U.S. Department of Treasury, Internal Revenue Service. The program allows owners/developers to take a credit or reduction on their federal income tax in exchange for building or rehabilitating low-income housing, subject to a 30 year use-agreement.

This summary is intended as a brief introduction to the program and does not contain all the necessary information needed by a taxpayer/developer to apply for, or comply with the rules of the tax credit program. The Alaska Housing Finance Corporation (the Corporation or AHFC) administers the tax credit program in Alaska.

Statutory and Credit Allocation Authority

The Low-Income Housing Tax Credit program was created as part of the Tax Reform Act of 1986. The laws governing the program are contained in Section 42 of the Internal Revenue Service Code. 15 Alaska Administrative Code (AAC) 151.710-840 governs the allocation of the tax credit in Alaska.

The amount of credit each state has available to allocate is based on population. Each state is allocated $1.25 per person. Each state is also entitled to carry forward the unused portion of the previous year's state cap. Alaska's allocation for 1993 was approximately $733,750.

Ten percent of the state cap must be set-aside for projects with qualified non-profit participation. A "qualified non-profit" is defined under section 501(c) subsection (3) and (4) of the IRS code. One of the non-profits stated purposes must be the fostering of low-income housing.

IT IS THE RESPONSIBILITY OF THE TAXPAYER WHO APPLIES FOR THE TAX CREDIT TO ASCERTAIN THE APPROPRIATENESS OF THE TAX CREDIT TO THE TAXPAYER'S FEDERAL INCOME TAX SITUATION.

Building Eligibility

Projects may qualify for tax credits if they are for new construction, acquisition and rehabilitation, or just rehabilitation. Tax credits can be used on any size and type of housing, from single family homes to multi-family complexes. In general, these properties must be rental units.

Acquisition credits may be claimed only if the property has not been placed in service in the ten years prior to the sale to the owner applying tax credits. Substantial rehabilitation and a change in ownership may create a new placement in service date. This requirement is called the "ten year rule."

The IRS may waive the ten year rule in order to avoid a federally assisted property from going into default, low-income housing from being lost due to prepayment of a federal mortgage, or to purchase a property from a failed depository institution. Owner-occupied single family residences are exempt from the ten year rule.

Program Set-Aside for Low-Income Families

To get tax credits, a qualified project must have a minimum of 20 percent of the units set-aside for families at 50 percent of area gross median income (AGMI) or a minimum of 40% of the units for families at 60% of AGMI. For projects that have greater than 40% of the units set-aside, the 60% AGMI measure is used. The AGMI is used to determine qualifying family income and maximum rents. **Any set-aside election, once made, is irrevocable.**

Allowable Rents Charged to Tenants

The gross rent **(including utilities)** is restricted to 30% of the qualifying income for the family size appropriate to the unit. The IRS assumes there are 1.5 persons per bedroom of a unit. As an example, the gross rent for a one bedroom unit would be 30% of the applicable qualifying income of a family with 1.5 people. The appropriate family sizes per number of bedrooms are:

Studio	- one person family
1 Bedroom	- 1.5 person family
2 Bedroom	- 3 person family
3 Bedroom	- 4.5 person family
4 Bedroom	- 6 person family
5 Bedroom	- 7.5 person family

Example: How do you calculate the gross rent for a 1 bedroom unit?

Qualifying income of 1.5 person family = $18,000

$18,000 x .30 = $5,400
$ 5,400/12 = $450

The gross rent figure includes utilities and any other fees for services that residents are required to pay (ie. storage fees, rec room fees, etc.).

Gross family income must be calculated using the guidelines of the U.S. Department of Housing and Urban Development's (HUD) Section 8 Rental Assistance Program. The income guidelines used for the qualifying income and rent calculations are estimated on a yearly basis by HUD. Attached to this summary is a copy of the HUD low-income guidelines for Alaska.

Extended Use Requirements

To receive a tax credit allocation, applicants must sign an Extended-Use Agreement (the Agreement) that will insure compliance with the set-aside requirements (20%-50% or 40%-60%) for a minimum of 30 years. The Agreement is recorded as a restrictive covenant to the deed. The Agreement is also binding upon successor owners of the property.

After year 14, the owner may notify the Corporation that they wish to sell their interest in the low-income portion of the property. The Corporation has one year to locate a qualified buyer. If the Corporation can not find a qualified buyer for the owners interest, the Agreement may be terminated. The Agreement may also be terminated by a foreclosure action.

If the Agreement is terminated for lack of a qualified buyer, or foreclosure, a three year prohibition against evicting current tenants (except through just cause) will take effect. In addition, the rent charged to low-income tenants may not be increased during this three year period.

If the applicant/owner certifies to the 30 year set-aside restrictions during the application/allocation process, the agreement may only be terminated through foreclosure.

Meeting the State's Priorities

Before a reservation (conditional allocation) is awarded, each application is ranked according to the State's qualified Allocation Plan. The Allocation Plan consists of primary and secondary criteria that represent state and federal priorities for tax credit projects. Points are awarded to an application based on how well it addresses the criteria listed.

An application must receive a minimum of 25 points in the primary criteria or it will be rejected. **Tax credit reservations are made based on the point rankings and the Corporation's determination of feasibility.** In case of a tie, the application with the highest primary criteria ranking will receive credits first.

What Are the Credits Based On

The amount of credit a taxpayer/developer can apply for, is based on the actual construction/rehabilitation costs associated with the number of units set-aside for low-income use. This amount is called the **eligible basis.** In general, only depreciable items may be included in eligible basis. Land acquisition costs and some financing charges can not be included in eligible basis. In addition, the costs associated with commercial portions of the building, or services that require voluntary payment (charges for garages, etc.) can not be included in eligible basis.

For projects that apply for acquisition and rehabilitation or rehabilitation credits only, an average of $3,000 per unit, or 10 percent of the eligible construction costs, must be spent within a 24 month period of time.

Qualified basis is equal to the eligible basis multiplied by the applicable fraction of the property. The applicable fraction is equal to the smaller of the floor space percentage or the unit percentage.

The maximum credit allowable under Section 42 is the qualified basis multiplied by a tax credit percentage. The tax credit percentages are established by the U.S. Department of the Treasury on a monthly basis.

For new construction projects that have federal subsidies involved in the financing (Farmers Home Administration, HUD or tax-exempt financing) a 4% tax credit percentage is used to estimate the maximum allowable credit. For new construction or substantial rehabilitation with no federal subsidies, a 9% credit percentage is used. The actual percentage rate varies from month to month so as to maintain a present value over ten years equal to 70% (9% credit) or 30% (4% credit) of the building(s)'s qualified basis.

If the building(s) are located in a "high cost area", the eligible basis may be increase by 30%. The "high cost area" designation is determined by HUD. A complete list of these areas in Alaska, is attached.

Determining Federal Subsidy

A federal subsidy is considered any obligation for which the interest is exempt from tax under Section 103 of the IRS Code, or any below market federal loan. A below market loan is defined as any federal loan with an interest rate below the applicable federal rate.

Selecting the Credit Percentage

The Corporation will reserve credits based on the appropriate tax credit percentage determined by the IRS for the month in which the application round ends. The credit percentage used for the final allocation will be the rate issued by the IRS for the month in which the project is placed in service.

The taxpayer may select a credit percentage specified for a particular month, by entering into a binding reservation agreement with the Corporation. For bond-financed projects, the credit percentage would coincide with the month the tax-exempt bonds are issued. The election of a credit percentage must be made within 5 days after the end of the month in which a commitment as to the credit amount is made between the corporation and the applicant.

How Applications are Evaluated

The IRS Code governing the administration of the program requires The Corporation to allocate only that amount of credit that is necessary to insure the viability of the project. "Viability" is considered to be the maximum amount of credit needed to insure that the project can be completed. The maximum amount of credit may be awarded only in cases where it is absolutely necessary. This rule also applies to the "high cost area" credit.

The Corporation is also required to examine a project for financial feasibility. This means the project must be capable of generating enough cash flow to support the debt service and all operating costs.

The Corporation determines the "viability" and "financial feasibility" by evaluating all the sources of funds (loans, grants, subsidies, proceeds from the sale of credits) and the uses of funds (construction costs, soft costs, operation and development costs).

The Corporation's determination of the appropriate credit amount is not a representation or warranty as to the qualification of such buildings or project for such tax credit, the financial feasibility of such project or its viability as a low-income housing project, and may not be relied upon as such by the applicant, owner, developer, investor or lender or any other person.

Value of the Credit

The value of the credit is determined by the offers the owner/taxpayer receives for the credit through syndication. That value may range from $.30 to .60 per dollar. During the application process, the applicant/taxpayer estimates how much he/she will receive for the credit.

That credit value is used by the Corporation in it's evaluation of the viability of the project and in making a credit determination. Unless the Corporation's knowledge of credit value conflicts with that indicated in the application, the applicant's estimate of "value" will be used.

Calculating the Credit Amount

This is an example of how a taxpayer estimates how much credit to apply for and how the Corporation makes a credit determination.

This example assumes that there are no federal subsidies and the applicable fraction is 100%. The project is for new construction. Total development costs (hard and soft costs, including land) equal $6,000,000. The project has secured a permanent financing commitment for 80% of the total project costs.

Eligible Basis: (Not including Land)	**$5,000,000**	**1.**
Multiplied By Applicable Fraction:	**100%**	**2.**
Total Qualified Basis:	**$5,000,000**	**3.**
Multiplied By Applicable Percentage:	**.09**	**4.**
Maximum Credit Allowed Per Year For 10 Years:	**$ 450,000**	**5.**
Ten Year Credit Amount:	**$4,500,000**	**6.**

Line 5 represents the total amount allowed under Section 42 of the IRS code. It also is the maximum a developer/owner may apply for.

If the project is syndicated and assuming $.48 per $1 of credit for the proceeds from selling the credits;

Total Proceeds To Developer:	**$2,160,000**	**7.**

<u>If the project was in a "high cost" area, line 1 could be increased by 30 percent.</u>

Line 5 assumes that the developer got the maximum credits allowed under Section 42. Under the 1989 amendments to the program, Congress instructed state agencies to allocate only what was necessary to make the project viable.

To determine the appropriate amount of credit under this mandate, the Corporation uses a "gap financing" method. That is, applying credits to the difference between total sources of funds and the total uses of funds. This difference is called the Equity Gap.

In the example above, if the developer was only able to finance 80% of the total development costs, then the gap would be $1.2 million dollars (20% of $6 million). Dividing the "gap" by the dollar value of the credits ($.48) equals $2,500,000. Dividing this figure by 10 is the amount of credit that would be allocated on a yearly basis ($250,000) for ten years. The maximum the Corporation would allocate, in this case, would be $250,000 per year.

This is a basic outline of how the Corporation allocates credits. AHFC may allocate the full amount of credit to a project when it is necessary to make the project work. The Corporation reserves the right to deny credits, or reduce the amount of the allocation based on its review of the application.

Limits on the Use of the Tax Credit

There are two ways that the tax credit program can produce benefits to a owner of low-income housing. The first is for people who wish to reduce their individual tax burden at the end of the year. Assuming a 28% tax bracket, a person could deduct up to $7,000, per year for 10 years, off the amount of tax owed the IRS.

The second way, and the most common, is for the owner of the building(s) qualifying for tax credits to syndicate the project. The tax credits can be sold to investors, who are subject to passive loss, passive credit, and at-risk rules in federal tax law. The credits can be sold either through intermediaries (syndicators) or directly to investors like banks, foundations, oil companies or native corporations.

Some corporations not subject to passive credit and at-risk tax rules may be able to use an unlimited amount to tax credit.

Administrative Procedures

Applications may be submitted to AHFC during one of the two application rounds ending February 28 or May 15 of each year. The application will be accepted as long as it is arrives by the end of the working day on the two dates mentioned above. If either of these dates should fall on a weekend, the following Monday will become the deadline.

Once an application is reviewed for completeness, it undergoes an initial point ranking to insure that it meets the allocation plan threshold criteria (25 points) and is financially feasible and viable. If accepted, the application is ranked by a review committee which establishes the order in which tax credits will be allocated to the applications.

The committee reviews the application for financial feasibility and viability and makes a recommendation to the Executive Director of AHFC on the credit amount to be allocated. If the executive director approves the reservation, then notification letters are sent to the applicants.

The final allocation of credits is not made until the project is placed in service and all processing fees have been paid. After a project is placed in service, AHFC will issue IRS Form 8609 notifying the IRS, and the developer, of the allocation decision.

Carry Over Provisions

In general, the final allocation of credits must occur within the same calendar year the building(s) project is placed-in-service. If a project is unable to be completed during the same calendar year as the reservation (conditional allocation) was made, a carry-over allocation may be awarded.

At least 10 percent of the total project costs must have been incurred before December 31st, of the year the project receives a reservation of tax credits, for a project to be eligible for a carry-over. The applicant/developer has two calendar years to complete the project. The expenditures necessary to meet the 10% must be spent by the entity applying for the tax credit application. In addition, there are specific IRS rules regarding what is an eligible expense for the 10% calculation.

Compliance Monitoring

AHFC monitors all tax credit projects constructed in Alaska, retroactive to 1987, for compliance with Section 42 of the Code and all related rules and regulations. A separate compliance monitoring plan has been developed and may be obtained from AHFC.

Program Fees

1. Application Fee: Non-refundable
   $500 for non-profit sponsors
   $1,000 for all other sponsors

   Due at time of application.

2. Project Review and Allocation Fee: Non-refundable

Non-Profits:	1-10 Units	.5% ten year credit
	11+ Units	1% ten year credit

   Maximum: $10,000

For-Profits:	1-10 Units	.5% ten year credit
	11+ Units	1% ten year credit

   Maximum: $20,000

   For projects receiving a permanent financing commitment from the Corporation, the Owner may choose to pay either the maximum processing fee or 75% of the estimated fees as calculated above.

   The processing fees are due upon issuance of the IRS Form #8609 or a carry-over agreement pursuant to section 42(h)(1)(E), whichever comes first.

3. Annual Compliance Monitoring Fee: Non-refundable

All Projects:	$20 per low income unit up to a maximum of $1,000
FmHA 515 Projects:	$15 per low income unit up to a maximum of $300

   Late Fee: $25 per day for monitoring information.

All fees shall be established by the Corporation and reviewed by the Executive Director on a yearly basis to insure they adequately cover the administrative cost of the program.

Consultation

The tax credit program has gone through substantial revision since it was originally enacted. It is a complex tax program. Anyone considering applying for a tax credit reservation should first consult with his or her own tax advisor. The Corporation shall provide limited technical assistance regarding the administration of the tax credit program, only.

The Corporation maintains a list of individuals who have asked that their names be provided to tax credit applicants as consultants and resource sources. The Corporation makes no representations or warranty as to the qualifications of these individuals or groups. This list is available upon request from the Corporation offices.

Reference Manuals:

1. The Low-Income Housing Tax Credit Handbook - Clark Boardman Company Ltd., 375 Hudson St. NY, NY, 10014. (800-221-9428)

2. Tax Credits for Low-Income Housing, Seventh Edition, Joseph Guggenheim, Simon Publications, P.O. Box 70425, SW Station, Washington D.C. 20024-0425.

3. A Developer's Guide to the Low Income Housing Tax Credit - Herbert Stevens, and Thomas Tracy, National Council of State Housing Agencies, 444 North Capitol St., NW, Suite 438, Washington, D.C. 20001, (202) 624-7710

HUD HIGH COST DESIGNATIONS FOR ALASKA
April 1993

NON-METROPOLITAN DIFFICULT TO DEVELOP AREAS

Aleutian Borough
Bethel Census Area
Dillingham Census Area
Fairbanks North Star Borough
Haines Borough
Ketchikan Gateway Borough
Kobuk Borough
Kodiak Isl. Borough
Nome Census Area
Prince of Wales/Outer Ketch.
Skagway-Yakutat-Angoon Census Area
Valdez-Cordova Census Area
Wade Hampton Census Area
Wrangell-Petersburg Census Area
Yukon-Koyukuk Census Area

QUALIFIED CENSUS TRACTS

Metropolitan Area

Anchorage Census Tract Numbers:	0003.00
	0004.00
	0006.00
	0009.01
	0011.00

Non-Metropolitan Area

	Census Tract Numbers	
Bethel	9513.98	9514.98
Dillingham	9716.98	
Fairbanks North Star Borough	0001.00	
Kenai Peninsula Borough	9543.00	
Matanuska-Susitna Borough	9743.00	9744.00
Nome	9510.00	
Valdez-Cordova	9861.00	
Wade Hampton	9712.00	
Yukon-Koyukuk	9604.00	9605.00
	9606.00	9607.98

TAX CREDIT RESOURCE LIST

David Reznick, CPA
Reznick Fedder & Silverman
4520 Est-Wst Hwy, Suite 300
Bethesda, Maryland 20814-3319
(301) 652-9100

Bryan Park, Principal
Northwest Housing Resources
3600 Columbia Center
701 Fifth Avenue
Seattle, WA. 98101-7081
(206) 292-4900

John Madigan, Romerio Perkins
ARGYLE Capital
P.O. Box 12996
Tallahassee, FL 32317-2996
(904) 668-0357

Holly Borders
SW Financial Consultants
6363 Auburn Blvd. Suite B-1
Citrus Heights, CA 95621
(916) 723-6506

Joeseph Guggenheim
Housing and Dev. Consultant
6600 Rannoch Court
Bethesda, MD 20817
(301) 320-5771

Christine Martin
Columbia Consulting, Ltd.
815 S.W. Second Avenue
Portland, Oregon 97204
(503) 220-4216

Mark English
Chris Moench
Tax Credit Services
P.O. Box 020269
Tuscaloosa, AL 35402-0269
(205) 345-3800

Ken Gain
Equivest Realty Advisors
1844 West Northern Lights
Anchorage, Alaska 99501
(907) 279-8551

Andrew Solli/Mark Sorvoja
S & S Associates
222 West 13th, #4
Anchorage, Alaska 99501
(907) 563-9224

******* These agencies have asked to be included on the list of available sources for help on Low Income Housing Tax Credit projects. The Alaska Housing Finance Corporation does not attest to the abilities of any of these agencies, nor does it advocate one service over the other. This list is prepared as an informational source only.**********

TAX CREDIT EQUITY RESOURCES

James F. Quinn, Jr.
First Financial Mgm't Corp.
100 Franklin Street
Boston, MA 02110
(617) 542-4020

Linda Cargill
Boston Capital Partnership
313 Congress Street
Boston, MA 02210
(617) 439-0072

Will Cooper
WNC & Associates
546 South Bay Front
Newport Beach, CA 92662
(714) 673-7928

Sharon Julius-Doucette
Boston Financial Group, Inc.
101 Arch Street
Boston, Mass. 02110-1106
(617) 439-3911

Lily Ng
TLC Ventures, Inc.
3260 N. Hayden Rd., Suite 207
Scottsdale, AZ 85251
(602) 423-5886

Debra Boal
National Tax Credit Partners
9090 Wilshire Blvd., Suite 201
Beverly Hills, CA 90211
(213) 278-2191

Robert Arcand
The Arcand Company
16101 S.W. 72nd Avenue, Suite 200
Portland, Oregon 97224-7764
(503) 598-9800

Edward E. Lee III
Brencor Capital Funding
P.O. Box 10128
Knoxville, Tennessee 37939
(615) 584-6019

Kathleen Foster
Enterprise Social Invest. Corporation
810 American City Bldg.
Columbia, MD 21044
(410) 964-0552

Scott L. Kotick
Richard C. Angino II
National Partnership Invest. Co.
8530 Wilshire Blvd., Suite 400
Beverly Hills, CA 90211
(310) 278-2191

Tina Sedell
Boston Equity Investments
2 Faneuil Hall Marketplace
Boston, Massachusetts 02109
(617) 720-1766

Robert Crowder
Brencor Capital Funding
5214 Maryland Way, Suite 209
Brentwood, Tennessee 37027
(615) 370-4635

Lyle Martin
ROAR Company
200 Crescent Court, Ste. 1385
Dallas, Texas 75201
(214) 871-3636

Richard Edson
The Richman Group, Inc.
1133 15th St., N.W.
Washington, D.C. 20005
(202) 429-1616

Charlotte S. Smith
The Brazelton Group
One Concourse Parkway #750
Atlanta, GA 30328
(404) 393-7450

C. Daniel O'Connell
PaineWebber Inc.
3000 A Street, Suite 100
Anchorage, Alaska 99503
(907) 562-3029
800 478-3029

Debra A. Cameron
Lehman, Butterwick & Co.., P.C.
1331-17th St., Suite 100
Denver, Colorado 80202
(303) 298-8222

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How to Calculate Maximum Rents
Under the Low Income Housing Tax Credit Program

Question: **How do I calculate the maximum rent I can charge for each unit, which includes utilities.**

Look at the sheet with the income limits by family size produced by HUD which is included in this information. There are two categories Very Low and Low. The Very Low category refers to families at 50% of area median gross income (AMGI), the Low refers to families at 60% of AMGI.

NOTE: **The following example uses fake median income figures. To calculate the rent for your area, substitute the appropriate numbers for the current year indicated on the attached chart.**

Use the following methodology to calculate the maximum rent:

	Family Size				
	1	2	3	4	5
50% AMGI:	21,750	24,900	28,000	31,100	33,600

	Family Size				
	1	2	3	4	5
60% AMGI:	26,100	29,880	33,600	37,320	40,320

For a studio apartment, the maximum rent is calculated as follows:

1 person income at 60% = (26,100 * .3)/12 = 652

For a one bedroom apartment:

Note: the IRS assumes there are 1.5 persons per bedroom, living in the home.

1.5 person income at 60% = (26,100+29,880)/2 = 27,990

(27,990 * .3)/12 = 699.75

For a two bedroom apartment:

3 person income (1.5 *2) at 60% = (33,600 * .3)/12 = 840

Answer: The maximum rent that can be charged to residents living in a studio, one bedroom, or two bedroom apartment is: $652, $699, and $840 respectively.

Use the same process for calculating the maximum rent for larger bedroom sizes. Use the income figures for families at 50% of AMGI in the formulas above, to get the maximum rents allowable for this population.

Alaska Housing Finance Corporation

1994 HOME Rental Housing Development Program

ALASKA HOUSING FINANCE CORPORATION
HOME INVESTMENT PARTNERSHIP PROGRAM
RENTAL HOUSING DEVELOPMENT PROGRAM

A. GENERAL INFORMATION

1. Purpose and Maximum Funding Available

The HOME Investment Partnership Program is a federally funded housing program. Among the purposes of the HOME Program is expanding the supply of decent and affordable housing for low and very low income Americans. One method of accomplishing this purpose is the creation of new, affordable rental housing. Funding for awards under this Request for Proposal (RFP) will be made from the State's allocation of HOME funds.

The purpose of the Alaska Housing Finance Corporation's Rental Housing Development program is to expand the supply of decent, safe, sanitary, and affordable rental housing using new construction, rehabilitation or acquisition in areas of Alaska outside the Municipality of Anchorage. (Due to funding restrictions this money may only be used outside of Anchorage.)

Assistance may be in the form of:
- Interest bearing loans; or
- Non-interest bearing loans
- Deferred loans; or
- Grants

The amount of funds available for a project may not exceed the amount necessary for its financial feasibility using multi-family lending criteria consistent with project development lending policies of the Alaska Housing Finance Corporation.

This year there is $2,200,000 available for assistance. Out of this total amount, $900,000 is only available to Community Housing Development Organizations (CHDO).

2. Eligible Applicants

Eligible applicants include:
- Native organizations
- Local governments
- Regional housing authorities
- Non-profit organizations

- Community Housing Development Organizations
- Private housing developers

HOME funds may not be provided to primarily religious organizations, such as churches, for any activity including secular activities. In addition, HOME funds will not be used to acquire, rehabilitate, or construct housing owned by primarily religious organizations.

3. **Eligible Activities**

HOME funds may be used for the

- New construction; or
- Acquisition of vacant structures and land; or
- Reconstruction, or moderate or substantial rehabilitation

of non-luxury rental housing with suitable amenities including real property acquisition, site improvement, conversion, and demolition. The housing must be permanent or transitional housing. The rental housing developed with these HOME funds may include single room occupancy dwellings and group homes.

Acquisition of vacant land or demolition must be undertaken only with respect to a particular housing project intended to provide affordable housing.

4. **Ineligible Activities**

New construction, rehabilitation, or acquisition of emergency shelters with HOME dollars is prohibited by federal regulation. In addition, the acquisition of rental housing which is currently occupied by tenants or was vacated for the purpose of acquisition using HOME funds is an ineligible activity.

5. **Deadline for Submittal**

To be considered for funding, proposals must be received by the Alaska Housing Finance Corporation no later that **5:00 p.m. ADT on Friday, June 10, 1994.** Proposals received after the deadline or at another AHFC location before the deadline **WILL NOT** be considered. No telefax applications will be accepted.

6. **Number of Copies and Mailing Address**

The original proposal and five(5) copies of the proposal are to be sent to the Alaska Housing Finance Corporation, Attention: Ann-Marie Lindboe, 520 E.

34th Avenue, Anchorage, Alaska, 99503.

7. **Questions about Request for Proposals**

Applicants should immediately review this request for proposals and submit in writing, to the address provided in A.6., any questions regarding the instructions. **Questions must be received by Friday, May 20, 1994.**

Responses to these questions and any other clarifications of the RFP will be mailed to all applicants no later than May 27, 1994.

8. **Proposal Costs**

All costs of responding to this RFP are the responsibility of the applicant.

9. **Acceptance of Terms**

By submitting a proposal, an applicant accepts all terms and conditions of this RFP and those contained in 24 CFR 92, the Department of Housing and Urban Development's HOME program regulations which are attached. If a grant is awarded, the applicant's proposal will become part of the grant agreement. The applicant will be bound by what is in the proposal, unless AHFC determines that specific parts of the application are not part of the agreement.

Proposals and other materials submitted in response to this RFP become the property of AHFC and may be returned only if AHFC allows. Applications are public documents and may be inspected or copied by anyone after they have been reviewed. Financial statements included in the application will be considered to be public information unless the applicant specifies in writing that the financial statements remain confidential.

B. SPECIFIC PROGRAM INFORMATION

1. **Introduction**

This program's funding is part of the HOME allocation received by the State of Alaska from the federal government through the U.S. Department of Housing and Urban Development (HUD). Use of these funds is governed by the Comprehensive Housing Affordability Strategy (CHAS) for the State of Alaska. This portion of the funding is set aside specifically to meet the need identified in the CHAS for more affordable rental housing in areas outside of the Municipality of Anchorage.

The use of these funds by both AHFC and the grant recipients under this RFP is governed by federal regulations adopted by HUD and found at 24 CFR Part 92. These regulations place certain restrictions on the occupancy of units assisted with HOME dollars. The restrictions may cover periods ranging from 5 to 20 years. The length of restricted period is governed by the amount of HOME money received by the grantee.

Units developed under this program will also have to meet other federal and state requirements which will be stated in other parts of this RFP. Omission of restrictions found in 24 CFR Part 92 from this RFP does not nullify or in any way relieve the applicant or AHFC of responsibility for complying with 24 CFR Part 92.

2. Definitions

Adjusted income means the annual income minus allowances for dependents, child care expenses, etc. See 24 CFR 813.102 Exhibit A

Annual income means the anticipated income from all sources received by the household in one year's time period. See 24 CFR 813.106 Exhibit B

Assisted units means rental housing units developed with the assistance of HOME funds.

Cash flow means gross income minus vacancy, operating expenses, reserves, and debt service.

Community housing development organization means a non-profit organization that has been certified by AHFC as meeting the federal definition for Community Housing Development Organizations (CHDO) found in 24 CFR 92.2.

Consultant fees are fees paid to a third party for costs associated with implementation of a project.

Displaced person means Any individual, family, business, nonprofit organization, or farm who is required to move permanently from the real property as a result of the activities funded under this program.

Leverage ratio is the ratio of total project dollars from other sources benefiting low-income households to the AHFC HOME program dollars requested.

Low income families means families whose annual incomes do not exceed 80 percent of the median income for the area, as determined by HUD and adjusted for family size.

Moderate Rehabilitation means the rehabilitation of residential property at an average cost for the project which is less than or equal to $25,000 per dwelling unit.

Permanent housing means housing which can be occupied for an indefinite period of time by individuals or families.

Person with disabilities means a household comprised of one or more persons, at least one of whom is an adult, who has a disability. A person is considered to have a disability if the person has a physical, mental, or emotional impairment that:

(A) Is expected to be of long-continued and indefinite duration;
(B) Substantially impedes his or her ability to live independently; and
(C) Is of such a nature that such ability could be improved by more suitable housing conditions.

A person will also be considered to have a disability if he or she has a development disability, which is a sever, chronic disability that:

(A) Is attributable to a mental or physical impairment or combination of mental and physical impairments;
(B) Is manifested before the person attains age 22;
(C) Is likely to continue indefinitely;
(D) Results in substantial functional limitations in three or more of the following areas of major life activity: Self-care, receptive and expressive language, learning, mobility, self-direction, capacity for independent living, and economic self-sufficiency; and
(E) Reflects the person's need for a combination and sequence of special, interdisciplinary, or generic care, treatment, or other services that are of lifelong or extended duration and are individually planned and coordinated. Notwithstanding the preceding provisions of this definition, the term "person with disabilities" includes two or more persons with disabilities living together, one or more such persons living with another person who is determined to be important to their care or well being, and the surviving member or members of any household described in the first sentence of this definition who were living, in a unit assisted with HOME funds, with the deceased member of the household at the time of his or her death.

Project Management means costs directly related to managing the project during development to the point of completion.

Rehabilitation means the improvement or repair of an existing structure or an addition to an existing structure that does not increase the floor area by more than 100 percent.

Related Party means any relationship whether business, personal, or familial between or among the parties of any contract for goods, services, real property, etc. funded in whole or in part with HOME funds.

Single room occupancy (SRO) housing means housing consisting of single room dwelling units that is the primary residence of its occupant or occupants. The unit may contain either food preparation facilities or sanitary facilities or both. Alternatively, sanitary facilities may be located outside the unit and be shared by tenants in the project. SRO does not include facilities for students.

Special needs housing means housing designed to meet the needs of persons with specific housing needs including supportive services. Examples of special needs housing includes: housing for the elderly, housing for persons with a disability, housing for persons who are severely mentally ill, etc.

Substantial Rehabilitation means the rehabilitation of residential property at an average cost for the project in excess of $25,000 per dwelling unit.

Transitional housing means housing that is designed to provide housing and appropriate supportive services to persons, including (but not limited to) de-institutionalized individuals with disabilities, homeless individuals with disabilities, and homeless families with children; and has as its purpose facilitating the movement of individuals and families to independent living within a time period that is set by AHFC and project owner before occupancy.

Very low income families means families whose annual incomes do not exceed 50 percent of the median income for the area, as determined by HUD and adjusted for family size.

3. Eligible costs

Development Hard Costs. The actual cost of constructing or rehabilitating housing. These costs include the following:

(A) For new construction, costs to meet the applicable new construction standards of the community and the Building Energy and Efficiency Standards currently in effect for Alaska;

(B) For rehabilitation, costs to meet the applicable rehabilitation standards of the community in which the property is located or correcting substandard conditions (minimally the housing quality standards found in 24 CFR 882.109), to make essential improvements including energy related repairs or improvements, improvements necessary to permit the use by disabled persons, and the abatement of lead-based paint hazards, and to repair or replace major housing systems in danger of failure; and

(C) For both new construction and rehabilitation, costs to demolish existing structures and for improvements to the project site that are in keeping with improvements of surrounding, standard projects, and costs to make utility connections.

Acquisition costs. Costs of acquiring property improved or unimproved real property.

Related soft costs. Other reasonable and necessary costs incurred by the owner and associated with the financing, or development (or both) of new construction, rehabilitation or acquisition of housing assisted with HOME funds. These costs include, but are not limited to:

(A) Architectural, engineering or related professional services required to prepare plans, drawings, specification, costs estimates, or work write-ups;

(B) Costs to process and settle the financing for a project, such as private lender origination fees, credit reports, fees for title evidence, fees for recordation and filing of legal documents, building permits, attorneys fees, private appraisal fees, and fees for an independent cost estimate, builders or developers fees;

(C) Costs of a project audit that AHFC may require with respect to the development of the project; and

(D) Costs to provide information services such as affirmative marketing and fair housing information to prospective homeowners and tenants;

(E) For new construction or substantial rehabilitation, the cost of funding an initial operating deficit reserve, which is a reserve to meet any shortfall in project income during the period of project rent-up (not to exceed 18 months) and which may only be used to pay operating expenses, reserve for replacement payments, and debt service. Any HOME funds placed in an operating deficit reserve that remain unexpended when the reserve terminates must be returned to AHFC.

Relocation costs. Costs of relocation payments and other relocation assistance

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specifications relied on by the appraiser in making the appraisal and a statement of its value.

(7) certification by the applicant of the final detailed costs of the construction;

(8) a soils test;

(9) the contractor's resume;

(10) the architect's resume;

(11) the engineer's resume;

(v) a statement describing the history and experience of the applicant (organization);

(w) resumes of key personnel;

(x) an updated credit report dated within 60 days of application of the credit history of the applicant and the guarantor, if any;

(y) audited financial statements, if available, including a profit and loss statement, for the current and three preceding years. The current year's statements should be dated three months or less from date of application;

(z) real estate schedules detailing all real estate in which the applicant(s) currently has a direct or indirect interest in, including at a minimum: the lenders; acquisition dates; payment histories; mortgage balances; estimated market values; and income and expense histories;

(aa) if the property is being refinanced, the applicant's mortgage loan payment record for the last 3 years;

(bb) income tax returns;

(cc) applicants needing additional funding from sources other than the Corporation in order to develop their property must provide documentation substantiating the commitment of

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all other funding sources with their application;

(dd) organizational documents, i.e. articles of incorporation, bylaws, partnership agreements, etc.;

(ee) business licenses;

(ff) recourse to the borrower; and,

(gg) any other information considered necessary by the Corporation to evaluate the application to determine the feasibility of the project or to comply with conditions of underwriters, rating agencies, credit enhancing, loan guarantors or insurers, or any related party to the financing.

(2) an escrow for insurance, and taxes, assessments or for other charges that may, if not paid on a timely basis, become liens on the housing securing the loan;

(3) the establishment of replacement reserves for maintaining the structural integrity of the project and for other project components as determined by the Corporation and the manner in which the replacement reserves are to be maintained;

(4) the establishment of repair and maintenance reserves and the manner in which they will be maintained;

BOARD APPROVAL. Any loan application submitted under 15 AACxxxxx that the staff of the Corporation determines substantially meets the program criteria of 15 AACxxxxx and exceeds $500,000 must be presented to the Board of Directors for review and specific direction regarding loan approval or rejection.

APPENDIX C

Federal Home Loan Bank of Seattle Community Investment Program

Attachment A

Community Investment Program Advance Guidelines

1. **Amount:** The Community Investment Program (CIP) is $250 million.

2. **Eligibility of members:** Members are eligible on a first-come, first-served basis. A member must have positive net worth on a GAAP basis to qualify for a CIP advance.

3. **Eligibility of projects:** Eligible projects include community-oriented mortgage lending programs to:

   a. Finance home purchases by families whose income does not exceed 115 percent of the median income for the area;

   b. Finance purchase or rehabilitation of housing for occupancy by families whose income does not exceed 115 percent of median income for the area;

   c. Finance commercial and economic development activities that benefit low- and moderate-income families or activities that are located in low- and moderate-income neighborhoods; and

   d. Finance projects that further a combination of the purposes described in subparagraphs (a) through (c).

CIP advances can be used for loans for construction, rehabilitation, or purchase, or to refinance existing loans when the refinance is necessary to preserve the housing as affordable. CIP advances can be used in conjunction with HUD, FHA, state and local governments, and secondary market agency programs that support these goals. CIP advances also can be used to purchase state housing finance agency bonds or mortgage-backed securities representing interests in a pool of loans that could be funded directly with CIP advances.

Mortgage loans for construction, rehabilitation, or purchase of commercial and economic development projects will be considered, especially those that support affordable housing, if the projects are located in low- and moderate-income neighborhoods or substantially benefit persons with low and moderate incomes.

4. **Approval of projects:** All CIP projects must be reviewed and approved by the Bank's Housing Department. The Housing Department will monitor outstanding CIP advances for compliance annually.

5. **Advances:** All member advance requests must be approved by the Bank's Credit Department. If approved, the member would be able to borrow CIP advances through the Bank's advances program in the maturity desired. The rate for CIP advances is the Bank's cost of funds for comparable maturities. The minimum CIP advance amount is $100,000. More than one qualifying mortgage can be wrapped into a single CIP advance.

6. **Credit Line/Collateral:** CIP advances are not subject to the member's credit line limit, but the member must meet the Bank's standard collateral requirements.

7. **Prepayments:** Prepayment fees are the same as for other advance programs.

8. **Fees:** There is a $500 fee charged to the lender for each CIP advance. That fee is waived if a rate-lock fee is paid.

9. **Implementation:** The CIP will be marketed actively by the Housing Department to members, potential members, and housing developers. At all times, however, we will recognize that CIP projects must meet prudent underwriting standards and that the CIP is only one tool members can use, at their option, to finance affordable housing and community and economic development.

Attachment B

What to Expect After Applying For A CIP Advance

1. The FHLB Housing Department will review the proposed project to be funded with a CIP advance and, if necessary, request follow-up information or documents.

2. The FHLB Finance Department will review the request for an advance and notify the Housing Department if there are any problems.

3. After the Housing and Finance Departments both approve the CIP advance, the Housing Department will send you a letter authorizing the advance under the conditions agreed upon.

4. When you are ready to take down the advance, call Doug Barclay at (206) 340-8691. Then call Judy Chaney, Community Investment Officer at (206) 340-8737 so that we can arrange for appropriate press coverage of the event.

5. Annually, the FHLB Housing Department will ask you to certify that the CIP-funded project continues to address the needs of the target population, throughout the duration of the advance.

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APPENDIX D

Federal National Mortgage Association (Fannie Mae)

Federal National Mortgage Association
(Fannie Mae)

Multifamily Forward Commitment Product

FANNIE MAE MULTIFAMILY FORWARD COMMITMENT PRODUCT
Revised Term Sheet as of April 20, 1992

Notice: The Forward Commitment Product is a new limited product line which has not yet been incorporated into the Fannie Mae Guides. This Term Sheet sets forth the product's general requirements, but the contents of this Term Sheet are not inclusive of all applicable underwriting, selling, servicing, pricing or delivery requirements. Please contact the appropriate Fannie Mae Regional Office for any updates, changes, or information on processing forward commitment applications.

Multifamily Forward Commitment Executions and Basic Eligibility Requirements:

Loans may be processed on a DUS risk-sharing basis by DUS lenders with a pre-review by Fannie Mae, or on a Prior Approval basis by both approved Prior Approval and DUS multifamily lenders. This product line is limited to transactions with specific low-income targeting requirements consistent with those governing Low Income Housing Tax Credits (40% unit set aside for households earning 60% of adjusted area median or below; or 20% unit set aside for households earning 50% of adjusted area median or below). This product line and its documentation are oriented toward standardization rather than deal-by-deal negotiation, and all applications must be processed and approved by the Fannie Mae Regional Office that serves the state where the property is located.

Forward Commitment Structures:

- Rate-Lock Standby Cash Purchase
- Market-Rate Standby Cash Purchase
- Mortgage-Backed Security (MBS) Investor Purchase
- Mortgage-Backed Security (MBS) Bond Credit Enhancement

Underwriting Requirements:

- DEBT SERVICE COVERAGE RATIO (DSCR): 1.15 minimum DSCR for first mortgages. For projects with subordinate financing, the minimum combined DSCR is 1.10. (Note: properties located in "soft markets" or with other special underwriting risks [such as a mix of low-income and market-rate units] would be subject to higher minimum DSCR requirements.)

- APPRAISED VALUE: Appraised value is calculated 2 ways using a stabilized estimate of net operating income based on today's rents and expenses, and reflecting: (a) the "as-restricted" value using the restricted (untrended) rents of the low-income units (combined with the market rents if mixed); and (b) the "fair-market" value using market-rate rents (untrended) for all units, as if there were no low-income restrictions on the projects. Both methods should utilize a market cap rate, reflecting neither a downward adjustment for below-market financing benefits nor an upward adjustment for any perceived special risks.

- LOAN-TO-VALUE (LTV): LTV ratio on the first mortgage may not exceed 80% of appraised value based upon the lower of the two value calculations as described above. (In almost every instance, the lower appraised value will be the "as-restricted" value). For projects with subordinate financing, the combined LTV ratio may not exceed 90% of appraised value based upon the higher of the two value calculations as described above (which in most cases will be the "fair-market" value).

- LOAN AMOUNT: The original principal amount of any loan may be no less than $1 million, with loan requests over $10 million requiring a waiver by Fannie Mae. Loan amounts are also limited by the LTV, DSCR and the Fannie Mae Charter's statutory limits for per unit loan amounts.

- MORTGAGE TERM AND AMORTIZATION: Minimum mortgage term is 18 years for Low Income Housing Tax Credit projects with no subordinate financing. Amortization period is 25 years, unless a longer amortization period is approved by Fannie Mae in writing. For projects with subordinate financing approved by Fannie Mae, 25 year fully-amortizing loans are required. Yield maintenance will be required for 10 years.

- SECONDARY FINANCING: Full explanation of any proposed subordinate financing, other subsidies, or tax abatements, etc. is required. Assessment of the impact of secondary financing may affect the term and/or amortization period for any or all loans. No subordinate financing will be approved unless its maturity is at least as long as the term of the Fannie Mae first mortgage. Compliance with Fannie Mae secondary financing standards is required.

- TARGETED RENTS: There must be evidenced a minimum gap of 10% between rents for comparable market-rate units and designated low-income units. Gap to be measured between comparable units within a project where there is a mix of both market rate and low-income units, as well as measured against market-rate units in other comparable projects. For projects with 100% low-income units, the gap is to be evidenced by analysing proposed low-income rents against rents for comparable market-rate units outside the proposed project.

- MARKET FEASIBILITY: A study is required to support market strength, absorption and long-term project viability, including a month-to-month absorption analysis of the proposed project, an analysis of the proposed rents and the scale and scope of the project.

- PLANS AND SPECIFICATIONS: Fannie Mae approval of plans and specifications, compliance with local building codes, HUD minimum property standards and Fannie Mae's Architectural Guidelines are required.

- CONSTRUCTION MONITORING: On-going construction monitoring by a qualified architect/engineer or consultant is required, with reports to be reviewed and approved by Fannie Mae.

- PROPERTY MANAGEMENT: Property management firms must (1) have experience managing low-income projects, and (2) use diligent standards in selecting qualified and eligible tenants (credit checks, employment and income verifications, obtain rental histories on applicants, and execute minimum 1-year leases with all tenants).

- COMMITMENT EXPIRATION: All commitments will specify an expiration date based upon Fannie Mae's estimate of time required for construction completion plus occupancy stabilization and minimum rental achievement.

Special Delivery Requirements for Forward Commitments: (The delivery requirements listed below for forward commitments may be different from, or in addition to other Fannie Mae delivery requirements. This list does not include all Fannie Mae delivery requirements under this product line.)

- MINIMUM OCCUPANCY: 90% minimum overall occupancy, for each of the 3 consecutive months immediately preceding transmission of the Final Underwriting Submission Package.

- MINIMUM RENTAL ACHIEVEMENT: Rent rolls certified by lender and borrower evidencing that allowable rental income, net of concessions, is equal to or greater than the minimum monthly approved rental income figure specified in the commitment, for each of the 3 consecutive months immediately preceding final underwriting submission. If income and/or occupancy is determined by Fannie Mae to be insufficient to meet the threshold delivery requirements, Fannie Mae may allow for re-underwriting of the loan (resulting in a lower loan amount), or may reject the loan for purchase.

- BORROWER'S FINANCIAL CONDITION: Lender and borrower certification of no significant adverse change in the financial condition of the borrower.

- LENDER CERTIFICATIONS: (1) low-income targeting requirements have been met and are in compliance with the prevailing low-income covenants; (2) the property manager has selected qualified tenants in accordance with the above property management standards; and (3) project tenancy is consistent with the data reflected on the rent roll submitted at loan delivery.

- CERTIFICATES OF OCCUPANCY

- COMPLETION INSPECTIONS: Final inspection by Fannie Mae's approved architect or consultant to certify construction completion in a workmanlike manner, and in accordance with pre-approved plans and specifications.

- ADDITIONAL LEGAL ANALYSIS: Legal review and approval of all applicable regulatory agreements, subordinate financing documents, partnership agreements, bond documents and governmental assistance programs.

- DOCUMENTS: Use of standard documents provided by Fannie Mae.

Forward Commitment Fees: (The following are fees due to Fannie Mae from the Lender. They do not include independent fees the Lender may charge a borrower to process an application.)

- TRANSACTION FEES--To be paid upon submission of the DUS Forward Commitment Submission package (DUS), or the complete application package (Prior Approval) to the appropriate Regional Office.

  For all non-bond structures, the non-refundable transaction fee is $5,000.

  For bond structures, the non-refundable transaction fee is $10,000.

- RATE-LOCK FEES--(for Rate-Lock Standby Structures Only) Rate-lock fees are non-refundable and cannot be determined until the actual date upon which a rate lock is obtained. The cost of a rate-lock fee will vary based upon the prevailing yield curve and the length of the forward commitment period. A rate-lock can be purchased at any time during the forward commitment period, up until 30 days prior to the commitment expiration date.

- FORWARD COMMITMENT DEPOSIT FEES--A one percent (1%) Forward Commitment Deposit fee will be collected upon the execution of a forward commitment by the Lender. The Forward Commitment Deposit fee will be refunded upon loan purchase by Fannie Mae.

- CONSTRUCTION REVIEW FEES--For all structures, a non-refundable Construction Review fee is due upon execution of the Commitment by the Lender. For Prior Approval executions, the Construction Review fee is $10,000. For DUS executions, the Construction Review fee is $3000.

- COMMITMENT FEES--(for Cash Purchase structures only) These optional standby commitments convert to mandatory deliveries when the lender calls into the Fannie Mae commitment window to "take down" a 30-day commitment. A one percent (1%) refundable commitment fee will be drafted from the Lender's account and refunded in its entirety upon loan purchase by Fannie Mae.

- SERVICING FEES--Servicing fees for DUS executions range between 50-75 basis points, and between 12.5-25.0 basis points for Prior Approval executions.

- MBS GUARANTY FEES--(For MBS structures only) The MBS guaranty fees for DUS executions are 75 basis points, and are 100 basis points for Prior Approval executions.

- MBS POOL FEE--(For MBS structures only) There will be an MBS pool fee equal to the greater of $1000 or one (1) basis point for each MBS transaction, to be drafted upon issuance of the MBS.

- LEGAL FEES AND EXPENSES--(For Bond transactions only) Additional legal fees will be paid upon issuance of the forward commitment. The Lender will pay an initial deposit of $25,000 to cover the legal fees and expenses for Fannie Mae's outside counsel review and approval of all bond-related issues and documents. Fannie Mae counsel fees in a standard bond transaction will be limited to $40,000 plus expenses. Any unused portion of the deposit will be refunded by Fannie Mae after MBS delivery.

Federal National Mortgage Association
(Fannie Mae)

DUS and Prior Approval
Mortgage Lenders

Barbara Rae
Senior Vice President
AMI Capital, Inc.
Suite 200
7200 Wisconsin Avenue
Bethesda, MD 20814
(301) 654-0033
Nationwide

Julian P. Rodgers, III
Assistant Vice President
Banc One Mortgage Corporation
Suite 1431
111 Monument Circle
Indianapolis, IN 46277
(317) 321-8100
AZ, DC, IN, KY, MI, OH, TX, WI

Trent D. Brooks
President
Bankers Mutual
Suite 1100
4695 MacArthur Boulevard
Newport Beach, CA 92660
(714) 851-9973
CA

Ronald F. Halpern
Executive Vice President
Berkshire Mortgage Finance LP
470 Atlantic Avenue
Boston, MA 02210
(617) 556-8126
Nationwide

Jeffrey L. Beatty
Vice President
BNY Mortgage Company
51 - 53 Newark Street
Hoboken, NJ 07030
(201) 420-7770
Nationwide

James S. Carlson
Vice President
BNY Mortgage Company
26541 Agoura Road
Calabasas, CA 91302-1958
(818) 880-2865
AZ, CA, OR, WA

Pat Leach
Senior Vice President
Continental Inc.
2000 Two Union Square
601 Union Street
Seattle, WA 98101-2326
(206) 389-7750
Pacific Northwest, HI

Steven Fayne
Executive Vice President
Eichler, Fayne & Associates
Suite 1300
49 Stevenson Street
San Francisco, CA 94105
(415) 974-1114
Nationwide

Robert W. McLewee
Vice President
First Maryland Mortgage Corporation
9th Floor
110 South Paca Street
Baltimore, MD 21201
(410) 347-6868
VA to NY except NYC Metro Area

James J. Bertsch
Vice President
GMAC Mortgage Corporation of PA
8360 Old York Road
Elkins Park, PA 19117
(215) 881-3500
Pacific Northwest, WI, IL
Southeastern PA, NJ

Howard W. Smith
Vice President
Green Park Financial LP
Suite 800
7500 Old Georgetown Road
Bethesda, MD 20814
(301) 215-5585
Nationwide

David C. Thompson
Vice President
Maryland National Mortgage Corp.
The Candler Building
111 Market Place, Suite 700
Baltimore, MD 21202
(410) 244-5665
DC, DE, MD, NJ, PA, VA

Mark Tratenberg
President
Meridian Multifamily
Meridian Mortgage Corporation
1830 Rittenhouse Square
Philadelphia, PA 19103
(215) 732-2970
Mid-Atlantic, Midwest, Northeast, Southeast

Jeffrey S. Juster
President
Newport Mortgage Company, L.P.
Suite 630
8411 Preston Road
Dallas, TX 75225
(214) 750-0909
Nationwide

William D. Comings, Jr.
Executive Vice President
The Patrician Financial Company
Suite 200
4800 Montgomery Lane
Bethesda, MD 20814
(301) 718-2000
Nationwide

Raymond J. Reisert, Jr.
President
PW Funding, Inc.
Suite 580
200 Old Country Road
Mineola, NY 11501
(516) 663-5640
Nationwide

Robert Gould
Chief Underwriter
Reilly Mortgage Capital Corporation
Suite 925
2000 Corporate Ridge
McLean, VA 22102
(703) 760-4700
Nationwide

William P. Kauffman
Senior Vice President
Republic Realty Multifamily Corp.
Suite 400
100 South Wacker Drive
Chicago, IL 60606
(312) 845-8567
Nationwide

David M. Fagan
Senior Vice President
Sibley Mortgage Corporation
700 Crossroads Building
2 State Street
Rochester, NY 14614
(716) 232-1620
NY/Adjacent States

Lowery W. Smith
Executive Vice President
Standard Mortgage Corporation
300 Plaza One Shell Square
New Orleans, LA 70139
(504) 581-3383
AL, AR, MS, LA, TX

Richard Thornton
Senior Vice President
Washington Capital DUS, Inc.
Suite 340
1333 N. California Blvd.
Walnut Creek, CA 94596
(510) 944-0700
East Coast, Midwest, West Coast

Doug Moritz
Executive Vice President of Production
Washington Mortgage Financial
Group, Ltd.
Suite 400
1593 Spring Hill Road
Vienna, VA 22182
(703) 790-0730
Nationwide

<u>This list is current as of May 12, 1994</u>.

PRIOR APPROVAL LENDERS

1. **American Savings Bank**
   Income Property Lending
   17875 Von Karman
   Irvine, CA 92713-9689
   Fred Schwer, SVP (714) 252-3765

2. **California Federal Bank**
   5700 Wilshire Blvd.
   Suite 344-C
   Los Angeles, Ca 90036
   Joe Ursino, SVP (213) 932-4444

3. **Executive House**
   7517 Greenwood Ave. North
   Seattle, WA 98103
   John Mills, President

4. **First Central Bank**
   11812 E. South Street
   Cerritos, CA 90701
   Wayne Ward, SVP (213) 865-6138

5. **Honfed Bank**
   188 Merchant Street
   Honolulu, HI 96813
   Loralyn Cachola, AVP (808) 546-2200

6. **LIHF**
   Low Income Housing Fund
   605 Market Street, Ste. 709
   San Francisco, CA 94105
   Daniel M. Liebsohn, President (415) 777-9804

7. **Metmor Financial, Inc.**
   10866 Wilshire Blvd.
   Suite 1400
   Los Angeles, CA 90024-4303
   Vincent G. Maher, FVP (213) 857-4558

8. **PFC Corporation**
   170 Newport Center Drive
   Suite 245
   Newport Beach, CA 92660
   Lou Grasso, President (714) 760-3800

9. **Pacific Commonwealth Mortgage**
100 Shoreline Highway
Building A
Suite 125
Mill Valley, CA 94941
Martin Riskin, President (415) 332-9200

10. **Quaker City Federal Savings & Loan Assoc.**
7021 Greeleaf Avenue
Whittier, CA 90602
David Todd, VP - Secretary (213) 698-0151

11. **SAMCO**
1333 Lawrence Expressway
Suite 415
Santa Clara, CA 95051
David C. Nahas
Chief Lending Officer (408) 985-8110

12. **Seattle Mortgage Company**
1800 112th Avenue N.E.
Suite 300
Bellevue, WA 98004
John Hinkle, VP (206) 451-2102

13. **TRI Capital Corporation**
100 Pine Street
23rd Floor
San Francisco, CA 94111-5102
John Sweazey, President (415) 989-9000

14. **Union Bank**
225 S. Lake Blvd., Suite 605
Pasadena, CA 91101
Lewis J. Hastings, Jr. (818) 304-1767

15. **U.S. Bancorp Mortgage Co.**
1111 Third Avenue
Suite 1400
Seattle, WA 98010
James Sullivan, EVP (206) 447-7374

16. **Western Bank**
15260 Ventura Blvd.
Suite 665
Sherman Oaks, CA 91403
Ben Slayton, Managing Director (818) 981-7500

APPENDIX E

Federal Home Loan Mortgage Corporation (Freddie Mac)

Federal Home Loan Mortgage Corporation
(Freddie Mac)

Program Plus Pilot

FREDDIE MAC - PROGRAM PLUS PILOT

Introduction/Background

Freddie Mac has created a program where Freddie Mac Program Plus Seller/Servicers and approved Multifamily Seller/Servicers can sell affordable housing loans. the Pilot will allow existing Program Plus Seller/Servicers to expand the type of products they offer and to originate and service multifamily mortgages that meet the special affordable criteria.

Pilot Initiative Summary

Loan Approval:	This is a prior approval program. All loan approvals and underwriting decisions will be made by Freddie Mac. All properties will be physically inspected by a Freddie Mac employee.
Eligible Seller/Servicers:	Program Plus Seller/Servicers and approved Multifamily Seller/Servicers for affordable housing in the Western Region.
Purpose of the Loan:	To refinance existing indebtedness or to finance the purchase/acquisition of a property that is considered affordable with a majority of the units meeting the special affordable housing goals. Rehabilitation which exceeds $5,000 per unit, is permitted under certain circumstances. It is also allowed with appropriate escrow agreements in place (typically repair, replacement reserve and debt service escrows). Unless approved by Freddie Mac, Substantial rehabilitations must be completed prior to mortgage purchase. For mortgages in which there will be rehabilitation of more than $5,000 per unit, the mortgage amount will be determined utilizing existing rents and projected expenses which take into account reasonable and substantial operating expense reductions resulting from the rehabilitation. Release of any escrowed funds to cover the cost of repair or operating deficits will be made with the approval of the Seller/Servicer and/or Freddie Mac.
Loan Size:	- $500,000 to $20 million
Fee Simple/Whole Loans:	- Loans must be fee simple; no leasehold mortgages - Whole loans only are eligible for purchase
Eligible Properties:	- Those with twenty or more units - Properties ten years or older may require some rehabilitation

based on engineering report findings

Ineligible Properties:

- Properties where the commercial rents are greater than 20% of the gross income
- Properties that is more than 20% student or military housing
- Freddie Mac REO, unless approved by the VP of P & PD
- Properties comprised of single room occupancy units

LTV Ratio:

- Maximum LTV Ratio for the First Mortgage:
  - maximum of 60% (without a credit enhancement)
  - maximum of 85% with a 25% top loss credit enhancement provided by a third party

  Acceptable forms of credit enhancements:
    - State or local HFA guarantees
    - LOC from an acceptable institutions
    - Collateral pledge (subject to approval from Freddie Mac)

DCR:

- Minimum of 1.30 for the first mortgage
  1.25 for newer properties that are 5 years old or less economically, with minimal deferred maintenance
- 1.20 - 1.25 with acceptable public financing and enhancements as noted above
- Minimum of 1.15 for the combined debt

The minimum DCR is based on a standard amortization schedule not to exceed 25 years.

Cash Out:

Freddie Mac reserves the right to set limitations on the amount of the cash out to the borrower

Term:

10, 15, 20 and 25 years (30 years under certain conditions such as new construction or substantial rehab). LIHTC properties must have a term of not less than 15 years.

Amortization:

- fixed rate, fully amortizing loans
- monthly payments of principal and interest
- Properties with project-based Section 8 with a maturity less than the loan term will required Freddie Mac prior approval. Shorter amortization and/or a sinking fund will be required.

Interest Rates:

Fixed-rate interest rates for the term of the loan based on a risk-based pricing and the Quality Rating System

Pricing:	All loans will have a fixed interest rate which will be established on a loan by loan basis in accordance with risk-based pricing of each loan as determined by Freddie Mac.
Funding Period:	Immediate fundings only with thirty- and sixty-day mandatory delivery contracts (sixty-day mandatory delivery will be priced accordingly)
Freddie Mac Lender Fees:	None (par lender)
Recourse/Guarantees:	None

Federal Home Loan Mortgage Corporation
(Freddie Mac)

Program Plus Seller/Servicers

Reilly Mortgage Group, Inc.
James R. Kozuch, President
McLean, VA
703-760-4700

Republic Realty Mortgage Corporation
William P. Kauffman, Senior Vice President
Chicago, IL
312-845-8567

Sibley Mortgage Corporation
David M. Fagen, Senior Vice President
Rochester, NY
716-232-1620

Standard Mortgage Corporation
Lowery Smith, Executive Vice President
New Orleans, LA
504-581-3383

TRI Capital Corporation
James Reid, Executive Vice President
San Francisco, CA
415-989-9000

Towle Real Estate
Michael R. Meents, Senior Vice President
Minneapolis, MN
612-347-9310

Valley Bank
James A. Fourness, Vice President
Appleton, WI
414-738-3800

Washington Mortgage Financial Group
Shekar Narasimhan, President
Vienna, VA
703-790-0730

Washington Mutual Savings Bank
Robert J. Flowers, Senior Vice President
Seattle, WA
206-461-2503

Wells Fargo Bank, N.A.
Judith A. Brant, Vice-President &
General Manager
San Francisco, CA
415-396-6612

Western Bank
Ben Slayton, Managing Director
Sherman Oaks, CA
818-981-7500

Freddie Mac Program Plus Lenders

ARCS Mortgage, Inc
Bennett M. Cane, Vice President
Calabasas, CA
818-880-2853

American Residential Mortgage Corporation
Tony Scholl, Vice President
La Jolla, CA
619-535-4490

Banc One Mortgage Corporation
Julian Rogers, Vice President
Indianapolis, IN
317-321-8100

Bankers Mutual
Trent D. Brooks, President
Newport Beach, CA
714-851-9973

Bank United of Texas
Dennis Downey, Vice President
Dallas, TX
214-705-0804

Berkshire Mortgage Financial (KMCLP)
Ronald Helpern, Executive Vice President
Boston, MA
617-423-2233

Carey, Kramer, Silvester, Rex, Simigran
& Associates
Larry Silvester, President
Miami, FL
305-264-2811

W. Lyman Case Holding Company
H. E. Schmidt III, President
Columbus, OH
614-481-3900

Columbia Equities, Ltd.
Steven Szigetvari, Vice President
Tarrytown, NY
914-631-2222

Columbia National Real Estate Finance
John Renner, President
Columbia, MD
410-964-8844

Community Preservation Corporation
John McCarthy, Executive Vice President
New York, NY
212-869-5300

Dorman and Wilson, Inc.
Donald L. Tripp, Senior Vice President
White Plains, NY
914-949-0520

Emigrant Savings Bank.
Jay Noyes, Senior Vice President
New York, NY
212-850-4389

Financial Federal Savings Bank
Frank Stallworth, Senior Vice President
Memphis, TN
901-756-2848

First Commercial Mortgage Company
William Roehrenbeck, President
Little Rock, AR
501-371-6660

First National Bank of Omaha
Robert J. Horak, Vice President
Omaha, NE
402-341-0500

First Security Bank of Utah
William Starkweather,
Manager, Income Property
Salt Lake City, UT
801-246-1079

Great Lakes Financial Group
Joseph A. Bobeck, President
Cleveland, OH
216-831-1300

Hartger & Willard Mortgage Associates, Inc.
David McDonald, Vice President
Grand Rapids, MI
616-459-4556

Homebanc of Atlanta
Michael Galla, Senior Vice President
Atlanta, GA
404-841-4694

Inland Mortgage Company
Candy Hagen, Vice President
Indianapolis, IN
317-844-7788

John Hancock Real Estate Finance, Inc.
Bayard U. Livingston,
Executive Vice President
Boston, MA
617-572-5705

L.J. Melody and Company
Jeffrey Majewski, Controller
Houston, TX
713-787-1933

Larson Financial Resources
Michael Forney, Managing Director
Somerset, NJ
908-560-3900

Latimer & Buck of Florida, Inc.
Bill Loving, Executive Vice President
Jacksonville, FL
904-737-9936

Liberty Federal Bank
Robert Rose IV, Secondary Market Administrator
Eugene, OR
508-334-3076

Metmor Financial, Inc.
Eugene B. Ansley, Senior Vice President,
Commercial Real Estate
Overland Park, KS
913-661-6780

Mitchell Mortgage Company
Don Hickey, Assistant Vice President
Financial Operations/Commercial Lending
The Woodlands, TX
713-377-7800

National Bank of Alaska
Jan Sieberts, Senior Vice Preisdent
Anchorage, AK
907-265-2991

National City Mortgage Company
Jeffrey Hendrickson, Vice President
Miamisburg, OH
513-436-4160

National Cooperative Bank
Sheldon Gartenstein, Vice President
New York, NY
212-808-0880

Northland Financial Company
Lawrence Stephenson, Manager –
Multifamily Investments
Bloomington, MN
612-921-8004

Real Estate Financing, Inc.
Steven Stanley, Vice President
Montgomery, AL
205-832-8786

APPENDIX F

Office of the Comptroller of the Currency (OCC)

Office of the Comptroller of the Currency (OCC)

Bank Risk-Based Capital Guidelines

desist proceedings, civil money penalties, or the conditioning or denial of applications. The Office also may, in its discretion, take any action authorized by law, in lieu of a directive, in response to a bank's failure to achieve or maintain the applicable minimum capital ratios.

INTERPRETATIONS

§ 3.100 Capital and surplus.

For purposes of determining statutory limits that are based on the amount of bank's *capital* and/or *surplus*, the provisions of this section are to be used, rather than the definitions of capital contained in § 3.2.

(a) *Capital.* The term *capital* as used in provisions of law relating to the capital of national banking associations shall include the amount of common stock outstanding and unimpaired plus the amount of perpetual preferred stock outstanding and unimpaired.

(b) *Capital Stock.* The term *capital stock* as used in provisions of law relating to the capital stock of national banking associations, other than 12 U.S.C. 101, 177 and 178, shall have the same meaning as the term *capital* set forth in paragraph (a) of this section.

(c) *Surplus.* The term *surplus* as used in provisions of law relating to the surplus of national banking associations means the sum of paragraphs (c) (1), (2), (3) and (4) of this section:

(1) Capital surplus; undivided profits; reserves for contingencies and other capital reserves (excluding accrued dividends on perpetual and limited life preferred stock); net worth certificates issued pursuant to 12 U.S.C. 1823(i); minority interests in consolidated subsidiaries; and allowances for loan and lease losses; minus intangible assets;

(2) Purchased mortgage servicing rights;

(3) Mandatory convertible debt to the extent of 20% of the sum of paragraphs (a) and (c) (1) and (2) of this section;

(4) Other mandatory convertible debt, limited life preferred stock and subordinated notes and debentures to the extent set forth in paragraph (f)(2) of this section.

(d) *Unimpaired Surplus Fund.* The term *unimpaired surplus fund* as used in provisions of law relating to the unimpaired surplus fund of national banking associations shall have the same meaning as the term *surplus* set forth in paragraph (c) of this section.

(e) *Definitions.* (1) *Allowance for loan and lease losses* means the balance of the valuation reserve on December 31, 1968, plus additions to the reserve charged to operations since that date, less losses charged against the allowance net of recoveries.

(2) *Capital surplus* means the total of those accounts reflecting:

(i) Amounts paid in in excess of the par or stated value of capital stock;

(ii) Amounts contributed to the bank other than for capital stock;

(iii) amounts transferred from undivided profits pursuant to 12 U.S.C. 60; and

(iv) Other amounts transferred from undivided profits.

(3) *Intangible assets* means those purchased assets that are to be reported as intangible assets in accordance with the *Instructions—Consolidated Reports of Condition and Income* (Call Report).

(4) *Limited Life preferred stock* means preferred stock which has a maturity or which may be redeemed at the option of the holder.

(5) *Mandatory convertible debt* means subordinated debt instruments which unqualifiedly require the issuer to exchange either common or perpetual preferred stock for such instruments by a date at or before the maturity of the instrument. The maturity of these instruments must be 12 years or less. In addition, the instrument must meet the requirements of paragraphs (f)(1)(i) through (v) of this section for subordinated notes and debentures or other requirements published by the OCC.

(6) *Minority interest in consolidated subsidiaries* means the portion of equity capital accounts of all consolidated subsidiaries of the bank that is allocated to minority shareholders of such subsidiaries.

(7) *Mortgage servicing rights* means the bank-owned rights to service for a fee mortgage loans that are owned by others.

(8) *Perpetual preferred stock* means preferred stock that does not have a stated maturity date and cannot be redeemed at the option of the holder.

(f) *Requirements and Restrictions: Limited Life Preferred Stock, Mandatory Convertible Debt, and Other Subordinated Debt*—(1) *Requirements.* Issues of limited life preferred stock and subordinated notes and debentures (except mandatory convertible debt) must have original weighted average maturities of at least five (5) years to be included in the definition of *surplus*. In addition, a subordinated note or debenture must also:

(i) Be subordinated to the claims of depositors;

(ii) State on the instrument that it is not a deposit and is not insured by the FDIC;

(iii) Be approved as capital by this Office;

(iv) Be unsecured;

(v) Be ineligible as collateral for a loan by the issuing bank;

(vi) Provide that once any scheduled payments of principal begin, all scheduled payments shall be made at least annually and the amount repaid in each year shall be no less than in the prior year; and

(vii) Provide that no accelerated payment by reason of default or otherwise may be made without the prior written approval of the Office.

(2) *Restrictions.* The total amount of mandatory convertible debt not included in paragraph (c)(3) of this section, limited life preferred stock, and subordinated notes and debentures considered as surplus is limited to 50 percent of the sum of paragraphs (a) and (c) (1), (2) and (3) of this section.

(3) *Reservation of authority.* The OCC expressly reserves the authority to waive the requirements and restrictions set forth in paragraphs (f) (1) and (2) of this section, in order to allow the inclusion of other limited life preferred stock, mandatory convertible notes and subordinated notes and debentures in the capital base of any national bank for capital adequacy purposes or for purposes of determining statutory limits. The OCC further expressly reserves the authority to impose more stringent conditions than those set forth in paragraphs (f) (1) and (2) of this section to exclude any component of Tier 1 or Tier 2 capital, in whole or in part, as part of a national bank's capital and surplus for any purpose.

(g) *Transitional rules.* (1) Equity commitment notes approved by the OCC as capital and issued prior to April 15, 1985, may continue to be included in paragraph (c)(3) of this section. All other instruments approved by the OCC as capital and issued prior to April 15, 1985, are to be included in paragraph (c)(4) of this section.

(2) Intangible assets (other than mortgage servicing rights) purchased prior to April 15, 1985, and accounted for in accordance with OCC instructions, may continue to be included as surplus up to 25% of the sum of paragraphs (a) and (c)(1) of this section.

(Approved by the Office of Management and Budget under control number 1557-0166)

[50 FR 10216, Mar. 14, 1985, as amended at 55 FR 38801, Sept. 21, 1990]

APPENDIX A TO PART 3—RISK-BASED CAPITAL GUIDELINES

Section 1. Purpose, Applicability of Guidelines, and Definitions.

(a) *Purpose.* (1) An important function of the Office of the Comptroller of the Currency (*OCC*) is to evaluate the adequacy of capital maintained by each national bank. Such an evaluation involves the consideration of numerous factors, including the riskiness of a bank's assets and off-balance sheet items. This appendix A implements the OCC's risk-based capital guidelines. The risk-based capital ratio derived from those guidelines is more systematically sensitive to the credit risk associated with various bank activities than is a capital ratio based strictly on a bank's total balance sheet assets. A bank's risk-based capital ratio is obtained by dividing its capital base (as defined in section 2 of this appendix A) by its risk-weighted assets (as calculated pursuant to section 3 of this appendix A). These guidelines were created within the framework established by the report issued by the Committee on Banking Regulations and Supervisory Practices in July 1988. The OCC believes that the risk-based capital ratio is a useful tool in evaluating the capital adequacy of all national banks, not just those that are active in the international banking system.

(2) The purpose of this appendix A is to explain precisely (i) how a national bank's risk-based capital ratio is determined and (ii) how these risk-based capital guidelines are applied to national banks. The OCC will review these guidelines periodically for possible adjustments commensurate with its experience with the risk-based capital ratio and with changes in the economy, financial

markets and domestic and international banking practices.

(b) *Applicability*. (1) The risk-based capital ratio derived from these guidelines is an important factor in the OCC's evaluation of a bank's capital adequacy. However, since this measure addresses only credit risk, the 8% minimum ratio should not be viewed as the level to be targeted, but rather as a floor. The final supervisory judgment on a bank's capital adequacy is based on an individualized assessment of numerous factors, including those listed in 12 CFR 3.10. As a result, it may differ from the conclusion drawn from an isolated comparison of a bank's risk-based capital ratio to the 8% minimum specified in these guidelines. In addition to the standards established by these risk-based capital guidelines, all national banks must maintain a minimum capital-to-total assets ratio in accordance with the provisions of 12 CFR part 3.

(2) Effective December 31, 1990, these risk-based capital guidelines will apply to all national banks. In the interim, banks must maintain minimum capital-to-total assets ratios as required by 12 CFR part 3, and should begin preparing for the implementation of these risk-based capital guidelines. In this regard, each national bank that does not currently meet the final minimum ratio established in section 4(b)(1) of this appendix A should begin planning for achieving that standard.

(3) These risk-based capital guidelines will not be applied to federal branches and agencies of foreign banks.

(c) *Definitions*. For purposes of this appendix A, the following definitions apply:

(1) *Allowances for loan and lease losses* means the balance of the valuation reserve on December 31, 1988, plus additions to the reserve charged to operations since that date, less losses charged against the allowance net of recoveries.

(2) *Associated company* means any corporation, partnership, business trust, joint venture, association or similar organization in which a national bank directly or indirectly holds a 20 to 50 percent ownership interest.

(3) *Banking and finance subsidiary* means any subsidiary of a national bank that engages in banking- and finance-related activities.

(4) *Cash items in the process of collection* means checks or drafts in the process of collection that are drawn on another depository institution, including a central bank, and that are payable immediately upon presentation in the country in which the reporting bank's office that is clearing or collecting the check or draft is located; U.S. Government checks that are drawn on the United States Treasury or any other U.S. Government or Government-sponsored agency and that are payable immediately upon presentation; broker's security drafts and commodity or bill-of-lading drafts payable immediately upon presentation in the United States or the country in which the reporting bank's office that is handling the drafts is located; and unposted debits.

(5) *Central government* means the national governing authority of a country; it includes the departments, ministries and agencies of the central government and the central bank. The U.S. Central Bank includes the 12 Federal Reserve Banks. The definition of central government does not include the following: State, provincial, or local governments; commercial enterprises owned by the central government, which are entities engaged in activities involving trade, commerce, or profit that are generally conducted or performed in the private sector of the United States economy; and non-central government entities whose obligations are guaranteed by the central government.

(6) *Commitment* means any arrangement that obligates a national bank to: (i) Purchase loans or securities; or (ii) extend credit in the form of loans or leases, participations in loans or leases, overdraft facilities, revolving credit facilities, or similar transactions.

(7) *Common stockholders' equity* means common stock, common stock surplus, undivided profits, capital reserves, adjustments for the cumulative effect of foreign currency translation and net of unrealized losses on noncurrent marketable equity securities.

(8) *Conditional guarantee* means a contingent obligation of the United States Government or its agencies, or the central government of an OECD country, the validity of which to the beneficiary is dependent upon some affirmative action—*e.g.*, servicing requirements—on the part of the beneficiary of the guarantee or a third party.

(9) *Depository institution* means a financial institution that engages in the business of banking; that is recognized as a bank by the bank supervisory or monetary authorities of the country of its incorporation and the country of its principal banking operations; that receives deposits to a substantial extent in the regular course of business; and that has the power to accept demand deposits. In the U.S., this definition encompasses all federally insured offices of commercial banks, mutual and stock savings banks, savings or building and loan associations (stock and mutual), cooperative banks, credit unions, and international banking facilities of domestic depository institution. Bank holding companies are excluded from this definition. For the purposes of assigning risk weights, the differentiation between OECD depository institutions and non-OECD depository institutions is based on the country of incorporation. Claims on branches and agencies of foreign banks located in the United States are to be categorized on the basis of the parent bank's country of incorporation.

(10) *Exchange rate contracts* include: Cross-currency interest rate swaps; forward foreign exchange rate contracts; currency options purchased; and any similar instrument that, in the opinion of the OCC, gives rise to similar risks.

(11) *Goodwill* means an intangible asset that represents the excess of the purchase price over the fair market value of tangible and identifiable intangible assets acquired in purchases accounted for under the purchase method of accounting.

(12) *Intangible assets* include, but are not limited to, purchased mortgage and credit card servicing rights, goodwill, favorable leaseholds, and core deposit value.

(13) *Interest rate contracts* include: Single currency interest rate swaps; basis swaps; forward rate agreements; interest rate options purchased; forward forward deposits accepted; and any similar instrument that, in the opinion of the OCC, gives rise to similar risks, including when-issued securities.

(14) *Novation* means a bilateral contract between two counterparties under which any obligation to each other to deliver a given currency on a given date is automatically amalgamated with all other obligations for the same currency and value date, legally substituting one single net amount for the previous gross obligations.

(15) *OECD-based country* means a member of the grouping of countries that are full members of the Organization of Economic Cooperation and Development, plus countries that have concluded special lending arrangements with the International Monetary Fund (IMF) associated with the IMF's General Arrangements to Borrow. These countries are hereinafter referred to as *OECD countries*.

(16) *Original maturity* means, with respect to a commitment, the earliest possible date after a commitment is made on which the commitment is scheduled to expire (*i.e.*, it will reach its stated maturity and cease to be binding on either party), *provided that* either:

(i) The commitment is not subject to extension or renewal and will actually expire on its stated expiration date; or

(ii) If the commitment is subject to extension or renewal beyond its stated expiration date, the stated expiration date will be deemed the original maturity only if the extension or renewal must be based upon terms and conditions independently negotiated in good faith with the customer at the time of the extension or renewal and upon a new, *bona fide* credit analysis utilizing current information on financial condition and trends.

(17) *Preferred stock* includes the following instruments: (i) *Convertible preferred stock*, which means preferred stock that is mandatorily convertible into either common or perpetual preferred stock; (ii) *Intermediate-term preferred stock*, which means preferred stock with an original maturity of at least five years, but less than 20 years; (iii) *Long-term preferred stock*, which means preferred stock with an original maturity of 20 years or more; and (iv) *Perpetual preferred stock*, which means preferred stock without a fixed maturity date that cannot be redeemed at the option of the holder, and that has no other provisions that will require future redemption of the issue. For purposes of these instruments, preferred stock that can be redeemed at the option of the holder is deemed to have an *original maturity* of the earliest possible date on which it may be so redeemed.

(18) *Public-sector entities* include states, local authorities and governmental subdivisions below the central government level in an OECD country. In the United States, this definition encompasses a state, county, city, town, or other municipal corporation, a public authority, and generally any publicly-owned entity that is an instrumentality of a state or municipal corporation. This definition does not include commercial companies owned by the public sector.[1]

(19) *Reciprocal holdings of bank capital instruments* means cross-holdings or other formal or informal arrangements in which two or more banking organizations swap, exchange, or otherwise agree to hold each other's capital instruments. This definition does not include holdings of capital instruments issued by other banking organizations that were taken in satisfaction of debts previously contracted, provided that the reporting national bank has not held such instruments for more than five years or a longer period approved by the OCC.

(20) *Replacement cost* means, with respect to interest rate and exchange rate contracts, the loss that would be incurred in the event of a counterparty default, as measured by the net cost of replacing the contract at the current market value. If default would result in a theoretical profit, the replacement value is considered to be zero. The mark-to-market process should incorporate changes in both interest rates and counterparty credit quality.

(21) *Residential properties* means houses, condominiums, cooperative units, and manufactured homes. This definition does not include boats or motor homes, even if used as a primary residence.

(22) *Risk-weighted assets* means the sum of total risk-weighted balance sheet assets and the total of risk-weighted off-balance sheet credit equivalent amounts. Risk-weighted balance sheet and off-balance sheet assets are calculated in accordance with section 3 of this appendix A.

[1] *See* Definition (5), *Central government*, for further explanation of commercial companies owned by the public sector.

(23) *State* means any one of the several states of the United States of America, the District of Columbia, Puerto Rico, and the territories and possessions of the United States.

(24) *Subsidiary* means any corporation, partnership, business trust, joint venture, association or similar organization in which a national bank directly or indirectly holds more than a 50% ownership interest. This definition does not include ownership interests that were taken in satisfaction of debts previously contracted, provided that the reporting bank has not held the interest for more than five years or a longer period approved by the OCC.

(25) *Total capital* means the sum of a national bank's core (Tier 1) and qualifying supplementary (Tier 2) capital elements.

(26) *Unconditionally cancelable* means, with respect to a commitment-type lending arrangement, that the bank may, at any time, with or without cause, refuse to advance funds or extend credit under the facility. In the case of home equity lines of credit, the bank is deemed able to unconditionally cancel the commitment if it can, at its option, prohibit additional extensions of credit, reduce the line, and terminate the commitment to the full extent permitted by relevant Federal law.

(27) *United States Government or its agencies* means an instrumentality of the U.S. Government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States Government.

(28) *United States Government-sponsored agency* means an agency originally established or chartered to serve public purposes specified by the United States Congress, but whose obligations are not explicitly guaranteed by the full faith and credit of the United States Government.

Section 2. Components of Capital.

A national bank's qualifying capital base consists of two types of capital—core (Tier 1) and supplementary (Tier 2).

(a) *Tier 1 Capital.* The following elements comprise a national bank's Tier 1 capital:

(1) Common stockholders' equity;

(2) Noncumulative perpetual preferred stock and related surplus; and[2]

(3) Minority interests in the equity accounts of consolidated subsidiaries.

(b) *Tier 2 Capital.* The following elements comprise a national bank's Tier 2 capital:

(1) Allowance for loan and lease losses, up to a maximum of 1.25% of risk-weighted assets,[3] subject to the transition rules in section 4(a)(2) of this appendix A;

(2) Cumulative perpetual preferred stock, long-term preferred stock, convertible preferred stock, and any related surplus, without limit, if the issuing national bank has the option to defer payment of dividends on these instruments. For long-term preferred stock, the amount that is eligible to be included as Tier 2 capital is reduced by 20% of the original amount of the instrument (net of redemptions) at the beginning of each of the last five years of the life of the instrument;

(3) Hybrid capital instruments, without limit. Hybrid capital instruments are those instruments that combine certain characteristics of debt and equity, such as perpetual debt. To be included as Tier 2 capital, these instruments must meet the following criteria:[4]

(i) The instrument must be unsecured, subordinated to the claims of depositors and general creditors, and fully paid-up;

(ii) The instrument must not be redeemable at the option of the holder prior to maturity, except with the prior approval of the OCC;

(iii) The instrument must be available to participate in losses while the issuer is operating as a going concern (in this regard, the instrument must automatically convert to common stock or perpetual preferred stock, if the sum of the retained earnings and capital surplus accounts of the issuer shows a negative balance); and

[2] Preferred stock issues where the dividend is reset periodically based upon current market conditions and the bank's current credit rating, including but not limited to, auction rate, money market or remarketable preferred stock, are assigned to Tier 2 capital, regardless of whether the dividends are cumulative or noncumulative.

[3] The amount of the allowance for loan and lease losses that may be included in capital is based on a percentage of risk-weighted assets. The gross sum of risk-weighted assets used in this calculation includes all risk-weighted assets, with the exception of the assets required to be deducted under section 3 in establishing risk-weighted assets (*i.e.*, the assets required to be deducted from capital under section 2(c)) of this appendix. A banking organization may deduct reserves for loan and lease losses in excess of the amount permitted to be included as capital, as well as allocated transfer risk reserves and reserves held against other real estate owned, from the gross sum of risk-weighted assets in computing the denominator of the risk-based capital ratio.

[4] Mandatory convertible debt instruments that meet the requirements of 12 CFR 3.100(e)(5), or that have been previously approved as capital by the OCC, are treated as qualifying hybrid capital instruments.

(iv) The instrument must provide the option for the issuer to defer principal and interest payments, if

(A) The issuer does not report a net profit for the most recent combined four quarters, and

(B) The issuer eliminates cash dividends on its common and preferred stock.

(4) Term subordinated debt instruments, and intermediate-term preferred stock and related surplus are included in Tier 2 capital, but only to a maximum of 50% of Tier 1 capital as calculated after deductions pursuant to section 2(c) of this appendix. To be considered capital, term subordinated debt instruments must meet the requirements of 12 CFR 3.100(f)(1). Also, at the beginning of each of the last five years of the life of either type of instrument, the amount that is eligible to be included as Tier 2 capital is reduced by 20% of the original amount of that instrument (net of redemptions).[5]

(c) *Deductions From Capital.* The following items are deducted from the appropriate portion of a national bank's capital base when calculating its risk-based capital ratio.

(1) Deductions from Tier 1 capital:

(i) All goodwill is deducted from Tier 1 capital before the Tier 2 portion of the calculation is made, subject to the transition rules contained in section 4(a)(1)(ii) of this appendix A; and

(ii) Except as provided in section 2(c)(2) of this appendix A, all other intangible assets are deducted from Tier 1 capital before the Tier 2 portion of the calculation is made.

(2) Subject to the following conditions, purchased mortgage servicing rights and purchased credit card relationships need not be deducted from Tier 1 capital.

(i) The total of all intangible assets which are included in Tier 1 capital is limited to 50 percent of Tier 1 capital, of which no more than 25 percent of Tier 1 capital can consist of purchased credit card relationships. Calculation of these limitations must be based on Tier 1 capital net of goodwill and other disallowed intangible assets.

(ii) Each intangible asset which is included in Tier 1 capital must be valued at the lesser of:

(A) 90 percent of the fair market value of the intangible asset, determined in accordance with section 2(c)(2)(iii) of this appendix A; or

(B) 100 percent of the remaining unamortized book value of the intangible asset, determined at least quarterly in accordance with the instructions of the Call Report.

(iii) Banks shall determine the current fair market value of each intangible asset included in Tier 1 capital at least quarterly. The quarterly determination of the current fair market value of the intangible asset must include adjustments for any significant changes in original valuation assumptions, including changes in prepayment estimates. In determining the current fair market value of the intangible asset, the bank shall apply an appropriate market discount rate to the expected net cash flows of the intangible asset.

(3) Deductions from total capital:

(i) Investments, both equity and debt, in unconsolidated banking and finance subsidiaries that are deemed to be capital of the subsidiary;[7] and

(ii) Reciprocal holdings of bank capital instruments.

Section 3. Risk Categories/Weights for On-Balance Sheet Assets and Off-Balance Sheet Items

The denominator of the risk-based capital ratio, *i.e.*, a national bank's risk-weighted assets,[8] is derived by assigning that bank's assets and off-balance sheet items to one of the four risk categories detailed in section 3(a) of this appendix A. Each category has a specific risk weight. Before an off-balance sheet item is assigned a risk weight, it is converted to an on-balance sheet credit equivalent amount in accordance with section 3(b) of this appendix A. The risk weight assigned to a particular asset or on-balance sheet credit equivalent amount determines the percentage of that asset/credit equivalent that is included in the denominator of the bank's risk-based capital ratio. Any asset deducted from a bank's capital in computing the numerator of the risk-based capital ratio is not included as part of the bank's risk-weighted assets.

[5] Capital instruments may be redeemed prior to maturity with the prior approval of the OCC. The OCC typically will consider requests for the redemption of capital instruments when the instruments are to be redeemed with the proceeds of, or replaced by, a like amount of a similar or higher quality capital instrument. However, the OCC may deny redemption in such circumstances or allow redemption in other circumstances, based upon its evaluation of the circumstances of each case. The OCC must be notified in writing of any request for redemption at least 30 days in advance of such redemption pursuant to the procedures in § 5.46 of this chapter.

[6] [Reserved].

[7] The OCC may require deduction of investments in other subsidiaries and associated companies, on a case-by-case basis.

[8] The OCC reserves the right to require a bank to compute its risk-based capital ratio on the basis of average, rather than period-end, risk-weighted assets when necessary to carry out the purposes of these guidelines.

Some of the assets on a bank's balance sheet may represent an indirect holding of a pool of assets, *e.g.*, mutual funds, that encompasses more than one risk weight within the pool. In those situations, the asset is assigned to the risk category applicable to the highest risk-weighted asset that pool is permitted to hold pursuant to its stated investment objectives. However, the minimum risk weight that may be assigned to such a pool is 20%. If, in order to maintain a necessary degree of liquidity, the fund is permitted to hold an insignificant amount of its investments in short-term, highly-liquid securities of superior credit quality (that do not qualify for a preferential risk weight), such securities generally will not be taken into account in determining the risk category into which the bank's holding in the overall pool should be assigned. More detail on the treatment of mortgage-backed securities is provided in section 3(a)(3)(iv) of this appendix A.

(a) *On-Balance Sheet Assets.* The following are the risk categories/weights for on-balance sheet assets.

(1) *Zero percent risk weight.* (i) Cash, including domestic and foreign currency owned and held in all offices of a national bank or in transit. Any foreign currency held by a national bank should be converted into U.S. dollar equivalents.

(ii) Deposit reserves and other balances at Federal Reserve Banks.

(iii) Securities issued by, and other direct claims on, the United States Government or its agencies, or the central government of an OECD country.

(iv) That portion of assets directly and unconditionally guaranteed by the United States Government or its agencies, or the central government of an OECD country.[9]

(v) That portion of local currency claims on or unconditionally guaranteed by central governments of non-OECD countries, to the extent the bank has local currency liabilities in that country. Any amount of such claims that exceeds the amount of the bank's local currency liabilities is assigned to the 100% risk category of section 3(a)(4) of this appendix.

(vi) Gold bullion held in the bank's own vaults or in another bank's vaults on an allocated basis, to the extent it is backed by gold bullion liabilities.

(vii) The book value of paid-in Federal Reserve Bank stock.

(2) *20 percent risk weight.* (i) All claims on depository institutions incorporated in an OECD country, and all assets backed by the full faith and credit of depository institutions incorporated in an OECD country. This includes the credit equivalent amount of participations in commitments and standby letters of credit sold to other depository institutions incorporated in an OECD country, but only if the originating bank remains liable to the customer or beneficiary for the full amount of the commitment or standby letter of credit. Also included in this category are the credit equivalent amounts of risk participations in bankers' acceptances conveyed to other depository institutions incorporated in an OECD country. However, bank-issued securities that qualify as capital of the issuing bank are not included in this risk category, but are assigned to the 100% risk category of section 3(a)(4) of this appendix A.

(ii) Claims on, or guaranteed by depository institutions, other than the central bank, incorporated in a non-OECD country, with a residual maturity of one year or less.

(iii) Cash items in the process of collection.

(iv) That portion of assets collateralized by the current market value of securities issued or guaranteed by the United States Government or its agencies, or the central government of an OECD country.

(v) That portion of assets conditionally guaranteed by the United States Government or its agencies, or the central government of an OECD country.

(vi) Securities issued by, or other direct claims on, United States Government-sponsored agencies.

(vii) That portion of assets guaranteed by United States Government-sponsored agencies.[10]

(viii) That portion of assets collateralized by the current market value of securities issued or guaranteed by United States Government-sponsored agencies.

(ix) Claims representing general obligations of any public-sector entity in an OECD country, and that portion of any claims guaranteed by any such public-sector entity. In the U.S., these obligations must meet the requirements of 12 CFR 1.3(g).

(x) Claims on, or guaranteed by, official multilateral lending institutions or regional development institutions in which the United States Government is a shareholder or contributing member.[11]

(xi) That portion of assets collateralized by the current market value of securities issued by official multilateral lending institutions or regional development institutions in which the United States Government is a shareholder or contributing member.

(xii) Assets collateralized by cash held in a segregated deposit account by the reporting national bank.

(xiii) That portion of local currency claims conditionally guaranteed by central governments of non-OECD countries, to the extent the bank has local currency liabilities in that country. Any amount of such claims that exceeds the amount of the bank's local currency liabilities is assigned to the 100% risk category of section 3(a)(4) of this appendix.

(3) *50 percent risk weight.* (i) Revenue obligations of any public-sector entity in an OECD country for which the underlying obligor is the public-sector entity, but which are repayable solely from the revenues generated by the project financed through the issuance of the obligations.

(ii) The credit equivalent amount of interest rate and exchange rate contracts, calculated in accordance with section 3(b)(5) of this appendix A, that do not qualify for inclusion in a lower risk category.

(iii) Loans secured by first mortgages on one-to-four family residential properties, either owner-occupied or rented, provided that such loans are not more than 90 days past due, or on nonaccrual or restructured. It is presumed that such loans will meet prudent underwriting standards. Furthermore, residential property loans that are made for the purpose of construction financing are assigned to the 100% risk category of section 3(a)(4) of this appendix A; however, this exclusion from the 50% risk category does not apply to loans to individual purchasers for the construction of their own homes.

(iv) Loans to residential real estate builders for one-to-four family residential property construction, if the bank obtains, prior to the making of the construction loan, sufficient documentation demonstrating that the buyer of the home intends to purchase the home (*i.e.*, a legally binding written sales contract) and has the ability to obtain a mortgage loan sufficient to purchase the home (*i.e.*, a firm written commitment for permanent financing of the home upon completion), subject to the following additional criteria:

(A) The builder must incur at least the first 10% of the direct costs (*i.e.*, actual costs of the land, labor, and material) before any drawdown is made under the construction loan and the construction loan may not exceed 80% of the sales price of the resold home;

(B) The individual purchaser has made a substantial "earnest money deposit" of no less than 3% of the sales price of the home that must be subject to forfeiture by the individual purchaser if the sales contract is terminated by the individual purchaser; however, the earnest money deposit shall not be subject to forfeiture by reason of breach or termination of the sales contract on the part of the builder;

(C) The earnest money deposit must be held in escrow by the bank financing the builder or by an independent party in a fiduciary capacity; the escrow agreement must provide that in the event of default the escrow funds must be used to defray any cost incurred relating to any cancellation of the sales contract by the buyer;

(D) If the individual purchaser terminates the contract or if the loan fails to satisfy any other criterion under this section, then the bank must immediately recategorize the loan at a 100% risk weight and must accurately report the loan in the bank's next quarterly Consolidated Reports of Condition and Income (Call Report);

(E) The individual purchaser must intend that the home will be owner-occupied;

(F) The loan is made by the bank in accordance with prudent underwriting standards;

(G) The loan is not more than 90 days past due, or on nonaccrual; and

(H) The purchaser is an individual(s) and not a partnership, joint venture, trust, corporation, or any other entity (including an entity acting as a sole proprietorship) that is purchasing one or more of the homes for speculative purposes.

(v) Privately-issued mortgage-backed securities, *i.e.*, those that do not carry the guar-

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[9] For the treatment of privately-issued mortgage-backed securities where the underlying pool is comprised solely of mortgage-related securities issued by GNMA, *see infra* note 10.

[10] Privately issued mortgage-backed securities, *e.g.*, CMOs and REMICs, where the underlying pool is comprised solely of mortgage-related securities issued by GNMA, FNMA and FHLMC, will be treated as an indirect holding of the underlying assets and assigned to the 20% risk category of this section 3(a)(2). If the underlying pool is comprised of assets which attract different risk weights, *e.g.*, FNMA securities and conventional mortgages, the bank should generally assign the security to the highest risk category appropriate for any asset in the pool. However, on a case-by-case basis, the OCC may allow the bank to assign the security proportionately to the various risk categories based on the proportion in which the risk categories are represented by the composition cash flows of the underlying pool of assets. Before the OCC will consider a request to proportionately risk-weight such a security, the bank must have current information for the reporting date that details the composition and cash flows of the underlying pool of assets. Furthermore, before a mortgage-related security will receive a risk weight lower than 100%, it must meet the criteria set forth in section 3(a)(3)(iv) of this appendix A.

[11] These institutions include, but are not limited to, the International Bank for Reconstruction and Development (World Bank), the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Investments Bank, the International Monetary Fund and the Bank for International Settlements.

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antee of a government or government-sponsored agency, fully secured by mortgages that, at the time of origination, qualify for this 50% risk weight under section 3(a)(3)(iii) of this appendix,[12] provided they meet the following criteria:

(A) The underlying assets must be held by an independent trustee that has a first priority, perfected security interest in the underlying assets for the benefit of the holders of the security;

(B) The holder of the security must have an undivided pro rata ownership interest in the underlying assets or the trust that issues the security must have no liabilities unrelated to the issued securities;

(C) The trust that issues the security must be structured such that the cash flows from the underlying assets fully meet the cash flows requirements of the security without undue reliance on any reinvestment income; and

(D) There must not be any material reinvestment risk associated with any funds awaiting distribution to the holder of the security.

(4) *100 percent risk weight.* All other assets not specified above, including, but not limited to:

(i) Claims on or guaranteed by depository institutions incorporated in a non-OECD country, as well as claims on the central
122 bank of a non-OECD country, with a residual maturity exceeding one year.

(ii) All non-local currency claims on non-OECD central governments, as well as local currency claims on non-OECD central governments that are not included in section 3(a)(1)(v) of this appendix A.

(iii) Any classes of a mortgage-backed security that can absorb more than their pro rata share of the principal loss without the whole issue being in default, *e.g.*, subordinated classes or residual interests, regardless of the issuer or guarantor.

(iv) All stripped mortgage-backed securities, including interest only portions (IOs), principal only portions (POs) and other similar instruments, regardless of the issuer or guarantor.

(v) Obligations issued by any state or any political subdivision thereof for the benefit of a private party or enterprise where that party or enterprise, rather than the issuing state or political subdivision, is responsible for the timely payment of principal and interest on the obligation, *e.g.*, industrial development bonds.

(vi) Claims on commercial enterprises owned by non-OECD and OECD central governments.

(vii) Any investment in an unconsolidated subsidiary that is not required to be deducted from total capital pursuant to section 2(c)(3) of this appendix A.

(viii) Instruments issued by depository institutions incorporated in OECD and non-OECD countries that qualify as capital of the issuer.

(ix) Investments in fixed assets, premises, and other real estate owned.

(b) *Off-Balance Sheet Activities.* The risk weight assigned to an off-balance sheet activity is determined by a two-step process. First, the face amount of the off-balance sheet item is multiplied by the appropriate credit conversion factor specified in this section. This calculation translates the face amount of an off-balance sheet item into an on-balance sheet credit equivalent amount. Second, the resulting credit equivalent amount is then assigned to the proper risk category using the criteria regarding obligors, guarantors and collateral listed in section 3(a) of this appendix A; however, collateral and guarantees are applied to the face amount of an off-balance sheet item, not the credit equivalent amount of such an item. The following are the credit conversion factors and the off-balance sheet items to which they apply.

(1) *100 percent credit conversion factor.* (i) Direct credit substitutes, including financial guarantee-type standby letters of credit that support financial claims on the account party.[13] The face amount of a direct credit substitute is netted against the amount of

[12] If all of the underlying mortgages in the pool do not qualify for the 50% risk weight, the bank should generally assign the entire value of the security to the 100% risk category of section 3(a)(4) of this appendix A; however, on a case-by-case basis, the OCC may allow the bank to assign only the portion of the security which represents an interest in, and the cash flows of, nonqualifying mortgages to the 100% risk category, with the remainder being assigned a risk weight of 50%. Before the OCC will consider a request to risk weight a mortgage-backed security on a proportionate basis, the bank must have current information for the reporting date that details the composition and cash flows of the underlying pool of mortgages.

[13] For purposes of this section 3(b)(1)(i), a "financial guarantee-type standby letter of credit" is any letter of credit, or similar arrangement, however named or described, which represents an irrevocable obligation to the beneficiary on the part of the issuer (1) to repay money borrowed by or advanced to or for the account of the account party or (2) to make payment on account of any indebtedness undertaken by the account party, in the event that the account party fails to fulfill its obligation to the beneficiary. Performance-based standby letters of credit are defined differently in section 3(b)(2)(i), *infra* note 16.

any participations sold in that item. The amount not sold is converted to an on-balance sheet credit equivalent and assigned to the proper risk category using the criteria regarding obligors, guarantors and collateral listed in section 3(a) of this appendix A. Participations are treated as follows:

(A) If the originating bank remains liable to the beneficiary for the full amount of the standby letter of credit, in the event the participant fails to perform under its participation agreement, the amount of participations sold are converted to an on-balance sheet credit equivalent using a credit conversion factor of 100%, with that amount then being assigned to the risk category appropriate for the purchaser of the participation.

(B) If the participations are such that each participant is responsible only for its pro rata share of the risk, and there is no recourse to the originating bank, the full amount of the participations sold is excluded from the originating bank's risk-weighted assets;

(ii) Risk participations purchased in bankers' acceptances and participations purchased in direct credit substitutes;

(iii) Assets sold under an agreement to repurchase and assets sold with recourse,[14] to the extent that these assets are not reported on a national bank's statement of condition (this includes loan strips sold without direct recourse, where the maturity of the participation is shorter than the maturity of the underlying loan); and

(iv) Contingent obligations with a certain draw down, *e.g.*, legally binding agreements to purchase assets as a specified future date.

(v) Indemnification of customers whose securities the bank has lent as agent. If the customer is not indemnified against loss by the bank, the transaction is excluded from the risk-based capital calculation.[15]

(2) *50 percent credit conversion factor.* (i) Transaction-related contingencies including, among other things, performance bonds and performance-based standby letters of credit related to a particular transaction.[16] To the extent permitted by law or regulation, performance-based standby letters of credit include such things as arrangements backing subcontractors' and suppliers' performance, labor and materials contracts, and construction bids;

(ii) Unused portion of commitments, including home equity lines of credit, with an original maturity exceeding one year;[17] and

[14] For risk-based capital purposes, the definition of the sale of assets with recourse, including one-to-four family residential mortgages, is generally the same as the definition contained in the Instructions for the Preparation of the Consolidated Reports of Condition and Income (the Call Report). Assets sold in transactions in which the bank retains risk in a manner constituting recourse under the Call Report instructions, but which are not reported on the bank's statement of condition, are included in section 3(b)(1)(iii), even though the Call Report allows such transfers to be reported as sales. However, mortgage loans sold in transactions in which the bank retains only an insignificant amount of risk and makes concurrent provision for that risk are not considered assets sold with recourse under section 3. In order to qualify for sales treatment, such transactions must meet three conditions: (1) The bank has not retained any significant risk of loss, either directly or indirectly; (2) The bank's maximum contractual exposure under the recourse provision (or through the retention of a subordinated interest in the mortgages) at the time of the transfer is equal to or less than the amount of probable loss that the bank has reasonably estimated that it will incur on the transferred mortgages; and (3) The bank must have created a liability account or other special reserve in an amount equal to its maximum exposure. The amount of this liability account or other special reserve may not be included in capital for the purpose of determining compliance with either the risk-based capital requirement or the leverage ratio; nor may it be included in the allowance for loan and lease losses.

[15] When a bank lends its own securities, the transaction is treated as a loan. When a bank lends its own securities or, acting as agent, agrees to indemnify a customer, the transaction is assigned to the risk weight appropriate to the obligor or collateral that is delivered to the lending or indemnifying institution or to an independent custodian acting on their behalf.

[16] For purposes of this section 3(b)(2)(i), a "performance-based standby letter of credit" is any letter of credit, or similar arrangement, however named or described, which represents an irrevocable obligation to the beneficiary on the part of the issuer to make payment on account of any default by the account party in the performance of a non financial or commercial obligation. Participations in performance-based standby letters of credit are treated in accordance with the provisions of section 3(b)(1)(i)(A)&(B) of this appendix A. Financial guarantee-type standby letters of credit are defined in section 3(b)(1)(i), *supra* note 13.

[17] Participations in commitments are treated in accordance with the provisions of section 3(b)(1)(i)(A)&(B) of this appendix A. Until December 31, 1992, national banks will be permitted to use remaining maturity in determining the appropriate credit conversion factor for the unused portion of loan commitments.

(iii) Revolving underwriting facilities, note issuance facilities, and similar arrangements pursuant to which the bank's customer can issue short-term debt obligations in its own name, but for which the bank has a legally binding commitment to either:

(A) Purchase the obligations the customer is unable to sell by a stated date; or

(B) Advance funds to its customer, if the obligations cannot be sold.

(3) *20 percent credit conversion factor.* (i) Trade-related contingencies. These are short-term self-liquidating instruments used to finance the movement of goods and are collateralized by the underlying shipment. A commercial letter of credit is an example of such an instrument.

(4) *Zero percent credit conversion factor.* (i) Unused portion of commitments with an original maturing of one year or less;

(ii) Unused portion of commitments with an original maturity of greater than one year, if they are unconditionally cancelable[18] at any time at the option of the bank and the bank has the contractual right to make, and in fact does make, either—

(A) A separate credit decision based upon the borrower's current financial condition, before each drawing under the lending facility; or

(B) An annual (or more frequent) credit review based upon the borrower's current financial condition to determine whether or not the lending facility should be continued; and

(iii) The unused portion of retail credit card lines or other related plans that are unconditionally cancelable by the bank in accordance with applicable law.

(5) *Interest rate and exchange rate contracts.* The credit equivalent amount of such contracts is the sum of two measures of credit exposure—current and potential credit exposure.

(i) *Current credit exposure*—The replacement cost of the contract reflects the current credit exposure, and is measured in U.S. dollars, regardless of the currency specified in the contract. A bank may net multiple contracts with a single counterparty only if those contracts are subject to novation.

(ii) *Potential credit exposure*—To complete the calculation of the on-balance sheet credit equivalent amount of a contract, an estimate of the potential increase in credit exposure over the remaining life of the contract is added on (the "add-on") to the contract's current credit exposure, including contracts with no current credit exposure. The add-on is calculated by multiplying the notional principal amount of the contract by one of the following credit conversion factors, as appropriate:[19]

(A) Interest rate contracts—

(I) Zero percent, if the contract has a remaining maturity of one year or less, and

(II) 0.5%, for contracts with a remaining maturity greater than one year;

(B) Exchange rate contracts—

(I) 1.0%, if the contract has a remaining maturity of one year or less, and

(II) 5.0%, for contracts with a remaining maturity greater than one year.

(iii) *Risk weighting*—The credit equivalent amount, which is derived from sections 3(b)(5) (i) and (ii) of this appendix A, is then assigned to the proper risk category using the criteria regarding obligors, guarantors, and collateral listed in section 3(a) of this appendix A.[20] However, the maximum risk weight assigned to the credit equivalent amount of an interest rate or exchange rate contract is 50%.

(iv) *Exceptions*—The following contracts are not subject to the above calculation and, therefore, are not considered part of the denominator of a national bank's risk-based capital ratio:

(A) Exchange rate contracts with an original maturity of 14 calendar days or less; and

(B) Any interest rate or exchange rate contract that is traded on an exchange requiring the daily payment of any variations in the market value of the contract.

Section 4. Implementation, Transition Rules, and Target Ratios

(a) *December 31, 1990 to December 30, 1992.* During this time period:

(1) All national banks are expected to maintain a minimum ratio of total capital (after deductions) to risk-weighted assets of 7.25%.

(i) Fifty percent of this 7.25% must be made up of Tier 1 capital; however, up to 10% of Tier 1 capital can be comprised of Tier 2 capital elements, before any deductions for goodwill. The amount of Tier 2 elements included in Tier 1 will not be subject to the sublimits on the amount of such elements in Tier 2 capital, with the exception of the allowance for loan and lease losses.

(ii) Goodwill that national banks have been allowed to count as capital as a result of the transition rules contained in 12 CFR 3.3 is grandfathered until December 31, 1992, but will be deducted from Tier 1 capital after that date.

(2) The allowance for loan and lease losses can be included in total capital up to a maximum of 1.5% of a bank's risk-weighted assets, including the portion that can be borrowed to make up Tier 1.

(3) Tier 2 capital elements that are not used as part of Tier 1 capital will qualify as part of a national bank's total capital base up to a maximum of 100% of the bank's Tier 1 capital.

(4) In addition to the standards established by these risk-based capital guidelines, all national banks must maintain a minimum capital-to-total assets ratio in accordance with the provisions of 12 CFR part 3.

(b) *On December 31, 1992.* (1) All national banks are expected to maintain a minimum ratio of total capital (after deductions) to risk-weighted assets of 8.0%.

(2) Tier 2 capital elements qualify as part of a national bank's total capital base up to a maximum of 100% of that bank's Tier 1 capital.

(3) In addition to the standards established by these risk-based capital guidelines, all national banks must maintain a minimum capital-to-total assets ratio in accordance with the provisions of 12 CFR part 3.

TABLE 1—SUMMARY OF RISK WEIGHTS AND RISK CATEGORIES

Category 1: Zero Percent

1. Cash (domestic and foreign).
2. Balances due from, and claims on, Federal Reserve Banks and central banks in other OECD countries.
3. Claims on, or unconditionally guaranteed by, the U.S. Government or its agencies, or other OECD central governments.[1]
4. That portion of local currency claims on or unconditionally guaranteed by non-OECD central governments to the extent the bank has local currency liabilities in that country.
5. Gold bullion held in the bank's own vaults or in another bank's vaults on an allocated basis, to the extent it is backed by gold bullion liabilities.
6. Federal Reserve Bank stock.

Category 2: 20 Percent

1. Portions of loans and other assets collateralized by securities issued or guaranteed by the U.S. Government or its agencies, or other OECD central governments.[2]
2. Portions of loans and other assets conditionally guaranteed by the U.S. Government or its agencies, or other OECD central governments.
3. Portions of loans and other assets collateralized by cash on deposit in the lending institution.
4. All claims (long- and short-term) on, or guaranteed by, OECD depository institutions.
5. Claims on, or guaranteed by, non-OECD depository institutions with a residual maturity of one year or less.
6. Cash items in the process of collection.
7. Securities and other claims on, or guaranteed by, U.S. Government-sponsored agencies.[3]
8. Portions of loans and other assets collateralized by securities issued by, or guaranteed by, U.S. Government-sponsored agencies.[4]
9. Claims that represent general obligations of, and portions of claims guaranteed by, public-sector entities in OECD countries, below the level of central government.
10. Claims on or guaranteed by official multilateral lending institutions or regional development institutions in which the U.S. Government is a shareholder or a contributing member.
11. Portions of loans and other assets collateralized with securities issued by official multilateral lending institutions or regional development institutions in which the U.S. Government is a shareholder or a contributing member.
12. That portion of local currency claims conditionally guaranteed by central governments of non-OECD countries, to the extent the bank has local currency liabilities in that country.

Category 3: 50 Percent

1. Revenue bonds or similar obligations, including loans and leases, that are obligations of public sector entities in OECD countries, but for which the government entity is com-

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[18] See section 1(c)(26) of appendix A to this part.

[19] No potential credit exposure is calculated for single currency floating/floating interest rate swaps; rather, the on-balance sheet credit equivalent of these contracts is evaluated solely on the basis of the amount of their current credit exposure.

[20] Interest rate and exchange rate contracts are an exception to the general rule of applying collateral and guarantees to the face value of off-balance sheet items. The sufficiency of collateral and guarantees is determined on the basis of the credit equivalent amount of interest rate and exchange rate contracts.

[1] For the purpose of calculating the risk-based capital ratio, a U.S. Government agency is defined as an instrumentality of the U.S. Government whose obligations are fully and explicitly guaranteed as to the timely repayment of principal and interest by the full faith and credit of the U.S. Government.

[2] Degree of collateralization is determined by current market value.

[3] For the purpose of calculating the risk-based capital ratio, a U.S. Government-sponsored agency is defined as an agency originally established or chartered to serve public purposes specified by the U.S. Congress but whose obligations are not explicitly guaranteed by the full faith and credit of the U.S. Government.

[4] Degree of collateralization is determined by current market value.

mitted to repay the debt only out of revenues from the facilities financed.

2. Credit equivalent amounts of interest rate and exchange rate related contracts, except for those assigned to a lower risk category.

3. Assets secured by a first mortgage on a one-to-four family residential property that are not more than 90 days past due, on nonaccrual or restructured.

4. Loans to residential real estate builders for one-to-four family residential property construction that have been presold pursuant to legally binding written sales contract.

Category 4: 100 Percent

1. All other claims on private obligors.

2. Claims on non-OECD financial institutions with a residual maturity exceeding one year. Claims on non-OECD central banks with a residual maturity exceeding one year are included in this category unless they qualify for item 4 of Category 1.

3. Claims on non-OECD central governments that are not included in item 4 of Category 1.

4. Obligations issued by state or local governments (including industrial development authorities and similar entities) repayable solely by a private party or enterprise.

5. Premises, plant, and equipment; other fixed assets; and other real estate owned.

6. Investments in unconsolidated subsidiaries, joint ventures, or associated companies (unless deducted from capital).

7. Capital instruments issued by other banking organizations.

8. All other assets (including claims on commercial firms owned by the public sector).

TABLE 2—CREDIT CONVERSION FACTORS FOR OFF-BALANCE SHEET ITEMS

100 Percent Conversion Factor

1. Direct credit substitutes (general guarantees of indebtedness and guarantee-type instruments, including standby letters of credit serving as financial guarantees for, or supporting, loans and securities).

2. Risk participations in bankers acceptances and participations in direct credit substitutes (*e.g.*, standby letters of credit).

3. Sale and repurchase agreements and asset sales with recourse, if not already included on the balance sheet.

4. Forward agreements (*i.e.*, contractual obligations) to purchase assets, including financing facilities with *certain* drawdown.

50 Percent Conversion Factor

1. Transaction-related contingencies (*e.g.*, bid bonds, performance bonds, warranties, and standby letters of credit related to particular transactions).

2. Unused portion of commitments with an original maturity exceeding one year.

3. Revolving underwriting facilities (RUFs), note issuance facilities (NIFs) and other similar arrangements.

20 Percent Conversion Factor

1. Short-term, self-liquidating trade-related contingencies, including commercial letters of credit.

Zero Percent Conversion Factor

1. Unused portion of commitments with an original maturity of one year or less.

2. Unused portion of commitments which are unconditionally cancelable at any time, regardless of maturity.

TABLE 3—TREATMENT OF INTEREST RATE AND EXCHANGE RATE CONTRACTS

The Current Exposure Method (described below) is utilized to calculate the "credit equivalent amounts" of these instruments. These amounts are assigned a risk weight appropriate to the obligor or any collateral or guarantee. However, the maximum risk weight is limited to 50 percent. Multiple contracts with a single counterparty may be netted if those contracts are subject to novation.

Residual maturity	Interest rate contracts	Exchange rate contracts
One year and less	Replacement Cost (RC).	RC+1.0% of total notional principal (NP).
Over one year	RC+0.5% of NP ...	RC+5.0% of NP.

The following instruments will be excluded:

- Exchange rate contracts with an original maturity of 14 calendar days or less, and
- Instruments traded on exchanges and subject to daily margin requirements.

TABLE 4—DEFINITION OF CAPITAL

Capital components are distributed between two categories (Tier 1 and Tier 2). Tier 2 capital elements will qualify as part of a bank's total capital base up to a maximum of 100% of that bank's Tier 1 capital. Beginning December 31, 1992, the minimum risk-based capital standard will be 8.0%.

Definition of Capital

Tier 1:

- Common stockholders' equity;
- Noncumulative perpetual preferred stock and any related surplus; and
- Minority interests in the equity accounts of consolidated subsidiaries.

Tier 2:

- Cumulative perpetual, long-term and convertible preferred stock, and any related surplus;[5]
- Perpetual debt and other hybrid debt/equity instruments;
- Intermediate-term preferred stock and term subordinated debt (to a maximum of 50% of Tier 1 capital); and
- Loan loss reserves (to a maximum of 1.25% of risk-weighted assets).

Deductions from Capital:

From Tier 1:

- Goodwill and other intangibles, with the exception of identified intangibles that satisfy the criteria included in the guidelines.

From Total Capital:

- Investments in unconsolidated banking and finance subsidiaries;
- Reciprocal holdings of capital instruments

Transitional Definition

During a transition period beginning December 31, 1990, all national banks are expected to maintain a capital to risk-weighted asset ratio of 7.25%, of which at least 3.25 percentage points must consist of Tier 1 capital. In other words, during this period upon to approximately 4 percentage points of the 7.25% capital ratio may consist of Tier 2 capital. Also during this period, the sublimit on loan loss reserves will be 1.5% of risk-weighted assets.

[54 FR 4177, Jan. 27, 1989, as amended at 57 FR 40307, Sept. 3, 1992; 57 FR 44084, 44085, Sept. 24, 1992; 58 FR 16486, Mar. 29, 1993]

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Sec.

[5] The amount of long-term and intermediate-term preferred stock, as well as term subordinated debt that is eligible to be included as Tier 2 capital is reduced by 20% of the original amount of the instrument at the beginning of each of the last five years of the life of the instrument.

AUTHORITY: 5 U.S.C. 552; 12 U.S.C. 93a.

CROSS REFERENCE: See 31 CFR Part 1, Subtitle A.

§ 4.1 Scope and application.

This part describes the central and field offices of the Comptroller of the Currency; the established places at which, the employees from whom, and the methods whereby, the public may obtain information, make submittals on requests, or obtain decisions; and the forms available or the places at which forms and instructions as to the scope and contents of all papers, reports, on examinations may be obtained.

[36 FR 5050, Mar. 17, 1971]

§ 4.1a Central and field organization; delegations.

(a) *Central Office*—(1) *Comptroller of the Currency*. The Comptroller of the Currency, as head of the Office of the Comptroller of the Currency, is the chief regulatory officer for national banks and federally licensed branches and agencies of foreign banks. The Comptroller is responsible for directing the development, execution, and review of all Office programs and functions. The Comptroller is appointed by the President, by and with the advice and consent of the Senate, for a term of 5 years. The Comptroller's office is located at 490 L'Enfant Plaza East, SW., Washington, DC 20219. The Comptroller is assisted by the following officials who perform such duties as the Comptroller may prescribe in addition to the responsibilities set forth below.

(2) *Senior Deputy Comptroller for Legislative and Public Affairs*. The Senior Deputy Comptroller for Legislative and Public Affairs directs and coordinates external communications with banks and banking organizations, Congress, the public, news media, bank customers and nonbank financial industry groups. In addition, the Senior Deputy Comptroller oversees the internal communications program and the Community Development Corporation program. The Director of Banking Relations, the Director of Communications,

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the appraiser who prepared the report under review.

Reviewing is a distinctly different function from that addressed in Standards Rule 2-5. To avoid confusion in the marketplace between these two functions, review appraisers should not sign the report under review unless they intend to take the responsibility of a cosigner.

Review appraisers must take appropriate steps to indicate to third parties the precise extent of the review process. A separate report or letter is one method. Another appropriate method is a form or checklist prepared and signed by the appraiser conducting the review and attached to the report under review. It is also possible that a stamped impression on the appraisal report under review, signed or initialed by the reviewing appraiser, may be an appropriate method for separating the review function from the actual signing of the report. To be effective, however, the stamp must briefly indicate the extent of the review process and refer to a file memorandum that clearly outlines the review process conducted.

The review appraiser must exercise extreme care in clearly distinguishing between the review process and the appraisal or consulting process. Original work by the review appraiser may be governed by STANDARD 1 rather than this standard. 126 A misleading or fraudulent review and/or report violates the ETHICS PROVISION.

Standards Rule 3-1. In reviewing an appraisal, an appraiser must:

(a) Identify the report under review, the real estate and real property interest being appraised, the effective date of the opinion in the report under review, and the date of the review;

(b) Identify the extent of the review process to be conducted;

(c) Form an opinion as to the completeness of the report under review in light of the requirements in these standards;

Comment: The review should be conducted in the context of market conditions as of the effective date of the opinion in the report being reviewed.

(d) Form an opinion as to the apparent adequacy and relevance of the data and the propriety of any adjustments to the data;

(e) Form an opinion as to the appropriateness of the appraisal methods and techniques used and develop the reasons for any disagreement;

(f) Form an opinion as to whether the analyses, opinions, and conclusions in the report under review are appropriate and reasonable, and develop the reasons for any disagreement.

Comment: Departure from binding requirements (a) through (f) above is not permitted. An opinion of a different estimate of value from that in the report under review may be expressed, provided the review appraiser:

1. Satisfies the requirements of STANDARD 1;
2. Identifies and sets forth any additional data relied upon and the reasoning and basis for the different estimate of value; and,
3. Clearly identifies and discloses all assumptions and limitations connected with the different estimate of value to avoid confusion in the marketplace.

Standards Rule 3-2. In reporting the results of an appraisal review, an appraiser must:

(a) Disclose the nature, extent, and detail of the review process undertaken;

(b) Disclose the information that must be considered in Standards Rule 3-1 (a) and (b);

(c) Set forth the opinions, reasons, and conclusions required in Standards Rule 3-1 (c), (d), (e) and (f);

(d) Include all know pertinent information;

(e) Include a signed certification similar in content to the following:

I certify that, to the best of my knowledge and belief:

—The facts and data reported by the review appraiser and used in the review process are true and correct.

—The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions and conclusions.

—I have no (or the specified) present or prospective interest in the property that is the subject of this report and I have no (or the specified) personal interest or bias with respect to the parties involved.

—My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review report.

—My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

—I did not (did) personally inspect the subject property of the report under review.

—No one provided significant professional assistance to the person signing this review report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)

Comment: Departure from binding requirements (a) through (e) above is not permitted.

[55 FR 53612, 53617, Dec. 31, 1990; 56 FR 1229, Jan. 11, 1991]

Subpart D—Real Estate Lending Standards

SOURCE: 57 FR 62889, Dec. 31, 1992, unless otherwise noted.

EFFECTIVE DATE NOTE: At 57 FR 62899, Dec. 31, 1992, subpart D to part 34 was added effective March 19, 1993.

§ 34.61 Purpose and scope.

This subpart, issued pursuant to section 304 of the Federal Deposit Insurance Corporation Improvement Act of 1991, 12 U.S.C. 1828(o), prescribes standards for real estate lending to be used by national banks in adopting internal real estate lending policies.

§ 34.62 Real estate lending standards.

(a) Each national bank shall adopt and maintain written policies that establish appropriate limits and standards for extensions of credit that are secured by liens on or interests in real estate, or that are made for the purpose of financing permanent improvements to real estate.

(b)(1) Real estate lending policies adopted pursuant to this section must:

(i) Be consistent with safe and sound banking practices;

(ii) Be appropriate to the size of the institution and the nature and scope of its operations; and

(iii) Be reviewed and approved by the bank's board of directors at least annually.

(2) The lending policies must establish:

(i) Loan portfolio diversification standards;

(ii) Prudent underwriting standards, including loan-to-value limits, that are clear and measurable;

(iii) Loan administration procedures for the bank's real estate portfolio; and

(iv) Documentation, approval, and reporting requirements to monitor compliance with the bank's real estate lending policies.

(c) Each national bank must monitor conditions in the real estate market in its lending area to ensure that its real estate lending policies continue to be appropriate for current market conditions.

(d) The real estate lending policies adopted pursuant to this section should reflect consideration of the Interagency Guidelines for Real Estate Lending Policies established by the Federal bank and thrift supervisory agencies.

Appendix A to Subpart D of Part 34—Interagency Guidelines for Real Estate Lending

The agencies' regulations require that each insured depository institution adopt and maintain a written policy that establishes appropriate limits and standards for all extensions of credit that are secured by liens on or interests in real estate or made for the purpose of financing the construction of a building or other improvements.[1] These guidelines are intended to assist institutions in the formulation and maintenance of a real estate lending policy that is appropriate to the size of the institution and the nature and scope of its individual operations, as well as satisfies the requirements of the regulation.

Each institution's policies must be comprehensive, and consistent with safe and sound lending practices, and must ensure that the institution operates within limits and according to standards that are reviewed and approved at least annually by the board of directors. Real estate lending is an integral part of many institutions' business plans and, when undertaken in a prudent manner, will not be subject to examiner criticism.

LOAN PORTFOLIO MANAGEMENT CONSIDERATIONS

The lending policy should contain a general outline of the scope and distribution of the institution's credit facilities and the manner in which real estate loans are made, serviced, and collected. In particular, the institution's policies on real estate lending should:

• Identify the geographic areas in which the institution will consider lending.

• Establish a loan portfolio diversification policy and set limits for real estate loans by type and geographic market (e.g., limits on higher risk loans).

• Identify appropriate terms and conditions by type of real estate loan.

[1] The agencies have adopted a uniform rule on real estate lending. See 12 CFR part 365 (FDIC); 12 CFR part 208, subpart C (FRB); 12 CFR part 34, subpart D (OCC); and 12 CFR 563.100-101 (OTS).

• Establish loan origination and approval procedures, both generally and by size and type of loan.

• Establish prudent underwriting standards that are clear and measurable, including loan-to-value limits, that are consistent with these supervisory guidelines.

• Establish review and approval procedures for exception loans, including loans with loan-to-value percentages in excess of supervisory limits.

• Establish loan administration procedures, including documentation, disbursement, collateral inspection, collection, and loan review.

• Establish real estate appraisal and evaluation programs.

• Require that management monitor the loan portfolio and provide timely and adequate reports to the board of directors.

The institution should consider both internal and external factors in the formulation of its loan policies and strategic plan. Factors that should be considered include:

• The size and financial condition of the institution.

• The expertise and size of the lending staff.

• The need to avoid undue concentrations of risk.

• Compliance with all real estate related laws and regulations, including the Community Reinvestment Act, anti-discrimination laws, and for savings associations, the Qualified Thrift Lender test.

• Market conditions.

The institution should monitor conditions in the real estate markets in its lending area so that it can react quickly to changes in market conditions that are relevant to its lending decisions. Market supply and demand factors that should be considered include:

• Demographic indicators, including population and employment trends.

• Zoning requirements.

• Current and projected vacancy, construction, and absorption rates.

• Current and projected lease terms, rental rates, and sales prices, including concessions.

• Current and projected operating expenses for different types of projects.

• Economic indicators, including trends and diversification of the lending area.

• Valuation trends, including discount and direct capitalization rates.

Underwriting Standards

Prudently underwritten real estate loans should reflect all relevant credit factors, including:

• The capacity of the borrower, or income from the underlying property, to adequately service the debt.

• The value of the mortgaged property.

• The overall creditworthiness of the borrower.

• The level of equity invested in the property.

• Any secondary sources of repayment.

• Any additional collateral or credit enhancements (such as guarantees, mortgage insurance or takeout commitments).

The lending policies should reflect the level of risk that is acceptable to the board of directors and provide clear and measurable underwriting standards that enable the institution's lending staff to evaluate these credit factors. The underwriting standards should address:

• The maximum loan amount by type of property.

• Maximum loan maturities by type of property.

• Amortization schedules.

• Pricing structure for different types of real estate loans.

• Loan-to-value limits by type of property.

For development and construction projects, and completed commercial properties, the policy should also establish, commensurate with the size and type of the project or property:

• Requirements for feasibility studies and sensitivity and risk analyses (*e.g.*, sensitivity of income projections to changes in economic variables such as interest rates, vacancy rates, or operating expenses).

• Minimum requirements for initial investment and maintenance of hard equity by the borrower (*e.g.*, cash or unencumbered investment in the underlying property).

• Minimum standards for net worth, cash flow, and debt service coverage of the borrower or underlying property.

• Standards for the acceptability of and limits on non-amortizing loans.

• Standards for the acceptability of and limits on the use of interest reserves.

• Pre-leasing and pre-sale requirements for income-producing property.

• Pre-sale and minimum unit release requirements for non-income-producing property loans.

• Limits on partial recourse or nonrecourse loans and requirements for guarantor support.

• Requirements for takeout commitments.

• Minimum covenants for loan agreements.

Loan Administration

The institution should also establish loan administration procedures for its real estate portfolio that address:

• Documentation, including:

Type and frequency of financial statements, including requirements for verification of information provided by the borrower;

Type and frequency of collateral evaluations (appraisals and other estimates of value).

• Loan closing and disbursement.

• Payment processing.

• Escrow administration.

• Collateral administration.

• Loan payoffs.

• Collections and foreclosure, including:

Delinquency follow-up procedures;

Foreclosure timing;

Extensions and other forms of forbearance;

Acceptance of deeds in lieu of foreclosure.

• Claims processing (*e.g.*, seeking recovery on a defaulted loan covered by a government guaranty or insurance program).

• Servicing and participation agreements.

Supervisory Loan-to-Value Limits

Institutions should establish their own internal loan-to-value limits for real estate loans. These internal limits should not exceed the following supervisory limits:

Loan category	Loan-to-value limit (percent)
Raw land	65
Land development	75
Construction:	
Commercial, multifamily,[1] and other nonresidential	80
1- to 4-family residential	85
Improved property	85
Owner-occupied 1- to 4-family and home equity	([2])

[1] Multifamily construction includes condominiums and cooperatives.

[2] A loan-to-value limit has not been established for permanent mortgage or home equity loans on owner-occupied, 1- to 4-family residential property. However, for any such loan with a loan-to-value ratio that equals or exceeds 90 percent at origination, an institution should require appropriate credit enhancement in the form of either mortgage insurance or readily marketable collateral.

The supervisory loan-to-value limits should be applied to the underlying property that collateralizes the loan. For loans that fund multiple phases of the same real estate project (e.g., a loan for both land development and construction of an office building), the appropriate loan-to-value limit is the limit applicable to the final phase of the project funded by the loan; however, loan disbursements should not exceed actual development or construction outlays. In situations where a loan is fully cross-collateralized by two or more properties or is secured by a collateral pool of two or more properties, the appropriate maximum loan amount under supervisory loan-to-value limits is the sum of the value of each property, less senior liens, multiplied by the appropriate loan-to-value limit for each property. To ensure that collateral margins remain within the supervisory limits, lenders should redetermine conformity whenever collateral substitutions are made to the collateral pool.

In establishing internal loan-to-value limits, each lender is expected to carefully consider the institution-specific and market factors listed under "Loan Portfolio Management Considerations," as well as any other relevant factors, such as the particular subcategory or type of loan. For any subcategory of loans that exhibits greater credit risk than the overall category, a lender should consider the establishment of an internal loan-to-value limit for that subcategory that is lower than the limit for the overall category.

The loan-to-value ratio is only one of several pertinent credit factors to be considered when underwriting a real estate loan. Other credit factors to be taken into account are highlighted in the "Underwriting Standards" section above. Because of these other factors, the establishment of these supervisory limits should not be interpreted to mean that loans at these levels will automatically be considered sound.

Loans in Excess of the Supervisory Loan-to-Value Limits

The agencies recognize that appropriate loan-to-value limits vary not only among categories of real estate loans but also among individual loans. Therefore, it may be appropriate in individual cases to originate or purchase loans with loan-to-value ratios in excess of the supervisory loan-to-value limits, based on the support provided by other credit factors. Such loans should be identified in the institutions's records, and their aggregate amount reported at least quarterly to the institution's board of directors. (See additional reporting requirements described under "Exceptions to the General Policy.")

The aggregate amount of all loans in excess of the supervisory loan-to-value limits should not exceed 100 percent of total capital.[2] Moreover, within the aggregate limit, total loans for all commercial, agricultural, multifamily or other non-1-to-4 family residential properties should not exceed 30 percent of total capital. An institution will come under increased supervisory scrutiny as the total of such loans approaches these levels.

[2] For the state member banks, the term "total capital" means "total risk-based capital" as defined in appendix A to 12 CFR part 208. For insured state non-member banks, "total capital" refers to that term described in table I of appendix A to 12 CFR part 325. For national banks, the term "total capital" is defined at 12 CFR 3.2(e). For savings associations, the term "total capital" is defined at 12 CFR 567.5(c).

In determining the aggregate amount of such loans, institutions should: (a) Include all loans secured by the same property if any one of those loans exceeds the supervisory loan-to-value limits; and (b) include the recourse obligation of any such loan sold with recourse. Conversely, a loan should no longer be reported to the directors as part of aggregate totals when reduction in principal or senior liens, or additional contribution of collateral or equity (e.g., improvements to the real property securing the loan), bring the loan-to-value ratio into compliance with supervisory limits.

EXCLUDED TRANSACTIONS

The agencies also recognize that there are a number of lending situations in which other factors significantly outweigh the need to apply the supervisory loan-to-value limits. These include:

• Loans guaranteed or insured by the U.S. government or its agencies, provided that the amount of the guaranty or insurance is at least equal to the portion of the loan that exceeds the supervisory loan-to-value limit.

• Loans backed by the full faith and credit of a State government, provided that the amount of the assurance is at least equal to the portion of the loan that exceeds the supervisory loan-to-value limit.

• Loans guaranteed or insured by a State, municipal or local government, or an agency thereof, provided that the amount of the guaranty or insurance is at least equal to the portion of the loan that exceeds the supervisory loan-to-value limit, and provided that the lender has determined that the guarantor or insurer has the financial capacity and willingness to perform under the terms of the guaranty or insurance agreement.

• Loans that are to be sold promptly after origination, without recourse, to a financially responsible third party.

• Loans that are renewed, refinanced, or restructured without the advancement of new funds or an increase in the line of credit (except for reasonable closing costs), or loans that are renewed, refinanced, or restructured in connection with a workout situation, either with or without the advancement of new funds, where consistent with safe and sound banking practices and part of a clearly defined and well-documented program to achieve orderly liquidation of the debt, reduce risk of loss, or maximize recovery on the loan.

• Loans that facilitate the sale of real estate acquired by the lender in the ordinary course of collecting a debt previously contracted in good faith.

• Loans for which a lien on or interest in real property is taken as additional collateral through an abundance of caution by the lender (e.g., the institution takes a blanket lien on all or substantially all of the assets of the borrower, and the value of the real property is low relative to the aggregate value of all other collateral).

• Loans, such as working capital loans, where the lender does not rely principally on real estate as security and the extension of credit is not used to acquire, develop, or construct permanent improvements on real property.

• Loans for the purpose of financing permanent improvements to real property, but not secured by the property, if such security interest is not required by prudent underwriting practice.

EXCEPTIONS TO THE GENERAL LENDING POLICY

Some provision should be made for the consideration of loan requests from creditworthy borrowers whose credit needs do not fit within the institution's general lending policy. An institution may provide for prudently underwritten exceptions to its lending policies, including loan-to-value limits, on a loan-by-loan basis. However, any exceptions from the supervisory loan-to-value limits should conform to the aggregate limits on such loans discussed above.

The board of directors is responsible for establishing standards for the review and approval of exception loans. Each institution should establish an appropriate internal process for the review and approval of loans that do not conform to its own internal policy standards. The approval of any such loan should be supported by a written justification that clearly sets forth all of the relevant credit factors that support the underwriting decision. The justification and approval documents for such loans should be maintained as a part of the permanent loan file. Each institution should monitor compliance with its real estate lending policy and individually report exception loans of a significant size to its board of directors.

SUPERVISORY REVIEW OF REAL ESTATE LENDING POLICIES AND PRACTICES

The real estate lending policies of institutions will be evaluated by examiners during the course of their examinations to determine if the policies are consistent with safe and sound lending practices, these guidelines, and the requirements of the regulation. In evaluating the adequacy of the institution's real estate lending policies and practices, examiners will take into consideration the following factors:

• The nature and scope of the institution's real estate lending activities.

• The size and financial condition of the institution.

• The quality of the institution's management and internal controls.

• The expertise and size of the lending and loan administration staff.

• Market conditions.

Lending policy exception reports will also be reviewed by examiners during the course of their examinations to determine whether the institutions' exceptions are adequately documented and appropriate in light of all of the relevant credit considerations. An excessive volume of exceptions to an institution's real estate lending policy may signal a weakening of its underwriting practices, or may suggest a need to revise the loan policy.

DEFINITIONS

For the purposes of these Guidelines:

Construction loan means an extension of credit for the purpose of erecting or rehabilitating buildings or other structures, including any infrastructure necessary for development.

Extension of credit or *loan* means:

(1) The total amount of any loan, line of credit, or other legally binding lending commitment with respect to real property; and

(2) The total amount, based on the amount of consideration paid, of any loan, line of credit, or other legally binding lending commitment acquired by a lender by purchase, assignment, or otherwise.

Improved property loan means an extension of credit secured by one of the following types of real property:

(1) Farmland, ranchland or timberland committed to ongoing management and agricultural production;

(2) 1- to 4-family residential property that is not owner-occupied;

(3) Residential property containing five or more individual dwelling units;

(4) Completed commercial property; or

(5) Other income-producing property that has been completed and is available for occupancy and use, except income-producing owner-occupied 1- to 4-family residential property.

Land development loan means an extension of credit for the purpose of improving unimproved real property prior to the erection of structures. The improvement of unimproved real property may include the laying or placement of sewers, water pipes, utility cables, streets, and other infrastructure necessary for future development.

Loan origination means the time of inception of the obligation to extend credit (i.e., when the last event or prerequisite, controllable by the lender, occurs causing the lender to become legally bound to fund an extension of credit).

Loan-to-value or *loan-to-value ratio* means the percentage or ratio that is derived at the time of loan origination by dividing an extension of credit by the total value of the property(ies) securing or being improved by the extension of credit plus the amount of any readily marketable collateral and other acceptable collateral that secures the extension of credit. The total amount of all senior liens on or interests in such property(ies) should be included in determining the loan-to-value ratio. When mortgage insurance or collateral is used in the calculation of the loan-to-value ratio, and such credit enhancement is later released or replaced, the loan-to-value ratio should be recalculated.

Other acceptable collateral means any collateral in which the lender has a perfected security interest, that has a quantifiable value, and is accepted by the lender in accordance with safe and sound lending practices. Other acceptable collateral should be appropriately discounted by the lender consistent with the lender's usual practices for making loans secured by such collateral. Other acceptable collateral includes, among other items, unconditional irrevocable standby letters of credit for the benefit of the lender.

Owner-occupied, when used in conjunction with the term *1- to 4-family residential property* means that the owner of the underlying real property occupies at least one unit of the real property as a principal residence of the owner.

Readily marketable collateral means insured deposits, financial instruments, and bullion in which the lender has a perfected interest. Financial instruments and bullion must be salable under ordinary circumstances with reasonable promptness at a fair market value determined by quotations based on actual transactions, on an auction or similarly available daily bid and ask price market. Readily marketable collateral should be appropriately discounted by the lender consistent with the lender's usual practices for making loans secured by such collateral.

Value means an opinion or estimate, set forth in an appraisal or evaluation, whichever may be appropriate, of the market value of real property, prepared in accordance with the agency's appraisal regulations and guidance. For loans to purchase an existing property, the term "value" means the lesser of the actual acquisition cost or the estimate of value.

1- to 4-family residential property means property containing fewer than five individual dwelling units, including manufactured homes permanently affixed to the underlying property (when deemed to be real property under State law).

[57 FR 62889, Dec. 31, 1992, 58 FR 4460, Jan. 14, 1993]

APPENDIX G

Community Reinvestment Act

Community Reinvestment Act

Regulations

to Federal, State, or local governmental entities may be based on reasonably anticipated future transactions or renewals.

(c) In all cases, both the estimated residual value of the property and that portion of the estimated residual value relied upon by the lessor to satisfy the requirements of a full-payout lease must be reasonable in light of the nature of the leased property and all relevant circumstances so that realization of the lessor's full investment plus the cost of financing the property primarily depends on the creditworthiness of the lessee and any guarantor of the residual value, and not on the residual market value of the leased item.

§ 23.12 Transition rule.

This part shall not apply to any leases executed prior to June 12, 1979. With respect to the applicability of § 23.5, when making new extensions of credit, including leases, to a customer, a national bank must consider all outstanding leases regardless of the date on which they were made. Any lease which was entered into in good faith prior to such date which does not satisfy the requirements of this part may be renewed without violation of this part only if there is a binding agreement in the expiring lease which requires the bank to renew it at the lessee's option, and the bank cannot otherwise reasonably or properly avoid its commitment to do so, and the bank in good faith determines and demonstrates, by full documentation, that renewal of the lease is necessary to avoid significant financial loss and recover its total investment in, plus the cost of financing, the property.

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PART 24—[RESERVED]

PART 25—COMMUNITY REINVESTMENT ACT REGULATIONS

REGULATIONS

INTERPRETATIONS

AUTHORITY: 12 U.S.C. 21, 22, 26, 27, 30, 36, 161, 215, 215a, 481, 1814, 1816, 1828(c), and 2901 (as amended).

SOURCE: 43 FR 47146, Oct. 12, 1978, unless otherwise noted.

REGULATIONS

§ 25.1 Authority and OMB control number.

(a) *Authority.* The Comptroller of the Currency ("Comptroller") issues this part under the authority of the Community Reinvestment Act of 1977 (title VIII of Pub. L. 95-128), and under provisions of title 12 of the United States Code authorizing the Comptroller to charter national banks (sections 21, 22, 26, and 27), to issue certificates to national banks to commence or resume the business of banking (sections 1814, 1816), to consider applications from national banks to relocate a main office (section 30) or to establish or relocate a branch office (section 36), to consider applications for a merger, consolidation, acquisition of assets, or assumption of liabilities where the acquiring, assuming, or resulting bank is a national bank (sections 215, 215a, 1828(c)), to acquire reports of condition (section 161), and to conduct examinations of national banks (section 481).

(b) *OMB control number.* The collection of information requirements contained in this part were approved by the Office of Management and Budget under OMB control number 1557-0159.

[49 FR 11825, Mar. 28, 1984]

§ 25.2 Purposes.

The purposes of this regulation are to encourage national banks to help meet the credit needs of their local community or communities; to provide guidance to national banks as to how the Comptroller will assess the records of national banks in satisfying their continuing and affirmative obligations to help meet the credit needs of their local communities, including low- and moderate-in come neighborhoods, consistent with the safe and sound operation of those banks; and to provide for taking into account those records in connection with certain applications.

§ 25.3 Delineation of community.

(a) Each national bank shall prepare, and at least annually review a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps shall be used to portray community delineations. The reasonableness of the delineations will be reviewed by national bank examiners.

(b) Except as provided in paragraph (c) of this section, a local community consists of contiguous areas surrounding each office or group of offices, including any low- and moderate-income neighborhoods in those areas. More than one office of a national bank may be included in the same local community. Unless the Comptroller determines otherwise, a community delineation need not take account of an off-premises electronic facility that receives deposits for more than one depository institution. In preparing its delineation, a national bank may use any one of the three bases set forth below.

(1) Existing boundaries such as those of standard metropolitan statistical areas (SMSA's) or counties in which the bank's office or offices are located may be used to delineate a local community. Where appropriate, portions of adjacent areas should be included. The bank may make adjustments in the case of areas divided by State borders or significant geographic barriers, or areas that are extremely large or of unusual configuration. In addition, a small bank may delineate those portions of SMSA's or counties it reasonably may be expected to serve.

(2) A national bank may use its effective lending territory, which is defined as that local area or areas around each office or group of offices where it makes a substantial portion of its loans and all other areas equidistant from its offices as those areas. Adjustments such as those indicated in paragraph (b)(1) of this section may be made.

(3) A national bank may use any other reasonably delineated local area that meets the purposes of the Community Reinvestment Act (CRA) and does not exclude low- and moderate-income neighborhoods.

(c) A national bank whose business predominantly consists of serving persons who are active duty or retired military personnel or their dependents and who are located outside its local community or communities may delineate a "military community" for those customers in addition to its local community or communities. Provisions of this part concerning local communities shall also apply to military communities, except that military communities shall be delineated by a written description rather than a map.

(Sec. 803, Pub. L. 95-128, as amended by sec. 1502, Pub. L. 95-630, 92 Stat. 3713 (12 U.S.C. 2902))

[43 FR 47146, Oct. 12, 1978, as amended at 44 FR 18164, Mar. 27, 1979]

§ 25.4 Community Reinvestment Act statement.

(a) Within 90 days after the effective date of this part, the board of directors of each national bank shall adopt a Community Reinvestment Act (CRA) statement for each delineated community.

(b) Each CRA statement shall include at least the following:

(1) The delineation of the local community;

(2) A list of specific types of credit within certain categories, such as residential loans for one to four dwelling units, residential loans for five dwelling units and over, housing rehabilitation loans, home improvement loans, small business loans, farm loans, community development loans, commercial loans, and consumer loans, that the bank is prepared to extend within the local community; and

(3) A copy of the Community Reinvestment Act notice provided for in § 25.6.

(c) Each national bank is encouraged to include the following in each CRA statement:

(1) A description of how its current efforts, including special credit-related programs, help to meet community credit needs;

(2) A periodic report regarding its record of helping to meet community credit needs; and

(3) A description of its efforts to ascertain the credit needs of its community, including efforts to communicate with members of its community regarding credit services.

(d) Each national bank's board of directors shall review each CRA statement at least annually and shall act upon any material change made in the interim at its first regular meeting after the change. Such actions shall be noted in its minutes.

(e) Each current CRA statement shall be readily available for public inspection:

132 (1) At the head office of the bank; and

(2) At each office of the bank in the local community delineated in the statement, except off-premises electronic deposit facilities.

(f) Copies of each current CRA statement shall be provided to the public upon request. A national bank may charge a reasonable fee not to exceed the cost of reproduction and mailing (if applicable).

[43 FR 47146, Oct. 12, 1978, as amended at 55 FR 26626, June 28, 1990]

§ 25.5 Files of public comments and recent CRA statements.

(a) Each national bank shall maintain files that are readily available for public inspection consisting of:

(1) Any signed, written comments received from the public within the past 2 years that specifically relate to any CRA statement or to the bank's performance in helping to meet the credit needs of its community or communities;

(2) A copy of the public section of the most recent CRA Performance Evaluation prepared by the Comptroller (the format and content of the bank's CRA Performance Evaluation, as prepared and transmitted to the bank by the Comptroller may not be altered or abridged in any manner). The bank must place this copy in the public file within 30 business days after its receipt from the Comptroller;

(3) Any response to the comments under paragraph (a)(1) of this section that the bank wishes to make; and

(4) Any CRA statements in effect during the past 2 years.

(b) These files shall not contain any comments or responses that reflect adversely upon the good name or reputation of any person other than the bank or publication of which would violate specific provisions of law.

(c) These files shall be maintained by each national bank as follows:

(1) All materials at the head office;

(2) Those materials relating to each local community, at a designated office in that community; and

(3) The most recent CRA Performance Evaluation shall, at a minimum, be available at the head office and at an office in each local community so designated under paragraph (c)(2) of this section. The bank may respond to the CRA Performance Evaluation and may make the response available in the same manner as the CRA Performance Evaluation.

(d) National banks shall provide copies of the public section of their most recent CRA Performance Evaluation to the public upon request. A national bank may charge a reasonable fee not to exceed the cost of reproduction and mailing (if applicable).

[43 FR 47146, Oct. 12, 1978, as amended at 55 FR 26626, June, 28, 1990; 56 FR 26901, June 12, 1991]

§ 25.6 Public notice.

(a) Each national bank shall provide, in the public lobby of each of its offices other than off-premises electronic deposit facilities, the public notice set forth below. Bracketed material shall be used only by banks having more than one local community. The last item shall be included only if the bank is a subsidiary of a holding company that is not prevented by statute from acquiring additional banks.

COMMUNITY REINVESTMENT ACT NOTICE

The Federal Community Reinvestment Act (CRA) requires the Comptroller of the Currency to evaluate our performance in helping to meet the credit needs of this community, and to take this evaluation into account when the Comptroller decides on certain applications submitted by us. Your involvement is encouraged.

You should know that:

• You may obtain our current CRA statement for this community in this office. [Current CRA statements for other communities served by us are available at our head office, located at ————.]

• You may send signed, written comments about our CRA statement[s] or our performance in helping to meet community credit needs to (title and address of bank official) and to the Deputy Comptroller (address). Your letter, together with any response by us, may be made public.

• You may look at a file of all signed, written comments received by us within the past 2 years, any responses we have made to the comments, and all CRA statements in effect during the past 2 years at our office located at (address). [You also may look at the file about this community at (name and address of designated office).]

• You may ask to look at any comments received by the Deputy Comptroller.

• You also may request from the Deputy Comptroller an announcement of applications covered by the CRA filed with the Comptroller.

• We are a subsidiary of (name of holding company), a bank holding company. You may request from the Federal Reserve Bank of (city, address) an announcement of applications covered by the CRA filed by bank holding companies.

(b) Within 30 business days of receipt of its first publicly available, written CRA Performance Evaluation, each national bank shall add language to the public CRA Notice as follows:

• You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Office of the Comptroller of the Currency at (address of head office) [if the national bank has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall include the address of the designated office for that community].

[43 FR 47146, Oct. 12, 1978, as amended at 55 FR 26626, June 28, 1990]

§ 25.7 Assessing the record of performance.

In connection with its examination of a national bank, the Comptroller shall assess the record of performance of the bank in helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the bank. The Comptroller will review the bank's CRA statement(s) and any signed, written comments retained by the bank or the Comptroller. In addition, the Comptroller will consider the following factors in assessing a bank's record of performance:

(a) Activities conducted by the bank to ascertain the credit needs of its community, including the extent of the bank's efforts to communicate with members of its community regarding the credit services being provided by the bank;

(b) The extent of the bank's marketing and special credit-related programs to make members of the community aware of the credit services offered by the bank;

(c) The extent of participation by the bank's board of directors in formulating the bank's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act;

(d) Any practices intended to discourage applications for types of credit set forth in the bank's CRA statement(s);

(e) The geographic distribution of the bank's credit extensions, credit applications, and credit denials;

(f) Evidence of prohibited discriminatory or other illegal credit practices;

(g) The bank's record of opening and closing offices and providing services at offices;

(h) The bank's participation, including investments, in local community development and redevelopment projects or programs;

(i) The bank's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community;

(j) The bank's participation in governmentally insured, guaranteed, or subsidized loan programs for housing, small businesses, or small farms;

(k) The bank's ability to meet various community credit needs based on its financial condition and size, and legal impediments, local economic conditions, and other factors; and

(l) Other factors that, in the Comptroller's judgment reasonably bear upon the extent to which a national bank is helping to meet the credit needs of its entire community.

§ 25.8 Effect on applications.

(a) In considering an application for: (1) The establishment of a domestic branch or other facility with the ability to accept deposits; (2) the relocation of the main office or a branch office; or (3) a merger or consolidation with or the acquisition of assets or assumption of liabilities of a federally insured bank, the Comptroller will take into account, among other factors, the applicant's record of performance.

(b) In considering an application for conversion from a State bank charter to a national bank charter, the Comptroller will assess the applicant's record of performance, and will take into account, among other factors, that record.

(c) Applicants for a national bank charter other than a State bank shall submit a proposed CRA statement when the application is made. In considering the application, the Comptroller will take into account, among other factors, the proposed CRA statement.

(d) In considering an application described in paragraph (a), (b), or (c) of this section, the Comptroller will take into account, among other factors, any views expressed by State or other Federal supervisors of depository institutions or other interested parties, which are submitted in accordance with the Comptroller's procedures set forth in 12 CFR part 5.

(e) A bank's record of performance may be the basis for the denial of an application described in paragraph (a) or (b) of this section. The proposed CRA statement of an applicant for a national bank charter may be the basis for the denial of the application.

INTERPRETATIONS

§ 25.101 National banks performing limited services.

In response to its proposed regulation, 12 CFR part 25, to implement the Community Reinvestment Act ("CRA"), the Comptroller of the Currency received several inquiries from institutions that, although they are chartered as banks, do not perform commercial or retail banking services. These institutions serve solely as correspondent banks, or as trust companies, or as clearing agents, and they do not extend credit to the public for their own account. The Comptroller concludes that the CRA is not intended to cover these institutions. It is the purpose of the CRA to require the Comptroller to encourage national banks to meet the credit needs of their local communities. To this end, the Comptroller must assess banks' records of performance and take those records into account in acting on certain applications affecting the banks. The Comptroller believes that these provisions were intended to cover all banks that are in the business of extending credit to the public, including both "wholesale" and "retail" banks. The lending activities of these banks affect the economic health of the communities in which they are chartered. However, the Comptroller believes it would be pointless to encourage or to assess the credit granting record of institutions that are not organized to grant credit to the public in the ordinary course of business, other than as an incident to their specialized operations. Accordingly the term "national bank" as used in the Comptroller's regulation, part 25 (12 CFR part 25), does not include banks that engage solely in correspondent banking business, trust company business, or acting as a clearing agent.

PART 26—MANAGEMENT OFFICIAL INTERLOCKS

AUTHORITY: Depository Institution Management Interlocks Act, 92 Stat. 3672 (12 U.S.C. 3201 *et seq.*)

§ 26.1 Authority, purpose, and scope.

(a) *Authority.* This part is issued under the provisions of the Depository Institution Management Interlocks Act (*Interlocks Act*) (12 U.S.C. 3201 *et seq.*).

(b) *Purpose and scope.* The general purpose of the Interlocks Act and this part is to foster competition by generally prohibiting a management official of a depository institution or depository holding company from also serving as a management official of another depository institution or depository holding company if the two organizations (1) are not affiliated and (2) are very large or are located in the same local area. This part applies to management officials of national banks, banks located in the District of Columbia and their affiliates.

[45 FR 24391, Apr. 9, 1980]

§ 26.2 Definitions.

For the purpose of this part, the following definitions apply:

(a) *Adjacent cities, towns, or villages* means cities, towns or villages whose borders are within ten road miles of each other at their closest points. The property line of an office located in an unincorporated city, town, or village is regarded as the boundary line of that city, town or village for the purpose of this definition.

(b) *Affiliate* has the meaning given in section 202 of the Interlocks Act. For purposes of section 202, an individual's shares include shares of members of his or her immediate family. For the purpose of section 202(3)(B) of the Interlocks Act, an affiliate relationship based on common ownership does not exist if the appropriate Federal supervisory agency or agencies determine, after giving the affected persons the opportunity to respond, that the asserted affiliation appears to have been established in order to avoid the prohibitions of the Interlocks Act and does not represent a true commonality of interest between the depository organizations. In making this determination, the agencies will consider, among other things, whether a person, including members of his or her immediate family, whose shares are necessary to constitute the group owns a minimal percentage of the shares of one of the organizations and the percentage is substantially disproportionate with that person's ownership of shares in the other organization. *Immediate family* includes spouse, mother, father, child, grandchild, sister, brother, or any of their spouses, whether or not any of their shares are held in trust.

(c) *Community* means city, town, or village, or contiguous or adjacent cities, towns, or villages.

(d) *Contiguous cities, towns, or villages* means cities, towns, or villages whose borders actually touch each other.

(e) *Depository holding company* means a bank holding company or a savings and loan holding company (as more fully defined in section 202 of the Interlocks Act) having its principal office located in the United States.

(f) *Depository institution* means a commercial bank (including a private bank), a savings bank, a trust company, a savings and loan association, a building and loan association, a homestead association, a cooperative bank, an industrial bank, or a credit union, chartered under the laws of the United States (including federal law) and having a principal office located in the United States. Additionally, a United States office, including a branch or agency, of a foreign commercial bank is a *depository institution*.

(g) *Depository organization* means a depository institution or a depository holding company.

(h)(1) *Management official* means (i) an employee or officer with management functions (including a branch manager); (ii) a director (including an advisory director or honorary director); (iii) a trustee of a business organization under the control of trustees (*e.g.*, a mutual savings bank); or (iv) any person who has a representati

Community Reinvestment Act

Statements and Performance Evvaluations
Alaska Federal Savings and Loan

COMMUNITY REINVESTMENT ACT STATEMENT

ALASKA FEDERAL
Juneau, Alaska

FEBRUARY 1991

COMMUNITY REINVESTMENT ACT STATEMENT

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COMMUNITY REINVESTMENT ACT STATEMENT

ALASKA FEDERAL
Juneau, Alaska

FEBRUARY 1991

This Community Reinvestment Act is submitted for review in compliance with the Community Reinvestment Act of 1977, according to the expectations of the joint policy statement, "Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act" (Federal Register, Vol.54, No. 64, April 5, 1989), "The Financial Institutions Reform, Recovery & Enforcement Act" (FIRREA), the "Final Uniform Interagency Community Reinvestment Act Guidelines" issued in June 1990, requirements of regulatory agencies, and this institution's CRA policies and procedures.

1. DELINEATION OF COMMUNITY

i. This institution's entire "community" (see 804.1 for definitions of "community" and "local community") is made up of the "local communities of:

a) Juneau

b) Sitka

c) Ketchikan

d) Wrangell

ii. The offices, local communities they serve, and the methods of delineation are designated below.

The local communities are made up of areas in which they are located as well as the contiguous areas surrounding the offices, as clearly indicated on the maps delineating the local communities in **EXHIBIT A - MAPS.**

a) Offices: Juneau - Downtown
Juneau - Nugget Mall

Local Community Served: Juneau, Alaska

Method of Delineation: Existing boundaries of the city and borough of Juneau. This includes all land approved for development by the city and borough which is accessible by automobile. This includes the cities of Juneau and Douglas, the extended areas along the North Douglas Highway; the area along Thane Road to its southern end; the Mendenhall Valley area, and Glacier Highway to approximately 28 mile.

b) Offices: Sitka

Local Community Served: Sitka

Method of Delineation: Existing boundaries of the city of Sitka. This includes the city of Sitka plus all lands approved for development which are accessible by automobile.

c) Offices: Ketchikan

Local Community Served: Ketchikan

Method for Delineation: Existing branches of the city of Ketchikan and the areas accessible from Tongass Highway from approximately 16 mile south to 17 mile north. Also included are the beach front properties of Pennock Island.

d) Offices: Wrangell

Local Community Served: Wrangell

Method for Delineation: City of Wrangell and the area along Zimovia Highway that are approved for development and accessible by car.

2. SPECIFIC TYPES OF CREDIT PRODUCTS AND SERVICES OFFERED

i. This institution is prepared to extend the following types of credit services to the community:

> 1-4 single family residential loans;

> 5 + residential loans;

> Housing rehabilitation loans;

> Home improvement loans;

> Small business loans;

> Commercial loans;

> Consumer loans; and

> Visa Credit Cards.

3. COPY OF COMMUNITY REINVESTMENT ACT NOTICE

Community Reinvestment Act Statement

ALASKA FEDERAL
uneau, Alaska
February 1991

3. <u>COPY OF COMMUNITY REINVESTMENT ACT NOTICE</u>

A copy of the Community Reinvestment Act Notice, as required by regulation, is included with this statement. See **EXHIBIT B - COMMUNITY REINVESTMENT ACT NOTICE.**

4. <u>CURRENT EFFORTS TO HELP MEET THE CREDIT NEEDS OF THE COMMUNITY</u>

This institution is currently helping to meet the credit needs of the community through the following products and services:

Product or Service Offered	Specific Need Met
a) Unsecured Visa	Persons with no or poor credit.
b) Mad/Tiff	Low down payment requirements. Moderate income and marginal credit, borrower can qualify.
c) IRA	Wealth accumulation for persons with no retirement benefits.
d) Interest on all checking accounts	Even low balance customers receive interest.
e) Savings fees waived	Senior customers and minors are not assessed maintenance fees on low balance accounts.
f) Reach Home customers	Program for mentally handicapped to allow them to maintaim personal finances.
g) In house lending programs	Only financial in Alaska that will portfolio real estate loans. Persons that do not qualify for other loan programs can obtain financing.
h) Merchant Visa program	Fee structure is aimed at providing this service at a rate attractive to small businesses.

5. EFFORTS TO ASCERTAIN ADDITIONAL CREDIT NEEDS OF THE COMMUNITY

i. All levels of management are involved in establishing a dialogue with community groups and individuals to receive comment and feedback regarding this institution's CRA performance.

Level of Management	Communication with Specific Group or Individuals
a) President	President Board of Directors - Glory Hole shelter for homeless, Member United Way Board of Directors, Treasurer - Saint Annes Nursing Home, City Manager, Mayor, Congretional Delegate, Board of Directors Federal Home Loan Bank of Seattle, State Senator and Representatives.
b) Branch Managers	Local government - both elected and staff.

ii. The following additional credit needs were identified through the communications with community members described in (i) above, and will be met through the following actions:

Identified Need	Action Taken to Meet Need	Date Action Implemented
a) Congregate Housing	Working with Representative Fran Ulmer and city administration.	Continuing
b) Low Cost Housing	Study being done by the city.	Continuing
c) FHLB Affordable	Working with the city, non-profit and developer to obtain program suitable.	Continuing
d) Handicap Access	During remodel, all branches are now handicap accessible.	1985

6. **MARKETING AND ADVERTISING PROGRAMS**

i. The association spends relatively little on advertising and most of this is spent in the form of institutional advertising. We attempt to let people know that we are strong financially and will continue to provide home town type service as we have over the past 50 plus years. We currently are advertising our Visa card program with an emphasis on unsecured credit and a savings program and at securing a nest egg for college education.

ii. Branch Managers include small business owners and real estate agents and inform them of available credit services.

7. **ADDITIONAL STEPS TO MEET CRA RESPONSIBILITIES**

This institution has taken many additional steps to ensure that its CRA responsibilities are met. They include:

i. Establishment and implementation of CRA policies and procedures. See **EXHIBIT D - COMMUNITY REINVESTMENT ACT POLICIES AND PROCEDURES.**

ii. Designation of a CRA Officer responsible for supervising and monitoring this institution's overall CRA process according to the this institution's CRA policies and procedures, and regulatory requirements. See **803.4** for the CRA Officer's overall responsibilities.

iii. Investigation of all complaints regarding this institution's CRA performance by the President and correction of any deficiencies through changes in procedures and policies with a response letter to the person making the complaint.

iv. Imparting information to customers or potential customers regarding federal, state, and local assistance programs for small businesses and housing, and other similar community needs through this institution's Senior management.

v. Semi-annual analysis of loan applications by CRA officer to ensure non-discrimination and fair treatment of potential borrowers.

vi. Annual analysis of this institution's Data Submission Reports, Loan Application Registers, and Home Mortgage Disclosure statements, as required in "Thrift Bulletin 25: Disparities in Mortgage Lending" by CRA officer, and consideration of the findings from the analysis in this institution's overall CRA plans.

vii. An institution-wide employee training program which imparts this institution's CRA policies and plans, and regulatory requirements to all management and employees, and entrusts them with the responsibility of upholding the institution's CRA policies and procedures.

viii. Annual analysis of this institution's CRA activities, performance, and responsibilities by the CRA Officer as regards the 12 factors listed in regulation "563e.7 Assessing the record of performance."

ix. Periodic reports to the Board of Directors given by the CRA Officer on this institution's CRA efforts and performance, and the local community's concerns.

8. <u>PUBLIC COMMENTS REGARDING CRA PERFORMANCE</u>

i. Public comments regarding this institution's CRA record and performance have been collected and included with this statement. See **EXHIBIT C - PUBLIC COMMENTS**. At this point no comments have been received.

ii. In response to these comments and concerns, this institution has taken steps which are outlined in (5) above.

9. <u>REGULATORY AGENCY INTERNAL REVIEW OF CRA COMPLIANCE</u>

(Note: FIRREA requires public disclosure of an institution's CRA rating, and bases for the rating, beginning July 1, 1990.)

i. Alaska Federal has not been reviewed since the new rating and disclosure system has gone into effect. The review accomplished in February 1990 concluded that the association was adequately meeting the needs of its local communities.

10. <u>SIGNATURES</u>

I hereby certify that all the information, delineations, and actions described in this statement are true and correct.

______________________________ (Signature of CRA Officer)	__________ (Date)
______________________________ (Signature of Chief Lending Officer)	__________ (Date)
______________________________ (Signature of Chief Executive Officer)	__________ (Date)

his institution provides the public notice set forth below in the public obby of each of its offices, other than off premises electronic deposit facilities.

COMMUNITY REINVESTMENT ACT NOTICE

The Federal Community Reinvestment Act (CRA) requires the Office of Thrift Supervision to evaluate our performance in helping to meet the credit needs of this community, and to take this evaluation into account when deciding on certain applications submitted by us. Your involvement is encouraged.

You may obtain our current CRA statement for this community in this office. [Current CRA statements for other communities served by us are available at our home office, located at Juneau, Alaska.]

You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Office of Thrift Supervision, at all four addresses.

1) Community Reinvestment Officer
2094 Jordan Avenue
Juneau, AK 99801

2) 101 Lake Street
Sitka, AK 99835

3) 400 Mission Street
Ketchikan, AK 99901

4) Lynch and Front Street
Wrangell, AK 99929

You may send signed, written comments about our CRA statement(s) or our performance in helping to meet community credit needs to:

1) Community Reinvestment Officer
2094 Jordan Avenue
Juneau, Alaska 99801

2) Office of Thrift Supervision
2201 Sixth Avenue, Suite 1500
Seattle, WA 98121

Your letter, together with any response by us, may be made public.

You may look at a file of all signed, written comments received by us within the past 2 years, any responses we have made to the comments, all CRA statements in effect during the past 2 years, and the public section of our most recent CRA Performance Evaluation, all at our office located at 2094 Jordan Avenue, Juneau, Alaska 99801.

You may ask to look at any comments received by the Office of Thrift Supervision of Seattle, Washington.

You also may request from the Office of Thrift Supervision an announcement of applications covered by the CRA filed with the Office of Thrift Supervision.

EXHIBIT C - PUBLIC COMMENTS

None received to date.

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PUBLIC DISCLOSURE

September 30, 1991

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Alaska Federal Savings and Loan Association of Juneau
Docket No. 04202

2094 Jordan Avenue
Juneau, Alaska 99801

Office of Thrift Supervision
2201 Sixth Avenue
Suite 1500
Seattle, Washington 98121

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Alaska Federal Savings and Loan Association of Juneau prepared by the Office of Thrift Supervision, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of September 30, 1991. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institutions, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated "Needs to improve record of meeting community credit needs" based on the findings presented below:

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

The institution relies on contacts with the real estate and business communities, as well as local government and community groups to determine the credit needs of the service area. Employee community service is also encouraged. However, no procedures have been devised to systematically document the information obtained from the contacts.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

The minutes of the Board of Directors' meetings and discussion with management disclosed that the Board is relatively inactive in the CRA process. The Board approved the CRA statement in February of 1991 and has occasionally discussed other related matters. However, there was no effort by the Board to establish CRA goals, measure community credit needs, monitor the effectiveness of the overall program, or guide the CRA process. This level of participation indicates a less than affirmative commitment by the Board.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Alaska Federal has a traditional marketing program to promote its products and services. Newsprint, television, and radio as well as meetings with local realtors are frequently used. In addition, informational brochures are provided to potential borrowers along with occasional presentations on home mortgage loans.

No segment of the market has been ignored by this program. Loan originations were made throughout the delineated lending area and represent all groups within the community.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

In addition to conventional mortgage loans and construction loans for residential properties, the institution grants home improvement and consumer loans.

Alaska Federal provided over 250 residential mortgage loans throughout their delineated communities from February of 1990 through July of 1991. This represents over 80 percent of all lending done in this time period by the institution and is an increase in residential lending volume of over 36 percent since the last examination.

Assessment Factor J - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business, or small farms.

Alaska Federal actively participates in the Alaska Housing Finance Corporation's loan subsidy program for low- and moderate- income borrowers. In addition, during the last 12 months, the institution has originated 37 FHA/VA loans for over $ 4 million.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

The delineations used by Alaska Federal are reasonable as they include the majority of the loan originations and do not exclude any low- or moderate-income areas.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

A review of the Loan Application Registers (LARs) completed since the last examination disclosed that the institution granted credit throughout the entire delineated lending area. Alaska Federal, however, has made no effort to determine the geographic location or develop statistical analysis of loan originations, applications or denials. A review by the examiners of denied loan applications disclosed no evidence of loans rejected due to location of property.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

No offices have been opened or closed since the last examination of February 5, 1990. In addition, all the delineated communities are offered the same services during uniform business hours.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practice intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

No evidence of these practices were found. The institution has developed policies and programs along with providing adequate training to assure that all applicants are treated in a similar manner and within legal requirements.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

No evidence of these practices were found. The institution has an effective program to prevent prohibited discriminatory practices as supported by interviews with lending personnel and the examination results.

V. COMMUNITY DEVELOPMENT

<u>Assessment Factor H</u> - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Alaska Federal has considered involvement in local community development or redevelopment projects. On April 15, 1991, the bank applied to the Federal Home Loan Bank of Seattle (FHLB) for funds to construct an affordable housing apartment project. The application was denied due to insufficient funds in their affordable housing program. In addition, a project to construct low-income housing in downtown Juneau is currently in the planning stage, and another application to the FHLB is planned soon.

<u>Assessment Factor K</u> - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

The institution's ability to meet community credit needs is limited only by its small asset size.

<u>Assessment Factor L</u> - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

The institution is actively exploring the opportunities available in their service area to provide affordable housing, but they are limited by the lack of developers and funding.

No other activities or factors restrict the institution's CRA program.

Community Reinvestment Act

Statements and Performance Evaluations
First Bank

FIRST BANK

1993 Community Reinvestment Statement and Additional Information

FIRST BANK

Administrative Offices
331 Dock Street
P.O. Box 7920
Ketchikan, Alaska 99901

Main Office Branch
331 Dock Street
P.O. Box 7920
Ketchikan, Alaska 99901

Totem Branch
2530 Tongass Ave
P.O. Box 5100
Ketchikan, Alaska 99901

Prince of Wales Branch
3rd & Main
P.O. Box 74
Craig, Alaska 99921

Petersburg Branch
204 Harbor Way
P.O. Box 1109
Petersburg, Alaska 99833

Wrangell Branch
224 Brueger Street
P.O. Box 778
Wrangell, Alaska 99929

Sitka Branch
208-C Lake Street
P.O. Box 1829
Sitka, Alaska 99835

Sealaska Plaza Branch
One Sealaska Plaza
P.O. Box 21268
Juneau, Alaska 99801

Mendenhall Center Branch
9106 Mendenhall Loop Road
P.O. Box 21268
Juneau, Alaska 99801

COMMUNITY REINVESTMENT ACT

NOTICE

The Federal Community Reinvestment Act (CRA) requires FDIC to evaluate our performance in helping to meet credit needs of this community, and to takethis evaluation into account when the FDIC decides on certain applications submitted by us. Your involvement is encouraged.

You should know that:

- You may obtain our current CRA statements for this community in this office. [Current CRA statements for other communities served by us are available at our administrative office, located at 331 Dock Street, Ketchikan, Alaska.]

- You may send signed, written comments about our CRA statements or performance in helping to meet community credit needs to Assistant Vice President, Community Affairs, P.0. Box 7920, Ketchikan, Alaska 99901 and to Federal Deposit Insurance Corporation, 44 Montgomery Street, Suite 3600, San Francisco, California. Your letter, together with any responses by us, may be made public.

- You may look at a file of all signed, written comments received by us within the past 2 years, any responses we have made to the comments, and all CRA statements in effect during the past 2 years at our office located at 331 Dock Street. [You also may look at the file about this community at our administrative office, located at 331 Dock Street, Ketchikan, Alaska.]

You may ask to look at any comments received by the FDIC's regional office at 44 Montgomery Street, Suite 3600, San Francisco, California.

You also may request from the Federal Deposit Insurance Corporation, 550 17th Street NW., Washington, D.C. 20429, an announcement of applications covered by the CRA filed with the FDIC.

- We are a subsidiary of First Bancorp, a holding company, You may request from the Community Affairs Officer, Federal Reserve Bank of San Francisco, P.0. Box 7702, San Francisco, CA. 94120 an announcement of applications covered by the CRA filed by bank holding companies.

COMMUNITY REINVESTMENT - STATEMENT

FIRST BANK LOAN POLICY - DELINEATED MARKET AREA:

The market area of the Bank is limited to the communities and outlying areas of Southeast Alaska within reasonable proximity of where the Bank has established full service branch offices. In general, the Bank will not make loans outside of its market area and will not accept large deposits from customers with no established personal or commercial ties to its market. On very limited occasions, the Bank will grant loans outside of its market but only as a convenience to established customers with ongoing ties to the market area.

COMMUNITY REINVESTMENT AND EQUAL CREDIT OPPORTUNITY:

First Bank is committed to the vitality and success of the customers and communities it serves. Management understands the need to maintain strong ties at the community level and the responsibility to invest in and serve the customers and markets that provide its sources of funding. This requires continuing programs of exploration, communication, and education through out the Bank's established market area.

The Bank promotes the availability of credit for any legitimate purpose to all credit worthy applicants without regard to race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to contract). It is the policy of First Bank to comply with all applicable laws and regulations as they relate to all types of lending activities.

First Bank provides a full menu of credit products including commercial and residential real estate loans, consumer loans, business loans, construction loans, home improvement loans and occasionally delinquent loans and charge-off loans. The Bank participates in government insured, guaranteed or subsidized loan programs for housing, and small business. First Bank is also a member of the Federal Home Loan Bank system.

The availability of a specific type of loan may vary from time to time depending on a variety of factors including current economic conditions, the level of interest rates, the availability of funding sources, and the responsibility of management to prudently diversify the Bank's asset portfolio and to support the growth of that portfolio with internally generated capital.

REAL ESTATE MORTGAGE LOAN INFORMATION

First Bank originates mortgage loans throughout its market area. The Bank has branch offices in the cities of Juneau, Ketchikan, Wrangell, Petersburg, Craig (which serves all of Prince of Wales Island), and Sitka. First Bank is an Equal Housing Lender, and offers a wide variety of mortgage loans, through the secondary market as well as non-conforming loans for the Bank's own loan portfolio. The financing through the secondary market includes, but is not limited to, FHA/HUD, VA, FHLMC, FNMA, Alaska Housing Finance Corporation, and the Alaska Rural Housing Division of AHFC (formerly the Department of Community and Regional Affairs.

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

I. Ascertainment of Community Credit Needs

Some of First Bank's activities to ascertain credit needs in the community it serves are listed below:

Comprehensive Housing Affordability Strategy For The Sate of Alaska, covering federal fiscal years 1992-1996, February 1992, published by the Alaska Housing Finance Corporation addresses in depth a broad range of housing issues.

> The housing challenges faced by the State of Alaska are vastly dissimilar to those faced by any other state. Economic, logistic, environmental, and cultural forces combine with the geography to re-write the rules by which housing programs are traditionally delivered. The CHAS attempted to address some of these challenges, and suggests ways in which the state can work in partnership with federal and local government, as well as private and non-profit interests to further the development of affordable housing for all Alaskans.

The bank responds to survey information which is used to gather Alaska Housing Market Indicators, Alaska Housing Finance Corporation contains statewide data discussing affordability differences,economic effects on home prices, and building permit activity. The Affordability Index may offer some insights to the direction affordable housing is taking over time.

Marketing data firms specialize in providing specific data for CRA compliance, providing HMDA loan application registers, they compute HMDA analytical tests, geo-code all of the data, collect and archive "declined loan" data. The Bank has pursued the option of using these services and it appears that these services are not available in southeast Alaska. In addition to using available 1990 census information, The Bank tracks the declined loans by zip code using manual input to a data base system..

Officers and staff of First Bank attempt to maintain a proactive presence in community organizations for the purpose of establishing contact with individuals, groups, governmental officials, and community leaders in order to identify community credit needs as they emerge within the infrastructure of southeast Alaska and the communities being served. These organizations characteristically represent the interests of fishing, logging, tourism, mining, real estate and other business organizations in the communities. The Bank obtains small business & economic development input from regional organizations including; Alaska Forest Association, Alaska State Chamber of Commerce, and Southeast Conference. Bank employees are involved with the local Chambers of Commerce, Tourist Bureaus, and Economic Development organizations as well as other organizations with specific interest including Junior Achievement.

Developing a Local Strategy; a guidebook for local government was prepared by U.S. Conference of Mayors National Community Development Association Urban Land Institute. In describing a housing strategy appropriate to all segments of the local population, the guide moves clearly, in a step-by-step way, from a discussion of the basic structure of the housing market to an analysis of goal-setting, always reminding the reader that a housing strategy can hardly be successful unless it is related to population, to jobs, and economic development.

Two resources have been used to access the low-and moderate income neighborhoods. The Branches of Alaska, Sheshunoff, 1991 provides population and household data for base line comparisons. A review of the Juneau, Ketchikan Gateway, Prince of Wales, Sitka, and Wrangell-Petersburg categories indicates that all communities exceed the above standard by a some margin. Our review includes sub areas that are categorized as Census Designated Places (CDP) or Alaska Native Villages (ANV). At this level of analysis there are no areas which fall below the low-moderate median household income threshold. Charts for each of the areas expand the data; however there are no conclusive indicators of low-moderate income housing situations.

Very low-income households means households for which the aggregate income is fifty percent (50%) or less of the area median income.

Low- and moderate-income households means households for which the aggregate income is 80 percent or less of the area median income.

Moderate income means the median family income for an area as determined and published by the U.S. Department of Housing and Urban development.

These definitions were provided by the Federal Home Loan Bank from Affordable Housing Guidelines as published by the Federal Housing Finance Board.

Specific individuals in our real estate department are assigned the responsibility of making regular contact with the real estate brokers, appraisers, local and governmental representatives to discuss their perceptions of the need for low-moderate housing in the area. Each loan processor is trained to develop competitive and marketing information, and low-moderate housing data. In addition, they are trained to assure that any assistance provided to applicants in how to best qualify for credit is provided consistently to all applicants.

Year	Number Loans serviced	Amount of Loans Serviced
1992	550	$54,318,219
1991	439	$39,786,832

First Bank advertised and implemented the Alaska State - Home Energy Loan Program. By mid year 1992, seven applicants had received subsidies valued at more than $17,200.

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

During the first quarter of 1992, the Bank worked with the Farm Home Administration to make office space available to the area representative to facilitate visits to communities in southeast Alaska. One of the programs offered meets the needs of low-income housing applicants.

During the first two quarters of 1992 a substantial number of home mortgages were refinanced to help customers bring down the cost of monthly payments.

A non-obligatory free mortgage analysis is offered in the form of free consultation by staff members who are familiar with the requirements of the secondary mortgage market.

During the third quarter of 1992 First Bank sponsored the Gasteneau Apartments project in Juneau Alaska. This seven unit low- income housing project was a cooperative effort involving Housing First, Inc., the City &Borough of Juneau, and the Federal Home Loan Bank. The project took advantage of a city grant for $106,000 and a FHLB grant of $57,000. Units are expected be available in the second quarter of 1993.

Two approaches have been employed to evaluate affordable housing issues. The **"Affordability Index" and the" Home Affordability Guide"**. The next two pages decribe the information in detail.

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

Affordability Index

"**Affordability Index**" is an indicator of the ease or difficulty of qualifying for an average mortgage. A larger number means that the household must contain a greater number of people, who are earning the average wage income, in order to qualify for the mortgage. If the indicator gets larger over time in a particular geographic area, this implies that it is becoming more difficult to qualify for an average home in that area. Mortgage loan borrowers belong to households. The number of persons per household varies, of course as does the gross income. One way to compare the mortgage payment with borrower income is to estimate household income. The unemployment insurance wage file was used to calculate the mean (average) wage and salary income (per worker) for each geographic area for each quarter between January 1987 and March 1991. Dividing the minimum income required to qualify for a mortgage by the average wage income, gives the number of persons earning an average wage that is needed in a household in order to qualify for an average mortgage.

The indicator is area specific and is based on home prices and incomes in an area at a particular time. If the indicator rises housing is less affordable. The indicator can rise for one or more of the following reasons:

a. the median price of homes increases;
b. lenders tighten the underwriting standards (for example to allow mortgage payments to be no greater than 22% of income rather than 24%);
c. interest rates increase; or
d. average gross income falls.

For the purpose of this discussion the average wage earner income is approximately $2,500 per month. Source: Alaska Housing Market Indicators, Vol 1 issue 1, 1991

Alaska Housing Affordability Index

Census Area/Borough	Census Data	AHFC Data				
by quarters	1990	1st-90	4th-91	1st-92	2nd-92	3rd-92
Juneau Borough	1.62	1.42	1.40	1.38	1.56	1.17
Ketchikan Gateway Borough	1.63	1.67	1.49	1.54	1.59	1.43
Rest of state		n/a	1.39	1.39	1.44	1.38
Prince of Wales-Outer	1.00	n/a	n/a	n/a	n/a	n/a
Sitka Borough	1.97	n/a	n/a	n/a	n/a	n/a
Wrangell-Petersburg	1.61	n/a	n/a	n/a	n/a	n/a

by Census Area & Borough, Based on 1990 Census Data & AHFC Loan Data

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

A second approach is to use **The Home Affordability** guide as a backdrop against which to review data that describes more specific details on a community by community basis. $25,000 is used to represent a typical low-income situation, $35,000 is used to represent the 90%-95% range for moderate-income, and $45,000 represents the typical median income. This chart demonstrates the effect of ratios, and dramatizes the incongruity between the allowable sale price and available housing in that price range.

Home Affordability Guide

@ 7.50%	Yearly Income	Monthly Income	Max. Mo. Paymen t	Other Mo. Debts	Maximum Sales Price of Home
5%	25,000	2,083	583	167	68,345
Down	35,000	2,917	817	233	95,777
Payment	45,000	3,750	1,050	300	123,092
10%	25,000	2,083	583	167	72,455
Down	35,000	2,917	817	233	101,537
Payment	45,000	3,750	1,050	300	130,494
20%	30,000	2,500	700	200	98,714
Down	35,000	2,917	817	233	115,213
Payment	45,000	3,750	1,050	300	148,071

The figures shown are based upon a 30 year Fixed rate Conventional Mortgage. Principal and Interest, PMI, Hazard Insurance estimated costs are included in the calculations. Qualifying ratios of 28%, 36% are used. Real Estate Taxes are calculated at 1.5% of the Sales Price, Hazard Insurance is calculated at .03% of the Sales Price. Other Monthly Debts include the total monthly obligations for secured loans, Autos, Boats, campers, etc. Unsecured loans, personal loans, installment payments, revolving payments (charge cards), child support, rental (i.e. auto, equipment, etc.) payments.

This chart is a practical application of the Home Affordability Guide which is readily available at the Bank's branches. the guide has a slide which allows the individual to look at a full range of alternatives using down payment criteria of 5%, 10% and 20%. The interest rate selections include 6.0%, 6.5% through 13%. The benefit of the chart above is that it demonstrates the range of of maximum sales prices of homes in low- and moderate income groups according to the purchasers ability to meet down payment requirments.

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

Juneau (urban area)

The 1992 median household income for the Juneau Borough is $62,200. Moderate income household income ranges between $59,090 and $50,382 (95% to 81% of median) and low household income is $49,760 or less. The population of Juneau increased 64.3% between 1980 and 1990.

City & Borough	Median Income	95%	81%	Est. No Household	Avail Units	% Owner Occ.	% Renter Occ.
Juneau	62,200	59,090	50,382	9,825	10,638	58.2%	38.9%

source: Federal Housing Finance Board :Alaska and Selected Population and Housing Characteristics; 1990 Census

Housing Type	Single	Apartment	Mobile Home	Total Persons
Downtown	1,456	923	5	5,646
Douglas	534	287	1	1,962
Outlying Areas	48	6	8	160
Salmon Creek	272	37	3	822
Lemon Creek-Mendenhall East	3,208	812	992	14,562
Auke Bay-Mendenhall West	965	140	27	3423
Douglas 2	386	29	70	1,521
Tea Harbor	272	3	9	785

Source: Juneau Population Statistics According to Service Area

Since the City/Borough of Juneau does not have a program for assisting low-income persons with their housing needs, the Assembly requested the Lands Committee to establish a special task force including representatives from financial organizations, nonprofit service organizations, state government, construction and general interests. The committee charged the task force to make findings and recommendations on low income housing needs and issues to the Assembly and CBJ Administration. The Report of the Low Income Housing Task Force, March 1991 was presented to the City & Borough of Juneau. This report provides a comprehensive survey of the community. A contact is Steve Gilbertson, Land & Resources manager, JC&B @ 1-586-5252. The Tlingit-Haida Regional Housing Authority is based in Juneau. Its area of operation is all of southeast Alaska excluding Baranof Island and Metlakatla which are covered by the other two housing authorities. Jackie Johnson is the director of Tlingit-Haida at (907) 789-3800.

Ketchikan (urban area)

The median household income for the Ketchikan Gateway Borough is $54,000. Moderate income household income ranges between $51,300 and $43,740 (95% to 81% of median) and low-income is $43,200 or less. There are approximately 5,463 housing units available for 5,030 households. 56.0% of which are owner occupied and 44.0% of which are renter occupied. The population of KGB (urban area) increased 22.2% between 1980 and 1990.

Ketchikan Gateway Borough	Median Income	95%	81%	House holds	Avai. Units	Owner Occ.	Renter Occ.
KGB	54,000	51,300	43,740	4,374	5463	56%	40%
Clover Pass				151			
Herring Cove				36			
Ketchikan				2,907			
Ketchikan East				94			
Mountain Point				146			
N.Tongass				644			
Pennock I				44			
Saxman				70	105	72%	26%
Saxman East				160			

Source: Federal Housing Finance Board: Alaska and Selected Population and Housing Characteristics; 1990 Census

The Tlingit-Haida Regional Housing Authority is based in Juneau. It's area of operation includes the Ketchikan Gateway Borough area. Forest DeWitt, Mayor of Saxman can be reached at 225-4166. The HUD has approval for a two million dollar low income housing project that is in progress at this time. It will provide up to twenty additional housing units. The U.S. Coast Guard, Housing Office can be reached at 228-0227. The USCG has contracted a study of the housing needs in Ketchikan and subsequently made a presentation of housing needs to City and Borough Officials during 1992. The University of Southeast Alaska, Bill Trudeau, Assistant Director for the Campus can be reached at 225-6177 to discuss student housing needs.

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

Prince of Wales (rural area)

The median household income for the Prince of Wales and Outer Ketchikan Census Subarea is $40,700. Moderate income household income ranges between $38,665 and $32,967 (95% to 81% of median). Low-income household is $32,560. There are approximately 2,543 housing units available for 2,061 households. 60.5% of which are owner occupied and 39.5% of which are renter occupied. The population of POW (rural area) increased 64.3% between 1980 and 1990.

	Median Income	95%	81%	House holds	Avai. Units	Owner Occ.	Rent Occ.
POW	40,700	38,665	32,967	2,061	2,543	60.5 %	39.5%
Annette				12	40	16.7 %	25.0%
Cape Pole				1			
Coffman Cove				73	81	49.3 %	45.7%
Craig				444	504	63.1 %	32.5%
Hydaburg				118	135	61.0 %	34.1%
Hyder				45	58	66.7 %	25.9%
Kasaan				19	30	63.2 %	23.3%
Klawock				241	281	55.2 %	38.4%
Metlakatla				430	481	70.9 %	26.0%
Meyer Chuck				13	34	92.3 %	2.9 %
N. Whale Pass				43			
Point Baker				21	28	90.5 %	7.1 %
Thorne Bay				196	233	53.1 %	34.6%

Source: Federal Housing Finance Board : Alaska and Selected Population and Housing Characteristics; 1990 Census

The Tlingit-Haida Regional Housing Authority's area of operation includes POW excluding Metlakatla which is covered by Metlakatla Housing Authority. Jackie Johnson is the director of Tlingit-Haida at (907) 789-3800. The Metlakatla Housing Authority is located in Metlakatla. Metlakatla is the only Native Reservation in Alaska. The director is Ernest Stickey at (907) 886-6500. Metlakatla has a five million dollar (40 unit) housing project in progress with a need for additional housing.

Sitka (Urban Area)

The median household income for Sitka is $57,200. Moderate income household income ranges between $54,340 and $46,332 (95% to 81% of median). Low-income household is 45,760. There is only one income figure for this area. There are approximately 3,222 housing units available for 2,939 households, 55.9% of which are owner occupied and 44.1% of which are renter occupied. The population of Sitka (urban area) increased 10.1% between 1980 and 1990.

Sitka Borough	Median Income	95%	81%	House hold	Avail. Units	Owner Occ	Renter Occ.
Sitka	57,200	54,340	46,332	2,939	3,222	55.9 %	40.2%

Source: The Branches of Alaska, 1991 and Selected Population and Housing Characteristics; 1990 Census

The Baranof Island Housing Authority covers all of Baranof Island. The agency is located in Sitka. Don Foss is the director at (907) 747-5088..

Wrangell (Rural Area)

The median household income for the Wrangell-Petersburg area is $48,500. Moderate-income household income ranges between $46,075 and $39,285 (95% to 81% of median). Low-income household ranges $38,800 and below. There are approximately 3,222 housing units available for 3,005 households, 66.7% of which are owner occupied and 33.3% of which are renter occupied. The population of Wrangell-Petersburg increased 14.2% between 1980 and 1990.

Wrangell-Petersburg	Median Income	95%	81%	House hold	Avail. Units	Owner Occ.	Renter Occ.
Wrangell-Petersburg	48,500	46.075	39,285	2,514	3,005	66.7 %	27.9%
Kake				220	265	77.3 %	18.9%
Kupreanof				12	32	75.0 %	9.4 %
Petersburg				1,135	1,222	66.3 %	31.3%
Port Alexander				39	64	71.8 %	17.2%
Wrangell				942	1,054	66.5 %	30.0%

Source: Federal Housing Finance Board: Alaska and Selected Population and Housing Characteristics; 1990 Census

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

The Board of Directors participates in formulating policies and reviewing First Bank's Community Reinvestment Act (CRA) performance.

Goals:

To demonstrate an outstanding record of identifying, evaluating, and implementing credit programs to meet the credit needs of First Bank's entire market area including low and moderate income housing in a manner consistent with our resources and capabilities.

To incorporate safe and sound community re-investment goals, objectives, and methodology for self assessment into First Bank's policies, procedures, and training programs and to emphasize the importance of community reinvestment in First Bank's planning process.

To document First Bank's community re-investment activities thoroughly.

To assure the involvement of the Board of Directors and Management in the planning, implementation, and monitoring of First Bank's community re-investment performance.

To take a leadership role in promoting economic revitalization and growth, to engage in other activities selected to meet community credit needs.

The Office of Community Banking is responsible for monitoring community reinvestment activities, for making recommendations to the President and the Board of Directors.

Material discussing legal, regulatory and resources is gathered and disseminated by this office. Liaisons between civic, governmental, and community leaders are established to continue an on-going dialogue regarding reinvestment issues as they develop. Information describing selected population and housing characteristics, population growth, and household income is collected and analyzed with appropriate summaries forwarded for administrative review.

The manger of the Real Estate Mortgage Department has an on-going process for developing a broad array of "affordable housing programs" that are offered to all southeast Alaskans.

The Bank has a Real Estate Mortgage Department that provides loan origination, marketing, and loan servicing to residents in southeast Alaska. New and existing programs are consistently offered to qualified applicants. In order to provide the broadest possible range of programs First Bank has signed Seller/Servicing agreements with Alaska Housing Finance Corp (AHFC), Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae) and Alaska Industrial Development and Export Authority (AIDEA). The structure of the programs encourages the use of flexible underwriting and appraisal standards that preserve safety and soundness criteria while responding to special factors in low- and moderate-income minority communities.

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

The branch mangers are responsible for identifying the business needs of their community and meeting those needs with safe and sound lending practices.

First Bank Administrative Department maintains excellent relationships with correspondent banks and seeks participation for loans exceeding the safe and sound lending limits of the bank. Branch Managers maintain consistent contact with representatives of governmental resources such as the Small Business Administration (SBA), U.S. Forest Service (USFS), National Oceanic Administration (NOA), Bureau of Indian Affairs (BIA). Alaska Industrial Development and Export Authority (AIDEA).

II. Marketing and Types of Credit Extended

First Bank reviews its marketing and special credit-related programs on an on-going basis.

First Bank discusses advertising and marketing plans with all management staff at semi-annual meetings. These plans include a budget of expenses for each branch and relates to print media, broadcast media (radio and television), point of sale brochures and displays, as well as other more direct marketing efforts. The president of the bank maintains oversight and provides feedback to the marketing director regarding marketing or advertising performance.

The marketing director is responsible for origination, production, publication and maintenance of advertising and marketing records. Each advertisement is reviewed for legal and regulatory compliance by the marketing director using the FDIC Law, Regulations, and Related Acts Advertising regulations, and Federal Advertising Law Guide, Bank Marketing Association as reference material. Copies of print media, and broadcast advertisements are retained for two years.

The Bank is active in the origination of loans within the community.

At year end 1992, First Bank was servicing 550 loans totalling more thatn fifty four million dollars. Studies of the recorded deeds indicate that the Bank is agressively serving the real estate market in souteast Alaska. As of April 30, 1993, First Bank services 188 Rural Housing Development loans totaling over ten million dollars ($10,000,000). In 1992 nineteen loans totaling over one million nine hundred thousand were sold and added to the Bank's servicing portfolio. This includes a rental property loan made in Craig, AK.

First Bank invests in Alaska Housing Finance Corporation Alaska Municipal Bond Bank (AHFC), Alaska Industrial Development Authority (AIDEA), and local municipal bonds.

The Bank's participation in governmental insured, guaranteed, or subsidized loan programs is an integral strategy for meeting the credit needs of qualified borrowers in the Bank's market area.

First Bank initiated the request for state approval for banks to take advantage of membership in the Federal Home Loan Bank, during the spring of 1990. This required legislative action and cooperative effort on the part of the bank, regulatory agencies, and members of the legislature. During 1991, the Bank continued to seek regulatory approval allowing a state chartered bank to access a higher level of Federal Home Loan Bank programs that provide for the funding of low-moderate housing loans.

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

During 1991, the Bank identified a need to have private mortgage insurance coverage re-instated in southeast Alaska. Mid 1991, the Bank received approval to offer private mortgage insurance through MGIC to qualified borrowers. Although, First Bank actively participates in government insured programs such as Department of Housing and Urban Development (HUD) and Veteran Administration (VA) some conventional home buyers could not meet the down payment requirements without access to private mortgage insurance.

During the second quarter of 1993, the House America program was added to the Bank's matrix of affordable housing loan programs. The program is designed for special case low to moderate housing situations. Aside from its flexible low down payment features, this program is somewhat novel in that it requires the borrower to successfully complete a self study course about personal finance and home ownership.

III. Geographic Distribution and Record of Opening and Closing Offices.

The Branches of Alaska 1991, Sheshunoff is published annually and contains information about Banks, Savings and Loans, Credit Unions, & Savings Banks. First Bank has eight full service branches located throughout southeast Alaska and employs over one hundred people. The bank offers a comprehensive portfolio of modem financial services to the communities of southeast Alaska. With its Main Office in Ketchikan, First Bank is the only commercial bank with headquarters in southeast Alaska.

Geographic Distribution of Credit Extensions, Applications, and Denials.

First Bank makes loans throughout southeastern Alaska. The following table shows a breakdown of the broad categories of the bank's total outstanding loans on the last day of the past two years:

	1992	1991
Mortgage	9,186,054	12,855,885
Commercial	25,075,759	25,228,010
Consumer	24,874,722	26,392,495
Total Loans	59,136,535	64,476,390
Total Deposits	152,581,146	162,846,346

Record of opening and closing offices and providing services.

During the past three years, two branches have been opened in Juneau. The Sealaska Plaza Branch opened June 4, 1990 and as First Bank responded to the customer's suggestions that this would complete the southeast banking network. The Mendenhall Center Branch was opened March 26, 1992.

First Bank accommodates the personal and business community in each of the communities served with flexible schedules of business days, and business hours. Totem Branch in Ketchikan, and Craig Branch in Craig offer Saturday banking, and the daily hours that the branches are open to the public generally start at 9:00 A.M. and close at 5:00 or 5:30 P.M. depending economic feasibility and the needs of the community. In June 1990, the Bank expanded service to customers by offering a debit card and access to the Alaska Option Network (140 ATM's in Alaska, and worldwide access via the PLUS network). In the spring of 1991, the Bank conducted a survey of products and services offered by the financial institutions in southeast Alaska. In the process of product positioning and pricing, a conscious decision was made in assuring that "life line" checking services were provided in the First Check and First Saver checking and savings programs. In June 1991, the Bank further expanded access for our customers by installing a toll free number (1-800-478-6101) for the convenience of customers in outlying areas.

IV. Discrimination or Other Illegal Credit Practices

"Substantial minority" census tracts are those in which minority residents constitute 25 percent or more of the total population. In southeast Alaska, our total population is approximately 68,000 people.

	Population census area	minority percent	Population ANV/CDP	minority percent
Juneau C&B	26,751	19.6 %		
Ketchikan Gateway Borough	13,828	18.2 %		
Saxman (ANV)			369	77.0 %
Prince of Wales-Outer Ketchikan	6,278	38.5 %		
Outer Ketchikan - Census Subarea				
Annette (ANV)			43	62.8 %
Metlakatla (CDP)			1,407	83.5 %
Prince of Wales Census Subarea				
Hydaburg (ANV)			384	89.1 %
Kassan City (ANV)			54	53.7 %
Klawock (ANV)			722	54.3 %
Sitka Borough	8,588	26.0 %		
Wrangell-Petersburg	7,042	21.3 %		
Kake City (ANV)			700	73.4%

Source: Selected Population and Housing Characteristics: 1990 Census

There are three local housing authorities operating in southeast Alaska. All three agencies are non-profit housing authorities which provide home-ownership and special housing programs to low-moderate income minorities. Typical funding is received through Indian Housing Development grants awarded by the U. S. Department of Housing and Urban Development (HUD). However, the Tlingit-Haida Regional Authority also originates loans through the Alaska Housing Finance Corporation (AHFC).

The Tlingit-Haida Regional Housing Authority is based in Juneau. Its area of operation is all of southeast Alaska excluding Baranof Island and Metlakatla which are covered by the other two housing authorities. Jackie Johnson is the director of Tlingit-Haida at (907) 789-3800.

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

The Baranof Island Housing Authority covers all of Baranof Island. The agency is located in Sitka. Don Foss is the director at (907) 747-5088.

The Metlakatla Housing Authority is located in Metlakatla. Metlakatla is the only Native Reservation in Alaska. The director is Mike Faber at (907) 886-6500.

First Bank does not support any practices to discourage applications for any types of credit.

For the purposes of this publication, the terms "minority" or "minority group" are used to refer to borrowers who are not members of the dominant culture in a particular area. We distinguish among three types of discrimination: overt, intentional discrimination; subtle, deliberate discrimination, and unintentional discrimination.

All declined loans are reviewed by a committee of the board of directors to help ensure fairness in the Bank's lending practices and prevent loss of business opportunities.

First Bank encourages staff members to pursue professional training by reimbursing the cost of continuing education.

First Bank is licensed to use computer programs that are commonly utilized throughout the banking community in the United States. Criteria for the selection of these programs includes the capability of meeting all regulatory requirements, and providing the widest range of products available. When the programs are revised the bank aggressively and consistently upgrades the program to the most current status.

There is no evidence of prohibited discriminatory or other illegal credit practices which we are aware of that should be set forth in CRA statement.

First Bank underwrites real estate mortgage loans in compliance with the guidelines of secondary market investors; such as AHFC, Freddie Mac, and Fannie Mae. We have created a matrix of the types of affordable housing programs that are originated at the branches.

Internal, FDIC and State audits are routinely conducted. First Bank does not have historic indications of any discriminatory or illegal practices.

Public concern that lenders have been avoiding or under-serving the credit needs of certain communities has grown in recent years. A study published by the Federal Reserve of Boston suggests that borrowers in minority neighborhoods, regardless of income, have more difficulty obtaining loans.

The Federal Home Loan Mortgage Corporation produced a document titled, <u>The Secondary Market and Community Lending Through the Lenders' Eyes, February 28, 1991</u>. The report provides lenders' perceptions in three critical areas:

a. the nature and extent of discrimination in mortgage lending;

b. the challenges associated with community lending; and
c the secondary market's current and potential role in serving the credit needs of low and moderate income communities.

First Bank's affordable housing strategy is to provide the fullest possible matrix of affordable housing.

The Bank is consistent in reviewing all applications based upon criteria developed by the Alaska Housing Finance Corporation (AHFC), Freddie Mac, and Fannie Mae.

As background for studying moderate low-income affordable housing programs, The Bank reviews publications such as:

a. Low-and Moderate-Income Housing Incentives, March 1990; Fannie Mae
b. A Guide to Housing Trust Funds, Tools for Community Development, Neighborhood Reinvestment Corporation.
c. Single Family Housing, Guaranteed Rural Housing, Farmer's Home Administration
d. Affordable Housing Initiatives, Freddie Mac
e. Affordable Housing, Finance Programs and Technical Assistance, Federal Home Loan Bank of Seattle

Our review of affordable housing programs strives to achieve a balance between the requirements of safe and sound banking practices, customary real estate lending guidelines set forth in investor guidelines.

Appendix A of the document, Lender's Recommended Underwriting Criteria for Special Community Lending Programs offered the following suggestions.

STANDARD	LENDERS' RECOMMENDATIONS
Down payment	Retain minimum 5 percent down payment; however borrower need not contribute entire 5 percent, but must contribute something. For example, require 2 to 3 percent borrower cash with 2 to 3 percent provided by gift, soft seconds, sweat equity or other source. (Note: no lenders suggested a loan to value of more than 95%).
Employment	Focus on income stability, rather than job stability. Recognize income from second job sooner.
Income	Increase ratios for low and moderate income families, (many families are already accustomed to relatively high rent-to-income ratios). Consider previous housing costs in general consensus on

	maximums.
Credit Standards	Incorporate alternative methods of determining credit worthiness for borrowers with no credit.
Property/Neighborhood Conditions	Make available purchase plus rehab mortgages.
	Design special appraisal standards more suited to lower income, inner city neighborhoods that deal appropriately with mixed use, 2 to 4 unit properties and "neighborhoods within neighborhoods"
Borrower Counseling	Counseling should be a requirement for all special programs. Some Lenders preferred "in-house" counseling while others rely on affiliations with community counseling programs.

V. Community Development

The Bank has an on-going record of participation, including investments in local development.

First Bank invests in the Alaska Municipal Bond Bank (AMB), Alaska Housing Finance Corporation (AHFC), Alaska Industrial and Export Development Authority (AIDEA), as well as municipal bonds for communities throughout southeastern Alaska.

First Bank directly supports the Berth II LID project which will increase downtown parking in Ketchikan by providing over a hundred spaces.

Ability to meet community needs consistent with institution's characteristics.

First Bank has been classified in the Veribank "Blue Ribbon" category for six years in a row. In order to qualify, the bank must have total assets exceeding $50 million, equity must exceed 7.5 percent, and net income after extraordinary items and taxes must be positive. In addition:

a. Liquid assets must be at least 45 percent of total deposits.

b. Equity, discounted for problem loans in excess of loan loss reserves must exceed 6 percent.

c. Total overseas lending must not exceed the bank's equity.

d. The equity of the bank must not have declined from its value in the previous quarter.

e. The liquidity must not have increased by more than 50 percent or decreased by more than 33 percent since the previous quarter.

Participation in other activities not covered under other performance categories that bear on extent to which institution meets community credit needs.

The Bank maintains a record of the sponsorships and donations to non-profit civic organizations in each of the communities.

Participation in literacy programs is an integral element of the Bank's community reinvestment program.

First Bank originated a "Library Bucks" program which injected thousands of dollars into the public libraries of southeast Alaska. The "Battle of the Books" program received direct support from the bank in southeast Alaskan public schools. A First Bank staff member participates in the Ketchikan High School "Ready for Work Program" which is a long range program to quantify the essential skill level which a high school graduate must achieve in order to be ready for work upon graduation.

First Bank provides assistance in developing business leadership and entrepreneurial skills as a long term solution.

Staff members have a significant and on-going commitment to the Junior

COMMUNITY REINVESTMENT - ADDITIONAL INFORMATION

Achievement program in Ketchikan Alaska.

During 1993 the officers of the Bank have participated in activities directed to the Small Business owner/manager. These credit fairs have been held in Wrangell, Petersburg, and Klawock. Representatives from various sources of financial assistance include Small Business Administration, State of Alaska Economic Development and others were in attendence in support of the porject..

PUBLIC DISCLOSURE

November 16, 1993

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FIRST BANK
14885-7

331 Dock Street
P. O. Box 7920
Ketchikan, Alaska 99901

Federal Deposit Insurance Corporation

25 Ecker Street, Suite 2300
San Francisco, California 94105

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the First Bank, Ketchikan, Alaska, prepared by The Federal Deposit Insurance Corporation, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of November 16, 1993. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institutions Rating:

This institution is rated <u>Outstanding</u> based on the findings presented below.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

<u>Assessment Factor A</u> - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

<u>(Conclusion/Support):</u>

First Bank is a commercial bank operating branches in the Southeast Alaska communities of Ketchikan, Juneau, Wrangell, Petersburg, Craig and Sitka. Bank officers maintain a proactive presence in area organizations to establish contact with groups, individuals, government officials and community leaders to identify credit needs of the communities being served. Organizations represent the interests of fishing, logging, tourism, mining, real estate and other business organizations.

Bank officers worked closely with MGIC to reintroduce the insurance program in Alaska so customers can obtain home loans with smaller down payments. The bank uses information of the Alaska Housing Finance Corporation concerning the Comprehensive Housing Affordability Strategy For The State of Alaska. This survey reviews economic, logistic, environmental and cultural forces combined with local geography to address challenges and suggests ways in which the state can work with federal, local government and private interests for development of affordable housing for all Alaskans. Officers of the real estate department are assigned responsibility of making contact with real estate brokers, appraisers, local and governmental representatives to discuss the need for low-moderate housing in the area. To help evaluate affordable housing issues, bank officers use the "Affordability Index" and the "Home Affordability Guide" developed by the Alaska Housing Finance Corporation. The information contained in these guides is available at each banking office and is discussed with anyone interested in obtaining a real estate loan.

Assessment Factor A (Continued)

Each Saturday bank officers provide real estate loan analysis to customers unable to get to the bank during the week. Combining the guide and index information with demographic information concerning population and household data the bank can target available programs to all of its communities. Officers are working with the Sitka and Juneau housing authorities and are trying to get one created in Ketchikan. In addition there are three non-profit housing authorities providing home-ownership and special housing programs to low- and moderate-income minorities which also serve the bank's communities. Bank officers work with the Tlingit-Haida Regional Housing Authority, the Baranof Island Housing Authority and the Metlakatla Housing Authority. The Metlakatla Housing Authority works with the only Native Reservation in Alaska.

The bank uses small business and economic development input from regional organizations including Project 2000, a state forest association, state and area Chambers of Commerce, tourist bureaus and economic development organizations.

Officers are involved in a calling program to determine credit needs and relay product information to existing and potential customers. Contact is maintained with representatives of governmental resources such as the Small Business Administration, U.S. Forest Service, National Oceanic Administration, Bureau of Indian Affairs and the Alaska Industrial Development and Export Authority.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

(Conclusion/Support):

The board of directors are involved in the CRA process and activities. The board reviews and approves the CRA statement annually. The board appointed a CRA officer who makes quarterly updates at board meetings keeping directors aware of current developments and programs. To meet local credit needs loan programs are structured to encourage flexible underwriting and appraisal standards responding to specific community factors. At each meeting the board reviews the market share report to compare lending activities of all area banks.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

(Conclusion/Support):

Within its local communities the bank utilizes radio, newspaper, television, trade journals, point of sale brochures and displays, statement stuffers, direct marketing, lobby posters and brochures to keep customers aware of new services. Local advertising is directed to all income levels throughout the community. Image promotion is done at community events.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

(Conclusion/Support):

The loan program offers commercial and residential real estate, home improvement, construction, small business, agricultural and consumer programs. The majority of loans are to area businesses. About 20% of that total are made under various Small Business Administration programs. Remaining loans are for consumer and real estate purpose. The bank services a large portfolio of real estate loans sold to investors. The bank invests in FNMA, FHLMC, GNMA, SLMA, FFCB, FHLB, Alaska Housing Finance Corporation and Alaska Industrial Development Authority bonds.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

(Conclusion/Support):

The bank is a participant in governmentally-insured, guaranteed or subsidized loan programs. The bank offers HUD, VA, SBA, FmHA and State of Alaska housing programs. In addition the bank offers MGIC programs to qualify borrowers and uses the House America program to finance low- and moderate housing situations. The bank is active in making small business loans. In addition to making governmentally-insured loans the bank invests in guaranteed housing securities.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

(Conclusion/Support):

The bank has defined its community as the cities and outlying areas of southeast Alaska, within reasonable proximity of established full service offices. Cities where branches are located are Craig (Prince of Wales Island), Juneau (2), Ketchikan (2), Petersburg, Sitka and Wrangell. These are mostly isolated communities accessible by plane and ferries. The communities include all types of neighborhoods including low- and moderate-income areas. Business hours are reasonable and all services can be conducted on premises. The bank's delineated community appears to be appropriate.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

(Conclusion/Support):

The bank maintains an application register for all real estate loans which monitors each application from receipt to approval or denial. The bank tracks all loans for its market share report which compares penetration levels of all financial institutions in

Assessment Factor E (Continued)

each community. These reports are kept on an annual basis. All credit denials are reviewed by the board of directors at each meeting. Information on all credit denials is then input into a computer program which maintains the information by zip codes. The market share report and the declined loans are reviewed at each months board meeting.

The bank does not have a minimum dollar requirement for residential real estate loans, thus allowing credit in all areas of its community, including low- and moderate-income areas. The bank is addressing credit needs of small businesses throughout its communities. The bank also addresses credit needs of special groups by funding community groups and public programs.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

(Conclusion/Support):

Each office is centrally located and accessible to all areas of the community in which it is located. Lobby hours vary from branch to branch, but each office is generally open from 9:00 AM until 5:00 or 5:30 PM, depending on economic feasibility and needs of the community. The Totem Branch in Ketchikan and the Craig Branch offer Saturday banking. The bank offers debit card access to the Alaska Option and PLUS Networks. Since the previous examination two branches in Juneau have been opened.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

(Conclusion/Support):

No practices were noted that would discourage applications for the type of credit the bank offers. There appears to be adequate policies, procedures and training programs to prevent discrimination in lending and credit activities.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

(Conclusion/Support):

No evidence of discriminatory or other illegal credit practices were noted. The bank has developed procedures to assure that loan applicants are not illegally discouraged or pre-screened. The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

(Conclusion/Support):

The bank has taken an active role in participating in development and redevelopment programs within its local communities. In Juneau the bank participated with Housing First, Inc., the City & Borough of Juneau and the Federal Home Loan Bank to construct a low-income housing project. The bank is working closely with low- and moderate-income borrowers to obtain energy assistance financing through a State of Alaska program. In Ketchikan and Sitka the bank financed construction of rental units designed as low income rentals. The bank funds small businesses and expansion for civic and religious organizations and is participating with Historical Ketchikan, Inc. a non-profit organization in restoration of downtown areas. The bank has investment holdings in municipal securities that benefit the delineated communities.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

(Conclusion/Support):

There are no known legal impediments, local economic conditions or other factors that affect the ability of the bank to meet the various community credit needs. The institution's financial condition and size are not deemed a limiting factor.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

(Conclusion/Support):

The bank appears to be a prominent real estate and small business lender in its community. Officers appear to have established good working relationships with community, business and civic leaders as well as local, state and federal government agencies regarding efforts to meet credit needs, economic revitalization and growth of its communities. The bank has many contacts in city, county and state agencies to identify opportunities for future involvement in addressing community credit needs. In addition the bank and/or employees:

- Originated a "Library Bucks" program which injected money into public libraries in southeast Alaska and participated in the "Battle of the Books" program in public schools.
- Participates in the Ketchikan High School "Ready for Work Program" which is a long range program to quantify essential skill levels which a high school graduate must achieve in order to be ready for work upon graduation.
- Participate in the Junior Achievement program in Ketchikan, Alaska.
- Provided office space for the area representative of the Farm Home Administration to facilitate visits to communities in southeast Alaska.
- Sponsored a child care forum.
- Held a small business management class, donating proceeds to Junior Achievement.

Community Reinvestment Act

Statements and Performance Evaluations
First National Bank of Anchorage

A MESSAGE FROM THE CHAIRMAN

The CRA Statement for the First National Bank of Anchorage serves to articulate this Bank's long-standing commitment to the Alaskan communities we serve. Every day, through a wide variety of methods, First National makes a committed effort to ascertain the credit needs of those communities, meet their credit needs within the bounds of safe and sound banking practices, and let each and every customer and potential customer know about the availability of our credit products without regard to race, sex, color, religion, age or national origin.

Before the 1977 advent of the Community Reinvestment Act, this process was called "good business." Today, it's still called good business, and good business is the principle in which First National believes.

First National is also committed to reinvest in its communities in ways other than by providing credit. This Bank provides jobs, and its people put their energies back into their neighborhoods as well. We serve as a major contributor, committing both money and resources to such organizations as Alaska Pacific University's Changing Images entrepreneurship program, Junior Achievement in Alaska's schools, Boys and Girls Clubs, the Denali Senior Center in Fairbanks and Big Brothers/Big Sisters of Anchorage.

First National Bank is a neighbor Alaskans can trust, caring about the welfare of its communities and lending a sensible approach to economic boom and bust periods -- putting this Bank's resources to work reinvesting in Alaska's businesses and its people.

D.H. Cuddy
Chairman

WHO WE ARE

First National Bank is a locally owned and operated Alaskan bank, founded in 1922 by Winfield Ervin. Then, we stored gold nuggets and untanned pelts from beaver, wolverine, fox and mink -- treasures gleaned from Alaska's rich store of resources. Our tellers' counters were marble slabs from Ervin's old candy business in Idaho. We had 500 outstanding shares of stock. The original Board of Directors consisted of a doctor, conductor and disbursing agent from the Alaska Railroad, two Anchorage attorneys, the proprietor of the North Pole Bakery and Ervin himself.

We were here to serve the fledging community of Anchorage. We were here when Alaska became a state, helping in the transition from a territory. We were here during the 1964 earthquake, committing to an immediate rebuilding program. We were here during the oil discovery and subsequent pipeline boom, providing services to the communities we serve. We were here during the recession that wreaked havoc on the state, continuing our services and commitments even as 13 other institutions across Alaska failed.

Today, First National Bank is a billion dollar bank with state-of-the-art technology, 28 branches across Alaska, and more than 800 employees dedicated to serving you, our customer. First National is consistently ranked at the top of the nation's banks for strength and security, earning accolades from such bank analysis and rating firms as Thomson Bankwatch, Bauer Financial Reports, Inc., Veribanc, and Sheshunoff.

First National has come a long way over the years, building strength and each year renewing our commitment to the Alaskan communities we serve. As Alaska has grown and changed, so has First National -- to reflect the business and social climates of each of our individual communities. Credit products and deposit services are reviewed and changed to improve and strengthen the social and economic development of those communities. First National's officers, Board of Directors and employees are active members of their communities. They enrich the fabric of Alaska through their willingness to invest in their communities by participating in educational or economic development organizations, in their churches and in social functions.

OUR COMMITMENT

First National's Board of Directors consists of nine Alaskan business and community leaders who are actively involved in the Bank's economic and Community Reinvestment Act activities.

Each year, the Board of Directors reviews the Bank's CRA statement and, if any material change is made in the Statement, the Board acts upon it at its first regular meeting after the change. Actions taken on the CRA Statement are made a part of the Board minutes.

The Board's commitment includes:

PRESERVE public confidence and First National's reputation as a stable financial institution.

SERVE the credit needs of our communities without sacrificing the quality, integrity and profitability of the Bank through unsound credit decisions.

UNDERSTAND the banking and credit needs of the Bank's service areas by analyzing community delineations, community and customer surveys, contacting community and neighborhood leaders and through focus groups.

MEET those banking and credit needs by designing products and services that meet the legitimate banking needs of these communities.

INVEST in loans to local communities and in local bond issues.

PARTICIPATE with local, state and federal agencies and non-profit organizations on projects that focus on the quality of life of the citizens of our communities.

STAY FULLY INFORMED about banking needs by reviewing and refining the foregoing activities annually.

PROVIDE ongoing training to ensure that Bank personnel stay fully informed about the Community Reinvestment Act as it applies to each individual's job responsibilities. This helps First National employees identify and call to the attention of Senior Management any banking needs within the Bank's communities.

The Board has a CRA Committee which consists of three members of the Board of Directors, including the President of the Bank. Senior management members are invited periodically to advise the Committee on various Bank and community activities and programs. It operates much the same as other standing committees of the Board, and is charged specifically with:

- Providing policy direction;
- Reviewing CRA Working Committee reports and other information provided by Bank officers;
- Reviewing and determining, annually or more often as needed, the appropriateness of the Bank's delineated communities, CRA statement and credit services, and recommending action, if necessary, to the Board;
- Overseeing all CRA activities throughout the Bank, evaluating the assessment of community needs and reviewing proposed product development.

The CRA Working Committee consists of officers from various areas of the Bank. These areas are:

- Business Development
- Compliance
- Marketing
- Branch Lending
- Mortgage Lending
- Commercial Lending
- Electronic Data Processing

The committee meets regularly to discuss community and economic development issues revealed in branch manager and officer call and other reports, to evaluate the banking and credit needs of First National's communities, and to make recommendations to the appropriate Divisions.

A CRA Officer has been appointed to be directly involved with implementing CRA policies assuring CRA compliance.

WHAT THIS MEANS

The Bank is committed to serving the credit needs of the entire community in which the Bank is engaged in business. In keeping with that commitment, all directors, officers and employees will be governed in their actions on behalf of the Bank by the provisions of the Community Reinvestment Act. At all times, we will be actively engaged in ascertaining community credit needs and meeting those credit needs in a manner consistent with safe and sound banking principles, including, without limitation, the credit needs of credit-worthy individuals in low- to moderate-income areas within the Bank's community.

Community Reinvestment Policy

On motion duly made and seconded that the policy respecting the following matter be reaffirmed, it was

RESOLVED, that it is the commitment of this Bank to serve the credit needs of the entire community in which the bank is engaged in business; and policy of this Bank to serve all credit-worthy segments of the community, based upon the conclusion that doing so is a good banking practice and necessary to ensure the Bank's long term success; and

Further RESOLVED, that in keeping with that commitment, all directors, officers and employees will be governed in their actions on behalf of the bank by the provisions of the Community Reinvestment Act and regulations promulgated thereunder; and the Bank will at all times be actively engaged in a process of ascertaining community credit needs and meeting those credit needs in a manner consistent with safe and sound banking principles, including, without limitation, the credit needs of credit-worthy individuals in low- to moderate-income areas within the Bank's community.

The Bank will make credit available on a fair and consistent basis to all people and organizations who meet the Bank's lending standards, without regard to race, color, religion, national origin, sex, marital status, age (providing the applicant has the capacity to enter into a binding contract), receipt of public assistance, exercise of legal rights under the Consumer Credit Protection Act or other law, handicap, or familial status.

We further ensure that all directors, officers, and employees follow this policy, and will promptly investigate and terminate any Bank practice or procedure that interferes with adherence to this policy. Appropriate action will be taken against any Bank employee, including directors and officers, who do not follow the established policy and procedure. Such action may include, without limitation, reversal of the decision of the employee involved, disciplinary action, up to and including dismissal.

Equal Credit Opportunity Policy

On motion duly made and seconded that the policy respecting the following matter be reaffirmed, it was

RESOLVED, that the Bank will make credit available on a fair and consistent basis to all people and organizations who meet the Bank's lending standards, without regard to race, color, religion, national origin, sex, marital status, age (providing the applicant has the capacity to enter into a binding contract), receipt of public assistance, exercise of legal rights under Consumer Credit Protection Act, or any other law, handicap, or familial status;

Further RESOLVED that it is the responsibility of each and every director, officer, and employee of the Bank to assure that there is no discrimination on a prohibited basis in connection with the performance of his or her duties on behalf of the bank;

Further RESOLVED that it is the duty of Bank directors and officers to promptly investigate and terminate any Bank practice or procedure when there appears reason to believe that it has an unjustifiable, disproportionate, adverse effect on any group of persons by reason of their race, color, religion, national origin, sex, marital status, age, receipt of public assistance, exercise of legal rights under any law, handicap, or familial status; and to take appropriate action against any Bank employee who, in discharging his or her duties on behalf of the Bank, discriminates against a person by reason of any of the foregoing matters, which action may include, without limitation, reversal of the decision of the employee involved, disciplinary action, and dismissal.

This commitment is further reflected in our policy on branch consolidations. The Bank assesses and considers the impact on the communities in which those facilities are located, including its ability to provide continuity of services through other offices, the physical proximity of other branch locations or the presence of other financial institutions. Decisions will not be based upon the racial composition of neighborhoods in which the branch is located. The Bank will notify the Comptroller of the Currency and customers of the branch not less than 90 days prior to closure, and will post a conspicuous notice in the branch not less than 30 days prior to closure.

Branch Closures, Consolidations, and Reductions in Service

RESOLVED that all prior resolutions regarding branch closures, consolidations, and reductions in bank services are hereby revoked, and

Further RESOLVED as follows:

1. *Impact on Community:* When formulating and implementing a consolidation program, the Bank should assess and consider the impact of any reduction or closing of branch facilities on the communities in which those facilities are located. The factors considered should include the Bank's ability to provide continuity of service through other offices, the physical proximity of other offices of the Bank, or the presence of other financial institutions in the community.

2. *Alternative Solutions:* In connection with any branch consolidation program, the Bank should review and evaluate alternatives to closing particular branches, to determine whether it is feasible to continue to serve an area surrounding a branch by restructuring the services offered at that branch.

3. *Objective Criteria for Branch Decision Making:* In selecting particular facilities for consolidation, the Bank should avoid, insofar as possible, subjective impressions based on undocumented neighborhood factors and rely, to the fullest possible, upon:

A. An analysis of the relative and/or absolute profitability of the branch as a unit in the branch system;

B. Ascertainable demographic growth or decline trends in the community and commercial and retail banking potential (e.g., population size, income level, business growth);

C. Review an analysis of branch utilization and traffic to determine whether there is sufficient demand to justify the continuance of an office in its current configuration.

4. *Non-discrimination:* In all of its branch consolidation programs, the Bank is firmly committed to making decisions without regard to considerations of race, color, religion, national origin, sex, marital status, physical or mental handicap, or age. The Bank's branch consolidation program will also not be based on any factor relating to the racial composition of neighborhoods in which branch facilities are located.

5. *Notice to Federal Regulatory Agency:* The Bank will notify the Office of the Comptroller of the Currency of a branch closing not later than the first day of the 90-day period ending on the day proposed for the closing. The notification will include a detailed statement of the reasons for the decision to close the branch and statistical or other information in support of such reasons.

6. *Notice to Customers:* A notice will be posted conspicuously in the branch proposed to be closed during not less than the 30-day period ending on the date proposed for that closing. Additionally, inclusion of a notice in at least one of any regular account statements mailed to customers of the closing branch or in a separate mailing to customers of the closing branch by not later than the beginning of the 90-day period ending on the date proposed for that closing.

7. *Communication with the Community:* The Bank is committed to ensure that the branch decision and the rationale for the branch decision is effectively communicated.

The Bank will also provide equal opportunity in employment to all employees and applicants and to recruit, hire, train and promote persons in all job titles, without regard to race, color, religion, sex, age or national origin, and without discrimination against any Vietnam Era Veteran, disabled veteran, or disabled person who is qualified to perform the work available.

Equal Employment Policy

It is the policy of The First National Bank of Anchorage to provide equal opportunity in employment to all employees and applicants and to recruit, hire, train and promote persons in all job titles, without regard to race, color, religion, sex, age, or national origin, and without discrimination against any Vietnam Era Veteran, disabled veteran, or disabled person who is qualified to perform the work available.

This policy applies to all terms, conditions and privileges of employment including hiring, observation period, training and development, promotion, transfer, compensation, benefits, educational assistance, layoff, social and recreational programs, facilities, termination, and retirement.

This policy will be followed in all terms, conditions and privileges of employment including hiring, observation period, training and development, promotion, transfer, compensation, benefits, educational assistance, layoff, social and recreational programs, facilities, termination, and retirement.

WHERE WE ARE

The First National Bank of Anchorage is Alaskan owned and operated with 28 branches located throughout the state. A delineated area around each branch comprises the territory of the communities we serve. A map delineating the territory is posted in the lobby of each branch location.

First National Bank Branch Locations:

ANCHORAGE

Main Branch
646 W. Fourth Avenue
Phone: 276-6300

Dimond Branch
1000 E. Dimond Blvd., Suite 100
Phone: 276-6300

Eagle River Branch
11412 Business Blvd.
Phone: 694-2103

Eastchester Branch
1821 Gambell Street
Phone: 276-6300

Elmendorf Branch
8th and E Street
Phone: 753-1170

Federal Branch*
222 W 7th Avenue
Phone: 276-6300

Muldoon Branch
1100 Muldoon Road
Phone: 276-6300

Northern Lights Branch
1210 West Northern Lights Blvd.
Phone: 276-6300

Parkway Branch
5305 East Northern Lights Blvd.
Phone: 276-6300

South Center Branch
201 W. 36th Avenue
Phone: 276-6300

FAIRBANKS

Golden Valley Branch
1300 Washington Drive
Phone: 479-4800

Interior City Branch
8th and Noble
Phone: 452-1871

JUNEAU

Channel Branch**
840 W. 10th Avenue
Phone: 586-3313

Juneau Branch
238 Front Street
Phone: 586-2550

Valley Centre Branch
8990 Glacier Highway
Phone: 789-3141

STATEWIDE

Cordova Branch
528 First Street
Phone: 424-7521

Haines Branch**
215 Main Street
Phone: 766-2321

Homer Branch
3655 Heath Street
Phone: 235-5150

Kenai Branch
11408 Kenai Spur Highway
Phone:: 283-3585

Kodiak Branch
218 Center Avenue
Phone: 486-3251

Kuskokwim Branch
Bethel **
700 Front Street
Phone: 543-2601

Palmer Branch
303 W. Evergreen Ave.
Phone: 745-4847

Seward Branch
303 4th Avenue
Phone: 224-5217

Sitka Branch
318 Lincoln Street
Phone: 747-3272

Soldotna Main Branch
44501 Sterling Hwy.
Phone: 262-9070

Soldotna Mall Branch
44332 Sterling Hwy.
Phone: 262-1766

Valdez Branch
101 Egan
Phone: 835-4381

Wasilla Branch
775 E. Parks Hwy.
Phone: 376-0976

**ATM Service in Lobby Only*
***No ATM Service*

MAKING CONTACT

First National has a variety of programs designed to make direct contact with the citizens of the communities we serve. These programs assure that Bank directors and officers are informed about the credit needs of our communities through participation in local organizations and personal contact with those who are in a position to recognize and communicate community needs. This is an important factor in enabling the Bank to determine banking and credit needs. That's why our employees attend social and business functions, and serve on various boards and committees in our communities. Some of our outreach activities are:

SURVEYS

Marketing conducts surveys and assists the CRA Officer with surveys. We survey customers who have recently opened or closed accounts with First National to determine if their needs have been met or how we can better meet them. Periodic and more strictly targeted surveys are also conducted. A lending function was recently added to our Parkway and Northern Lights branches and safe deposit boxes to our Dimond Branch as a result of surveys.

We also survey First National employees to determine what special skills they have, what languages they speak (the Bank keeps a directory of employees and the languages they speak to assist in translating, if needed) and to what organizations they belong. We determine what training or educational programs we could make available to them to better serve our communities. For instance, we have educated several Anchorage employees in sign language. Knowing our employees' involvement and capabilities in certain areas helps us develop programs that benefit our communities.

COMMUNITY OUTREACH

A calling program is in place that encourages directors and Bank officers, including branch managers, to contact and talk with community leaders and representatives, community organizations and potential customers as part of an overall sales, marketing and CRA effort.

An extension of the calling program, focus groups are meetings specifically targeted to a particular community or group of people, so that their specific credit needs can be discussed.

We hold open houses at our branches at least twice each year, inviting customers and non-customers to come in, meet our officers and staff and discuss banking services. We make available information on lending and other services in an informal atmosphere to encourage questions and comments.

COMMUNITY INVOLVEMENT

We encourage employee involvement in community activities, and our employees serve in many volunteer activities, ranging from membership in chambers of commerce and rotary clubs to serving on community boards and actively working for various non-profit organizations. We also actively support the annual United Way Campaign. We have a Donations Committee which reviews and makes recommendations about the organizations we support.

Some of the organizations in which you will find our employees involved are Anchorage and Fairbanks Neighborhood Housing Services, Anchorage and Central Peninsula Habitat for Humanity, Municipality of Anchorage Housing and Platting boards, Alaska Housing Finance Corporation Board, Anchorage Housing Commission, Junior Achievement, Boys and Girls Clubs, YMCA, American Cancer Society, Providence Health Care Foundation and Alaska Pacific University. In addition, many employees assist with local PTAs, Boy and Girl Scouts troops and with coaching children's sports teams.

From its beginning, First National has contributed generously of its resources in donations that benefit the communities it serves, underwriting live opera performances for school children; giving a five-member basketball team from a small rural village a chance to compete in, and take home, a statewide championship; supplying funds to purchase the technical equipment a hospital needs to save infants' lives.

First National is the major sponsor for the Alaska School Activities Association (ASAA), a non-profit organization that manages all statewide high school competitions. Through it, high school students from varied backgrounds rub shoulders and compete with peers in activities that include art, music, debate, drama, foreign languages and sports.

We are also a major supporter of the Big Brother/Big Sister Program. This provides children from single parent families with a positive adult role model. Many of these relationships last throughout the lives of the participants.

Knowing that education in the arts is often available only to the affluent, the Bank put dance and theater education within reach of many students from low income families through scholarships.

Further support of the arts is found in the annual calendar published by the Bank. Each year, we invite artists or photographers to submit their work. The top 13 entries are used in the calendar, spotlighting the artists and their work.

First National supports formal education, providing scholarships through Alaska Pacific University, and funding the Warren Cuddy Memorial scholarship in association with Alaska Rural Rehabilitation Corporation.

First National also supports the Alaska Pacific University entrepreneurship program by establishing the First National Bank Center for Enterprise Opportunities. It is designed to assist ethnic minorities and women in starting and conducting successful businesses. We also assist the Changing Images program, offered by APU, which encourages participants to learn about, consider and relate to a global marketplace.

First National's educational program, Basic Banking, teaches new U.S. Citizens and potential citizens how to establish and maintain savings and checking accounts, as well as how to establish and maintain good credit. It also teaches these groups how to apply for credit and what different types of credit exist within the Bank. As supplemental material for this course, First National has translated Bank services and products into six languages to address the majority of new immigrants:

- Spanish
- Korean
- Japanese
- Chinese
- Tagalog
- Russian.

First National recently made a major contribution to the renovation of the Lucy Cuddy Center, which houses the UAA Food Service Technology program. This renovation has brought the program up to date, giving students a more competitive edge in the food service field.

The Bank also supports a number of health and social service organizations and agencies. One example of that commitment is the substantial pledge made to the building fund for the Denali Senior Center, a regional nursing facility being built in Fairbanks. The threatened closure of an older nursing care facility that no longer meets state regulations provided the impetus for the new, more modern center. When completed, it will serve the elderly and others in the northern region of Alaska who need long-term care.

Some of the organizations that we support are:

- Providence Health Care Foundation
- Boys and Girls Clubs
- The American Cancer Society
- The American Diabetes Association
- The American Lung Association

MEETING COMMUNITY NEEDS

From the contacts we make and the research we do, we determine the banking and credit needs of our communities.

We then make available a variety of lending and banking services to meet those needs. This package of services changes from time to time, reflecting the changing needs of those we serve. Currently, we have available the following loans and service packages:

LOANS: The Bank provides a wide range of credit programs, both bank-held and investor loan programs. On Bank-held loans, the terms of credit can be tailored to meet a variety of borrowers' needs. This enables those who would not otherwise fit into an investor or government program to obtain financing. For instance, we recognize the diversity in Alaska by having seasonal payment arrangements available, which is particularly helpful in fishing communities.

The decision to make, or reject, a Bank-held loan is not arrived at arbitrarily. Loan purpose and suitability of arrangements for repayment are considered. Creditworthiness is determined objectively in light of essential criteria. Investor loans are made pursuant to the guidelines established by the investor.

Additionally, the Bank services over 8,000 loans made under Investor Loan programs, keeping the loan in the state and providing service for those borrowers.

Currently, the types of loans available include:

COMMERCIAL:	Corporations, partnerships and sole proprietorships.
Seasonal:	Seasonal loans are those loans which have repayment terms to coincide with seasonal business patterns such as commercial fishing.
Working Capital:	Loans for acquiring inventories or carrying accounts receivable.
Term:	Acquiring or refinancing equipment used for business purposes.
Lines of Credit:	Business lines of credit to assist businesses in carrying accounts receivable and to provide working capital to meet monthly business requests.
Letters of Credit:	Documentary and Stand-By Letters of Credit to facilitate business transactions in both domestic and international trade.
SBA LOANS:	First National is a Small Business Administration "Certified Lender", lending to small businesses in metropolitan and rural areas. As such, we are one of the largest SBA loan producers in the State.
BIA LOANS:	Loans guaranteed under the Bureau of Indian Affairs program.
AIDEA LOANS:	Alaska Industrial Development and Export Authority provides long-term funding for commercial projects by participating with the bank in providing loan funds.
REAL ESTATE:	Loans which are secured by real estate.
1-4 Family Residential Property:	Acquiring, constructing or refinancing a residence for owner or non-owner occupancy.
Recreational Property:	Acquiring, constructing or refinancing recreational property for owner occupancy.

Multi-family Property:	Acquiring, constructing or refinancing single or multi-family housing developments.
Commercial Property:	Acquiring, constructing or refinancing commercial buildings.
LAND & LAND DEVELOPMENT:	Loans to acquire land for personal use or for development -- for a home, a subdivision or for recreational property.
INVESTMENT:	Loans for investment purposes.
CONSUMER:	Loans to consumers for any legitimate purpose, but more generally to assist consumers with the acquisition or refinancing of consumer goods with loans being made on either a secured or unsecured basis depending on the individual's credit.
Mobile Homes:	Loans to facilitate the acquisition, refinancing or sale of a mobile home used for residential purposes.
Home Improvement:	Loans for repairing and improving owner-occupied or non-owner occupied 1-4 family residences.
Credit Cards:	MasterCard for individuals, Merchant Services for businesses accepting Visa and MasterCard.
INVESTOR REAL ESTATE LOANS:	The Bank participates in various investor loan programs which make available additional funds for lending in the community. These programs generally allow individuals to make smaller down payments when acquiring new homes. Underwriting of these loans is done under the investors' guidelines.
Conventional:	These are loans which are not insured or guaranteed by a Federal Government agency; conventional investors include FNMA, AHFC, FHLMC, etc.
FHA Loans:	Loans insured by Federal Housing Authority.
VA Loans:	Loans guaranteed by Veterans Administration for veterans.

AHFC Tax Exempt:	Offers below-market interest rate to qualified applicants. Typically, qualifying applicants are first-time home buyers.
AHFC HOF:	Home Ownership Fund program, offers home loan assistance to persons of low- to moderate-income.
AHFC Streamline Refinance:	Streamline Refinance loans provide refinancing opportunities to those borrowers with current AHFC loans. The Streamline program allows borrowers to take advantage of current low interest rates with limited closing costs. FHA, VA and Conventional loans are eligible.
Energy Rated Homes:	This loan program is sponsored and funded by AHFC, and allows rebates, for purchase or remodel, to promote energy-efficient homes.
Farmer's Home Loan Administration:	Through this federally guaranteed loan program, Farmer's Home loans are available to applicants who meet specific qualifications. Loan amounts, providing up to 100 percent financing, are limited to $135,000 and are available only for rural farming areas.
Fannie Mae Single-Family Community Lending and Neighborhood Loans:	Various affordable housing and community development loans for low- and moderate-income borrowers who are good credit risks but who might not qualify under standard Fannie Mae underwriting guidelines. Generally, borrowers must have incomes no greater than 115 percent of HUD area median income. Flexible underwriting criteria include "3/2" down payment option (3 percent from borrower, 2 percent from gifts, grants or unsecured loans) and increased debt-to-income ratios. Borrower eligibility requires structured home buyer education provided at no additional cost by the Investor Loan Production Division.

FDIC Low-Moderate Income Housing Program:	The FDIC Low-Moderate Income Housing program is sponsored by the Federal Deposit Insurance Corporation and requires FDIC to offer specified homes to low- to moderate-income buyers. The program provides a 10 percent subsidy to be used for additional downpayment, towards closing costs or towards repairs on the home being purchased.
Cook Inlet Housing Association HOME Partnership Program:	This loan program is a partnership of AHFC, HUD, Cook Inlet Tribal Council & Housing Authority and local lenders. AHFC purchases the first deed of trust, CIHA provides the second and closing costs and a partial downpayment from funds provided by HUD. Borrowers must qualify through CIHA, and must have 3 percent downpayment.
Rural Housing:	Loans provided for properties identified as "rural". Generally, areas with a population of 5,500 or fewer that are not connected by road or rail to Anchorage; or areas with a population of 1,400 or fewer that are connected to Anchorage by road or rail.
Non-Conforming:	Loans on properties that have non-conforming features that cannot be repaired for which financing cannot be obtained through other mortgage programs.
Health & Safety	Second mortgage financing for borrowers with an AHFC loan who need to improve their property to meet health and safety requirements relating to water, wastewater and structure integrity.
Second Mortgage:	Financing for purchase or home improvement.
Veterans Mortgage:	Qualified veterans receive a below market interest rate.
State Veteran Preference:	An option on most programs offered by AHFC to persons meeting the requirement; allows a reduced interest rate on a portion of the loan.

DEPOSIT SERVICES: First National takes pride in offering a full range of deposit services to our customers. From checking and savings accounts to certificates of deposit, First National offers its customers a wide variety of services...including such convenient, time-saving services as direct deposit; automatic savings transfers, loan payments and social security and annuity deposits; automated teller machines and FirstLine, First National's telephone access system.

First National also offers a TTY/telephone line for the hearing impaired and handicap access to branches for physically challenged customers. When the new state-of-the-art automatic tellers were installed, First National made them lower to accommodate wheelchair traffic.

EDUCATIONAL ENDEAVORS: First National participates in home shows and other such promotions, staffing information booths with employees well acquainted with lending. This forum is particularly helpful in reaching first time buyers, including low-to moderate-income people. It also provides information about options available to the first-time buyer. First National participates in home loan workshops, Junior Achievement programs and provides speakers to a variety of community groups upon request.

It is not possible for us to make every loan requested of us. To accommodate the credit needs we are unable to meet, we have provided various services aimed at facilitating credit that may not otherwise be available in the communities. Some of those services are:

PUBLIC FINANCING: The Bank makes investments in Alaska by financing local governments. We have provided loan funds, at a favorable interest rate, to retire general obligation bonds for a community in Southcentral Alaska; another city finances local improvement paving districts with underwriting from First National; and we have purchased bonds issued by a neighborhood housing service to facilitate low- to moderate-income housing in Anchorage. The First National Trust Department serves as trustee for certain issues of the Alaska Industrial Development and Export Authority.

ESCROW SERVICES: First National has the largest escrow servicing department in the state, servicing some 18,500 accounts. Realizing the needs of our communities, this program is especially designed and written by the Bank to provide for flexible arrangements between parties. The program can accommodate not only the standard payment arrangement, but seasonal arrangements, automatically increased and decreased installment amounts, or a floating interest rate.

The program facilitates the purchase of things sometimes difficult to finance through ordinary means, such as unimproved real estate and business inventories. It also makes the assumption of existing mortgages easier, with the seller carrying a second. This helps people unable to obtain financing otherwise. Often mobile home financing is accommodated through escrow -- which may give a first-time home buyer the opportunity to own a home and establish a credit record. Of the accounts serviced, 82 percent are real estate or mobile home transactions.

The Hospital Servicing Program allows a hospital to set up a repayment plan for patients, and the Bank administers collection of the funds, disbursing collected monies to the hospital. This cuts costs for the hospital, and provides financing accommodation for persons without other alternatives.

Boroughs and municipalities can avail themselves of this same service, allowing payers to enter into installment arrangements for various borough services through flexible repayment terms.

Entrepreneurs can utilize the services to provide owner financing to buyers. This is particularly helpful in the sale of unimproved real estate.

The Escrow Department also donates escrow services to WOMENSFUND. This fund is donated seed money intended to provide funding for women at or below the poverty level. By donating these services, administration costs are cut, allowing more money for lending. One such loan purchased a computer for a single mother, letting her work at home.

GETTING THE WORD OUT

First National regularly advertises its deposit and credit services to a wide audience, using large, general circulation newspapers, neighborhood newspapers, ethnic newspapers, direct mail, newspaper inserts, radio and, on occasion, television. A sample of these publications includes:

- Anchorage Daily News
- Fairbanks Daily News-Miner
- Juneau Empire
- Sitka Sentinel
- Peninsula Clarion
- Frontiersman
- Eastside, Westside and Southside Pulse
- Tundra Drums
- Calista News
- Tundra Times
- Korean Central Daily
- Chugiak-Eagle River Star
- Great Lander
- Korean Times

In addition to advertising, First National supports its marketing efforts with methods that include product brochures, an officer calling program, participation in and sponsorship of seminars and workshops for small business owners, branch open houses to introduce new customers to the Bank's loan and deposit products.

For further information about our programs, to meet with us to discuss a community forum or arrange an educational seminar, or to voice a complaint about First National's efforts to assess and meet community credit needs, please contact us at 265-4012 and ask for our CRA Officer, or write to:

CRA Officer
Compliance Division
First National Bank of Anchorage
P.O. Box 100720
Anchorage, AK 99510-0720

First National Bank
of Anchorage

COMMUNITY REINVESTMENT ACT NOTICE

The Federal Community Reinvestment Act (CRA) requires the Comptroller of the Currency to evaluate our performance in helping to meet the credit needs of this community and to take this evaluation into account when the Comptroller decides on certain applications we submit. We encourage your involvement.

<u>YOU SHOULD KNOW THAT:</u>

* You may obtain our current CRA Statement for this community in this office. Current CRA Statements for other communities served by First National are available from our CRA Unit located at 425 G Street, Suite 300, Anchorage, AK 99501.
* You may send signed, written comments about our CRA Statements or our performance in helping to meet community credit needs to the CRA Officer, First National Bank of Anchorage, P.O. Box 100720, Anchorage, Alaska 99510-0720 and to the Deputy Comptroller of National Banks, Western District, 50 Fremont Street, Suite 3900, San Francisco, California 94105. Your letter, together with any response, if we make one, may be made public.
* You may look at a file of all signed, written comments we have received within the past two years, any responses we have made to the comments, and all CRA Statements in effect during the past two years at our CRA Unit located at 425 G Street, Suite 300, Anchorage, Alaska 99501. You may also look at the file regarding a specific community in any branch located in that community or by writing to the First National Bank of Anchorage, CRA Unit, P.O. Box 100720, Anchorage, Alaska 99510-0720.
* You may ask to look at any comments received by the Comptroller of the Currency.
* You may also request from the Comptroller of the Currency an announcement of applications covered by the CRA filed with the Comptroller.
* You may obtain the public section of our most recent CRA Performance Evaluation, whcih was prepared by the Office of the Comptroller of the Currency, at our CRA Unit at 425 G Street, Suite 300, Anchorage, Alaska 99501 and at any First National Bank of Anchorage branch. A comprehensive list of statewide branches follows this Notice.

646 West 4th Avenue • P.O. Box 100720 • Anchorage, Alaska 99510-0720

Comptroller of the Currency
Administrator of National Banks

San Francisco District Office
50 Fremont Street, Suite 3900
San Francisco, California 94105

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

May 12, 1994

FIRST NATIONAL BANK OF ANCHORAGE

Charter #12072
646 West 4th Avenue
Anchorage, Alaska 99510-0720

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First National Bank of Anchorage prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of May 12, 1994. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated:

"Satisfactory Record of Meeting Community Credit Needs".

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- Methods used by First National Bank of Anchorage (FNBA) to ascertain and address the credit needs of its community, including its low- and moderate-income neighborhoods, are effective.

As a starting point, management uses 1990 census information to identify the population and income levels within their delineated community. Within FNBA's service area, low- and moderate-income neighborhoods represent 18% of the bank's total delineated community. The minority population comprises 21%.

Bank personnel have several methods of ascertaining and addressing community credit needs. They learn about customer needs by participating in outreach programs, making presentations at focal groups, conducting customer surveys, and making direct customer calls. For consistency, staff members use a standard list of questions as a base.

The Bank participated in a small business survey in partnership with the Anchorage Chamber of Commerce, the Small Business Development Center of the University of Alaska and four other banks.

Bank representatives also canvassed area merchants in selected neighborhoods regarding credit products and credit needs.

Bank personnel conduct outreach activities with a wide range of contacts, including neighborhood housing organizations, small business and trade groups, nonprofit corporations, government agencies, minority organizations, and religious organizations. The bank has ongoing relationships with members of the Anchorage Assembly, Municipality of Anchorage, the Fairbanks Assembly, and the Alaska Housing Finance Corporation. Community contacts include minority organizations such as the African-American Organization and the Korean Community of Anchorage. Bank representatives have discussed affordable housing needs with such non-profit organizations as the Anchorage Neighborhood Housing Services, Inc., Concerned Citizens of Mountain View, and Habitat for Humanity. In addition, the staff, management and directors regularly participate in various civic and service organizations that facilitate the exchange of information on community credit needs and services FNBA provides.

FNBA's managers and lending officers joined other local lenders in fourteen focus group sessions since April 1993. By working together, the banks were able to identify community needs, communicate their products and services, and discuss possible solutions. FNBA's representatives submit written reports detailing each group's concerns and needs to the bank's CRA officer. Seven focus groups were held in Anchorage with African American, Hispanic, Korean, and Filipino representation, and with the Federation of Community Councils. Two focus group sessions were held in Fairbanks with Native Alaskan and African-American participants. Five statewide focus groups were held with Eagle River community leaders, Juneau Filipino community members, Kenai/Soldotna non-profit organization representatives, Seward Community Leaders, and Kodiak Filipino community members.

Bank personnel submit monthly reports to the CRA officer listing their ascertainment activities along with identified credit and service needs. The CRA officer compiles the data and communicates results to a CRA Working Committee (comprised of bank's departmental managers). The Working Committee then analyzes the information and makes recommendations for addressing community needs to the directors' CRA Board Committee for review and final approval.

Through these ascertainment efforts, management determined that the community's primary needs are affordable housing loan products and a broad range of education regarding: acquiring credit, the application process, developing and managing a business, re-establishing credit, and responsibilities of home ownership.

FNBA offers conventional, government, and several special credit-related programs which address housing, small business, and consumer credit needs. Management added special credit-related products in 1993 and 1994 to include:

Alaska Housing Finance Corporation tax exempt program which offers below market interest rates to qualified applicants.

Alaska Housing Finance Corporation Streamline Refinance program which provides refinancing opportunities to borrowers who have current loans through the Alaska Housing Finance Corporation. The program offers lower than market rates with reduced closing costs.

Alaska Housing Finance Corporation second mortgage program to borrowers who need to improve their property to meet health and safety requirements relating to water, wastewater and structure integrity.

Alaska Housing Finance Corporation Energy Rated Home loan program which allows rebates for purchase or remodeling to promote energy efficient homes.

Cook Inlet Housing Authority HOME Partnership program with the Alaska Housing Financing Corporation and the Housing Urban Development Corporation to facilitate financing for low-income Alaska Natives and American Indians.

Federal Deposit Insurance Corporation (FDIC) Low-Moderate Income Housing program. FNBA participated in a program sponsored by FDIC in July 1993 which offered specified homes to low- and moderate-income homebuyers. The program provided a 10% subsidy to be used for closing costs or towards home repairs.

Affordable Housing Enhanced Loan Program (AHELP) which has a 25% downpayment requirement, but allows up to 20% of the financing to come from a secondary source. The remaining 5% must come from the borrower's assets. Other incentives are also available.

Federal National Mortgage Association (FNMA) Single-Family Community Lending and Neighborhood Loan programs which provide applicants with low- to moderate-income more flexibility in meeting qualification requirements, such as higher debt-to-income ratios and lower downpayments. Applicants must complete a buyer education program.

Modified secondary market investor programs which make it easier for low- and moderate-income individuals to qualify for loans, possibly qualifying for Home Ownership Fund interest rate subsidies as well as payment subsidies, which result in reduced payment amounts. A modified mobile home program offers a lower origination fee.

In response to community needs identified through ascertainment activities, several branches are open on Saturdays and staffed with lending personnel.

<u>Assessment Factor C</u> - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

o The Board of Directors exercises reasonable oversight and regularly considers CRA in its planning process.

The Board has adopted written CRA and Marketing Plans. The plans define responsibilities and methods to identify and address community credit needs. It also discusses means to evaluate marketing efforts and lending performance. Although the plan does not include monetary performance goals, management has targeted specific segments of the performance goals, management has targeted specific segments of the community to improve loan penetration. The goals for 1994 are to increase the number of applications and approved loans in low- and moderate-income segments of the community.

The bank implemented a Centrax computer system in February 1994 to track Home Mortgage Disclosure (HMDA) data and credit distribution geographically. Centrax also gives management the capacity to track lending activity according to specific credit program. This will help them establish marketing and lending goals and allow them to measure their success in reaching specific segments of the community.

Systems are in place to ensure technical compliance with CRA. The Board adopted an expanded statement in 1993 to better describe efforts in each of the CRA performance categories. The Board ensures that the CRA statement complies with technical requirements. They review the community delineation, lending distributions and HMDA results at least annually. An independent consulting group conducted a CRA self-assessment, completing its work in March 1994. Management responded to their suggestions and reported the results to the Board at its April meeting.

Two CRA committees exist to ensure that policies and procedures comply with CRA requirements. The CRA Committee of the Board is comprised of directors who provide policy direction, ensure technical compliance, and oversee all CRA activities. A subcommittee, the CRA Working Committee, includes bank personnel from the Compliance Division, business development, marketing, and the various lending areas. The Working committee meets frequently to discuss community and economic development issues, to evaluate community needs determined through ascertainment activities, and to make recommendations to better serve the community.

The Board supports ongoing training to keep bank personnel informed of their roles in fulfilling CRA responsibilities. The employees receive computer-based training and quarterly newsletters that inform them of compliance and CRA issues.

First National Bank of Anchorage's managers, employees, and directors are members of many organizations designed to develop and improve the local communities. Involvement includes participation in community organizations' loan committees, and participation in community groups such as the Rotary Club which provide education and support to small businesses.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

<u>Assessment Factor B</u> - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

o The Board of Directors and senior management adopted a written CRA marketing plan that is sufficient to inform all segments of the community of products and services offered by FNBA.

FNBA's marketing strategies take into consideration the credit needs of all segments of the community. Management employs several methods to market products and services, including: in-branch posters and displays, direct mailings, advertisements in statewide, regional and neighborhood publications, and television and radio advertisements. Bank personnel also distribute product and service information at trade shows, home shows, focus groups, educational seminars and workshops.

Bank personnel conduct workshops and seminars for homebuyers, small business owners and potential small business owners. Besides general information on specific products, the participants receive information on what to expect when applying for a loan and how to manage finances and maintain a home.

Advertisements are product specific. The compliance officer reviews all advertising for regulatory compliance, and maintains a copy in the marketing department. FNBA advertised products that address housing, small business, and consumer credit needs. The Bank also promoted special credit-related programs that assist individuals with low- and moderate-incomes and first-time homebuyers who have low downpayments and high debt-to-income ratios.

Bank personnel conducted and participated in workshops and seminars with other lenders for homebuyers and small business owners and potential owners. Participants received information on specific products, detailed information on the application process, managing finances and a business, and the responsibilities of owning a home. Bilingual materials are available for participants who do not speak English.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

o FNBA's lending levels and products are acceptable given the bank's size and capacity.

The bank originated traditional conventional and government backed loans throughout our evaluation period. A high proportion of these loans occurred within the delineated community. Although they did not keep records of loan volumes, management also implemented several special credit-related programs in late 1993. These are included in the loan groups detailed below. Government loan products and volumes are discussed in assessment factor J.

For the period from May 1993 through March 1994, lending personnel originated 1,490 housing loans in the amount of $103.8 million. 91% of the activity occurred inside the community. Home Mortgage Disclosure Act (HMDA) reportable conventional loan volumes nearly tripled in 1993 compared to 1992.

HOUSING LOAN VOLUMES
May 1993 - March 1994
(in millions, MM)

	Inside Community		Outside Community	
Purchase	# 338	$ 28.4MM	# 47	$ 2.6MM
Home Improvement	101	3.6MM	23	.8MM
Refinances	856	59.8MM	92	5.2MM
Multi-Family (all loan purposes)	31	3.3MM	2	.1MM
Total Loans:	#1,326	$ 95.1MM	# 164	$ 8.7MM

The bank also originated 1,944 small business loans in 1993 totaling $81.5 million. Geographic loan volumes are not available.

The Board's CRA statement adequately describes action taken to ascertain and meet community needs. The statement correctly lists the bank's credit products and services that are available throughout its service areas.

<u>Assessment Factor J</u> - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- o Management is aware of available government programs and actively participates in governmentally insured, guaranteed, and subsidized loan programs to help meet identified community credit needs.

FNBA offers several traditional products that address housing and business credit needs to include: Federal Housing Administration loans (FHA), Veterans Administration loans (VA), Bureau of Indian Affairs loans (BIA), Farmers Home Loan Administration Loans (FmHA), and business loans through the Small Business Administration (SBA).

Beginning in May of 1993, when the bank started tracking its loan originations, through March of 1994, FNBA granted a total of 158 FHA loans ($9.5 million) of which 147 ($9.0 million) were within its service area. The bank financed 78 VA loans totaling $5.7 million during this period, including 69 ($5 million) in its service area. The bank also originated 60 (SBA) loans totalling $10.6 million, 4 (BIA) loans in the amount of $.4 million, and 3 Alaska Industrial Development and Export Authority (AIDEA) loans totalling $2.5 million.

A high proportion of FNBA's government-related loans is within its delineated service area.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

- o FNBA's delineated community is reasonable. It does not exclude low- and moderate-income neighborhoods.

The delineated community consists of 15 separate communities. Most of Anchorage falls within the delineated community, comprising 2 of the 15 service areas. Other major communities are: Bethel, Cordova, Fairbanks, Haines, Homer/Anchor Point/Kachemak, Juneau, Kenai/Kasiloff/Nikiski/Soldotna/Sterling/Ninilchik, Kodiak, Palmer, Seward/Moose Pass, Sitka, Valdez, and Wasilla/Big Lake.

Anchorage is the only Metropolitan Statistical Area (MSA) in Alaska. FNBA has all but 2 census tracts in its delineated community. Service areas includes 14 low- and moderate-income census tracts.

Management considers population and income demographics, geographic lending and deposit activity, and geographic and geopolitical (city, burroughs, etc.) boundaries to determine the bank's delineated community. In late 1993, they modified a number of individual community delineations in recognition of changing loan and deposit patterns.

FNBA's service area includes 80% of Alaska's population. The bank's branch network is accessible to its entire delineated community.

<u>Assessment Factor E -</u> The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- o Lending activities occurred in all geographic and ethnic segments of FNBA's delineated community.

FNBA's geographic distribution of loan products demonstrates that it is serving its customers in a reasonable manner. We detected no unreasonable or irregular lending patterns.

Management has achieved favorable results lending to individuals with low-and moderate-incomes. These households represent 38% of the population in the bank's trade area. In Anchorage, this segment received 45% of the total number of loans; outside Anchorage, they received 54%. These figures reveal reasonable loan penetration as a whole, although lending rates in specific low-and moderate-census tracts is less favorable. In Anchorage, for instance, families residing in these areas comprise 28% of the population, but received 19% of the total number of approved loans.

FNBA is also less successful serving the minority population. Minorities comprise roughly 20% of the population in the bank's service area, both in and outside of Anchorage. But, they generate only 11% and 9%, respectively, of total credit applications.

Management is making a special effort to reach under-represented groups. They are focusing on minority and low- and moderate-income communities and individuals to improve lending performance and better serve their needs. In 1993, FNBA's loan approval rate for minorities reached 70%, compared to 54% in 1992. The non-minority approval rates decreased slightly to 76% compared to 79% the prior year.

Management conducts various geographic distribution and statistical analyses. These analyses vary by community due to the demographic and geographic information available, as well as the type of loan tracking mechanisms that were available to FNBA in 1993. FNBA personnel use an automated system that incorporates demographic data such as income and population statistics, HMDA information, and lending patterns within and outside the bank's delineated community. In Alaska, census tract data is available only for the municipality of Anchorage and the city of Fairbanks. For the other areas of the state, geographic data is available by a combination of zip codes and/or block numbering. Low- and moderate-income neighborhoods comprise 14 of the 55 census tracts (based on information provided by the 1990 United States Census and Housing and Urban Development). Outside of Anchorage, there are a few low- and moderate-income areas that are located within the bank's community delineation.

Management began tracking all applications by census tract and block numbers in 1994. The majority of the bank's analyses in 1993 addressed Anchorage, which is the major portion of it's delineated community.

<u>Assessment Factor G-</u> The institution's record of opening and closing offices and providing services at offices.

- o The bank has a reasonable record of providing services within its community. Credit and deposit distribution is widely dispersed.

The Board adopted a revised branch closure policy in September 1993 which requires management to consider and assess any adverse impact a branch closure or relocation would have on the community, including low-and moderate-income neighborhoods. However, FNBA has not closed any branches in several years.

Twenty-eight branches serve the bank's delineated community. The branches are reasonably accessible to all segments of the community. Management uses customer surveys to evaluate community needs and the quality of service. As a result of these efforts, management added lending personnel to several branches and opened several on Saturdays. FNBA is available by telephone and fax for many customers who are not conveniently located to a particular branch.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D- Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Management and lending personnel actively solicit credit applications from all segments of FNBA's community, including low- and moderate-income areas. The Board and management affirmatively support fair and nondiscriminatory lending practices. They have developed policies, procedures, and training programs to ensure compliance with all anti-discrimination laws and regulations.

Management actively directs its efforts to low- and moderate-income areas and racial minorities to make its products and services available to these individuals.

Assessment Factor F- Evidence of prohibited discriminatory or other illegal credit practices.

The bank is in compliance with the substantive provisions of all fair lending laws and regulations. FNBA has systems and controls in place to help ensure compliance.

V. COMMUNITY DEVELOPMENT

Assessment Factor H- The institution's participation, including investments, in local community development and redevelopment projects or programs.

- Bank personnel has established ongoing meaningful relationships with governmental and private sector representatives. The level of participation in development and redevelopment projects is reasonable.

Contacts with a variety of organizations help keep management informed of various community development opportunities. Other opportunities arise as a result of the bank staff's involvement in local government and business organizations. Outside community contacts are aware of FNBA's willingness to help the community grow and prosper.

The level of participation in community development projects is good. The bank approved $11 million in loans to create and rehabilitate 233 units of low-moderate-income housing. Another $12 million is currently committed for another 200 units. The bank also invests in state and municipal bonds to support and develop communities. In 1993 the bank purchased bonds totaling $ 7.2 million, including $2 million in Anchorage Neighborhood Housing Services - Alaska Housing Finance bonds.

Assessment Factor K- The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

FNBA is Alaska's second largest bank. It has 28 branches serving most of the state's population centers, and offering a wide range of products and services. These include retail banking services, trust services, commercial and real estate loans, and an array of credit products designed to meet consumer needs.

The bank actively solicits loans in all segments of its community delineation. FNBA is making a special effort to serve the credit needs of minority and low- to moderate-income individuals. It has the resources and capacity to meet community credit needs. As of March 31, 1994, the bank had just under $1.4 billion in total assets, $970 million in deposits, and $ 474 million in loans.

Alaska's population, based on the 1990 census information, approximates 550,000 with 40% located in the municipality of Anchorage. The Armed Forces continue to play a significant role. Including dependents, almost 11% of the state's population consists of U.S. military personnel. Nearly 36% of Alaskan families earn low to moderate incomes.

Economic conditions are uncertain given declining oil revenues, military cutbacks, and the declining fishing, timber, and mining industries. Military reductions will affect Anchorage and Fairbanks. The Cordova community has had three consecutive poor fishing seasons. The paper mill in Sitka closed, eliminating one of the area's largest employers. In addition State and Local Governments are facing deficits and staff reductions.

Although economic conditions indicate a decline in some industries, tourism has been good, and the retail and housing industries have improved.

Assessment Factor L- Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Bank personnel participate in a number of community activities and organizations that benefit the community. Employees volunteer to serve in community activities such as Habitat for Humanity that benefits the less fortunate, and Christmas in May which is an annual project designed to repair and improve homes owned by low- and moderate-income individuals. Other activities that benefit the youth include fund raising for Childrens Miracle Network for medical research and serving on the Board for Junior Achievement and the Youth Crime Prevention Education Committee.

The Board of Directors authorizes charitable donations to various organizations. In 1993, FNBA contributed $.44 million to minority organizations, government housing agencies, and educational facilities.

The bank's offers automated teller machines and Firstline, a telephone access system that provides access for customers that are physically challenged or hearing impaired.

Bank personnel also conduct workshops to inform members of the community about the basics of banking.

ADDITIONAL INFORMATION

None.

Community Reinvestment Act

Statements and Performance Evaluations
Key Bank

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Key Bank of Alaska

1993 CRA Statement

KEY BANK

America's neighborhood bank.

EQUAL HOUSING LENDER

Member FDIC

I. Introduction

a. Community Reinvestment Act

II. Ascertainment of Community Credit Needs

III. Marketing and Types of Credit Extended

a. Marketing and Advertising
b. Types of Credit Offered
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IV. Geographic Distribution and Record of Opening and Closing Offices

a. Delineation of Local Communities
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V. Discrimination and other Illegal Credit Practices

VI. Community Development

a. Specific Activities
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VII. CRA Self Assessment and Plan

a. Self Assessment
b. 1993 CRA Plan

VIII. Public Notice and Maps

I. INTRODUCTION

COMMUNITY REINVESTMENT ACT

The Community Reinvestment Act of 1977 (CRA) is designed to encourage financial institutions to communicate with members of their local communities regarding their credit needs and ways to help meet those needs. The Board of Directors of each financial institution approves a CRA statement and periodically reviews the institution's performance in addressing community credit needs and evaluates the boundaries of each local community it serves. In addition, the financial institution provides a list of credit services it is prepared to extend within the local community, displays a CRA notice as prescribed by the Federal Deposit Insurance Corporation (FDIC), and maintains a file of public comments regarding the Bank's CRA performance.

Key Bank of Alaska

Key Bank of Alaska is a full-service banking institution organized under the laws of the State of Alaska and operated for the purpose of serving the banking needs of individuals, organizations, institutions, businesses and governmental bodies. One of the major objectives of the Bank is to provide a variety of financial services for existing and prospective creditworthy customers.

The Board of Directors has the responsibility and authority for the general supervision of all of the affairs of the bank, including the loan portfolio. The basic loan policy of Key Bank of Alaska is to develop a lending program which will provide credit products and programs to meet the needs of our delineated market area(s) and to assist in ensuring that the communities being served by the Bank will continue to be viable and progressive. These products and programs will meet the Bank's Lending guidelines with regard to liquidity, safety, soundness and profitability. All loans will be consistent with safe and sound banking procedures.

Key Bank of Alaska is a subsidiary of KeyCorp, a multi-state bank holding company headquartered in Albany, New York. With over $30 billion in assets KeyCorp is one of the nation's 30 largest banking institutions, yet its strongest presence is in smaller cities and towns where it provides a full range of financial services to consumers and businesses in eight states. Known as "America's neighborhood bank," KeyCorp banking subsidiaries follow a consistent strategy of "sticking to basics." This is demonstrated by efforts to diversify lending among major industry segments, limiting the overall size of lending commitments, avoiding the financing of highly leveraged transactions, discouraging out of area loans, and limiting loans to foreign companies or countries.

KeyCorp Mortgage Inc., a residential mortgage banking affiliate, essentially performs the residential mortgage lending function of Key Bank of Alaska effective January 1, 1993.

II. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

The Board of Directors and Management of Key Bank of Alaska have established a policy to provide a complete range of services that will satisfy the banking needs of the communities it serves. To implement this program bank officers and employees make business development calls for both deposit and lending activity with customers and prospective customers. Commercial lending officers, branch managers and others, e.g. cash management services, bankcard merchant and dealer banking are responsible for contracting business prospects on a continuing and regular basis. Through this process the bank is made aware of the business and community environment within our communities. Key Bank of Alaska has 21 branches, including one mobile branch, which service our communities.

The bank has a formal process of reporting and documenting community outreach and involvement activities and addressing results. Reports are sent to the bank's CRA officer for review and assessment of additional activity. The CRA Officer has been given the responsibility to manage, coordinate and monitor the Bank's participation in meeting the credit needs of the community. The CRA Officer as a non-voting member, attends Senior Loan Committee and Senior Management meetings to emphasize community development aspects of loan proposals and operation product development.

The bank has contact with community and non-profit organizations regarding their banking needs and community financing needs. During 1992 some of those contacts included Anchorage Neighborhood Housing Authority, Fairbanks Development Council, State of Alaska Department of Commerce and Economic Development Interagency Funding Forum, Tanana Chiefs Council, and Alliance for Juneau.

The Board of Directors are actively involved not only by their individual and professional participation in the community, but also by their participation on a bi-weekly loan committee which reviews larger lending commitments. Through this process the loan portfolio remains focused on the local communities and on sound lending practices. In addition, Directors refer prospective community reinvestment lending opportunities to senior management.

Senior Management encourages CRA outreach as they recognize the value of community input a) in keeping the bank's products and services relevant and competitive and b) by fostering a viable and healthy economic climate in the bank's market area.

III. MARKETING AND TYPES OF CREDIT EXTENDED

Key Bank of Alaska's marketing and advertising program utilizes various media to reach different segments of our communities. The "America's neighborhood bank" campaign promotes the bank as offering options and convenience to customers and prospective customers alike. Special advertisements placed in community publications, community events programs, fund-raising journals, and newspapers assist in reaching many areas of our communities. In some cases direct mail efforts have been initiated to selected audiences.

Newspapers and Publications:

- Anchorage Daily News
- Fairbanks Daily News Miner
- Juneau Empire
- Frontiersman - Palmer
- Bristol Bay News - Dillingham
- Aleutian Eagle - Bush
- Peninsula Clarion - Kenai
- Ketchikan Daily News
- Capital City Weekly
- Tundra Times - Bush
- The Fisherman - Dutch Harbor

Radio Stations:

- APRN (Alaska Public Radio Network)
- KBXR
- KSKA Public Radio
- KVOK/KJJZ
- KPXR FM
- KOOL

Key Bank of Alaska also participates in trade shows where we are afforded the opportunity to provide product and financial information to members of our community. The following trade shows have been active forums for discussion, feedback and interaction with both current and prospective customers regarding the financial services we offer.

- Alaska State Fair, Palmer
- ANSCA
- Anchorage, Juneau, Fairbanks Boat Shows
- Tanana Valley State Fair
- Calista Elders Conference
- ComFish Trade Show - Kodiak
- Home Builders Association Trade Show
- Southwest Alaska Municipal Conference
- Southeast Alaska Municipal Conference
- Working Women After Hours
- Anchorage, Juneau and Fairbanks Home Shows

In addition to using print and radio for educational outreach, Key Bank produces and distributes to all customers a Key Points newsletter two times a year. This newsletter is inserted into account statements. It provides information on the bank's services as well as articles regarding financial concerns, such as the following:

-Evaluate your needs to choose the right credit source
-Economic outlook on the rebound from recession
-Key Express makes keeping in touch with your accounts
 easier than ever
-Protect your nest egg with an IRA transfer
-When and why to consider debt consolidation
-Four ways to simplify your finances for 1993
-We want to know: How did we do in 1992?

Each issue provides a postage-paid reply card for more information. This publication provides a means of distributing information about our services to a wide segment of our market.

On a periodic basis, Key Bank of Alaska reviews the office hours for our branch locations in an effort to determine if they are effectively servicing the market. If branch office hours are to be changed, a lobby notice is posted and a new brochure listing all of our hours and locations is published. Key Bank offers Saturday banking in many of the communities we serve.

TYPES OF CREDIT OFFERED

Key Bank of Alaska supports equal lending and fairness in meeting the credit needs of our communities by offering the following types of credit through its banking facilities.

Consumer Credit
- Automobile Loans
- Bankcard -Mastercard/Visa**
- Boat Loans
- Home Equity Loans
- Home Improvement Loans
- Home Purchase Loans**
- Letters of Credit -Domestic & International
- Overdraft Line of Credit
- Personal Credit Lines
- Personal Loans
- Recreational Vehicle Loans

Commercial Credit
- Alaska Industrial Development Export Authority Loans
- Accounts Receivable Loans
- Borough Tax Anticipation Bonds
- Bond Anticipation Notes
- Bureau of Indian Affairs Loans*
- Equipment Loans
- Farmers Home Program
- G.O. Bonds
- Inventory Loans
- Letters of Credit -Domestic & International
- Local Improvement Districts Financing
- Municipal Leasing
- Operating Lines of Credit

- Revenue Bonds
- Small Business Administration (SBA) Loans*
- Special Improvement Tax Anticipation Bonds
- Term Loans

Real Estate
- Commercial Properties
- Residential Construction Loans
- Home Purchase Loans**

*See: Section VI Community Development
**Available through a KeyCorp subsidiary and affiliate of Key Bank of Alaska

KeyCorp Mortgage Inc. (KMI) is a KeyCorp mortgage banking subsidiary. KMI, effective January 1, 1993, will originate and service mortgages on one-to-four family owner-occupied properties from the Anchorage, Fairbanks and Juneau communities. KMI will sell its loans to secondary market investors or to Key Bank of Alaska thereby replenishing funds for further lending. In addition, those loans not meeting secondary market standards but which may qualify under Key Bank of Alaska lending policy will be originated by KMI and purchased by Key Bank for their portfolio.

The following types of mortgage loans are offered:

- Federal National Mortgage Association (FNMA)
- Federal Home Loan Mortgage Corporation
- Federal Housing Administration
- Veterans Administration
- Alaska Housing Finance Corporation

OTHER FINANCIAL SERVICES OFFERED

Key Bank of Alaska promotes and makes available these additional financial services throughout its branching network.

- Account Reconcilement Processing
- Automated Funds Transfer
- Balance Reporting
- Cashier's Checks
- Cash Management Services
- Checking Accounts
- Certificates of Deposits
- Correspondent Banking Services
- Credit Insurance
- Customer Inquiry
- Direct Deposit
- Foreign Exchange
- Foreign Currency Drafts
- Individual Retirement Accounts
- International Banking Services
- Investment Transactions
- Lockbox Services
- Money Market Accounts

Money Orders
NOW Accounts
Night Depository
Payroll Services
Safe Deposit Box Rentals
Savings Accounts
Time Deposit Accounts
Travelers Checks
Trust Services*
24-Hour Electronic Banking
U.S. Savings Bonds
Wire Transfer Services

*Available through a KeyCorp subsidiary and affiliate of Key Bank of Alaska

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IV. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

The offices of Key Bank of Alaska provide banking services for a variety of towns, cities and boroughs within the State of Alaska. The economy of these areas is diverse and represents a mixture of economic factors which include: governmental, native, oil, fishing, mining, timber, transportation services, communications, educational, professional and service institutions and organizations as well as tourism and recreation.

Key Bank of Alaska recognizes the diversity of the State of Alaska including but not limited to natural barriers and the increasing mobility of the states population. It is not uncommon for customers to reside in one town, city or borough and work, go to school or need our banking services in another city or borough. Weather and transportation often determine the economics of where banking services are established. The bank delineates its service area into three local communities which may include one or more town, city or borough. The towns, cities or borough experience similar economic influences through natural barriers, industry focus, and population diversity.

Key Bank of Alaska has three (3) delineated Community Regions served by its 21 branches within the State of Alaska, including our Mobile Branch at the Pioneer's Home in Juneau, Alaska.

Following is a description of the three regions and the respective communities served by the branches located therein.

Delineation of Community #1 - Southcentral Region

The Southcentral Region communities are served by the four Municipality of Anchorage offices consisting of the contiguous area surrounding each office and in affiliation with other offices the entire populated areas of the Municipality of Anchorage. Offices in the Municipality of Anchorage serving the Southcentral Region are: Key Bank Center Office, South Anchorage Office, Fifth Avenue Office and the Eagle River Office.

Included in the Southcentral Region is that portion of the Matanuska-Susitna Borough area surrounding the Palmer Office and the Wasilla Office located therein and an area North to the Palmer-Fishook Road, West to the town of Houston, East to the Old Glenn Highway and to the South Boundary of the Matanuska-Susitna Borough which is North of the village of Eklutna.

The Kenai Office is included in the Southcentral Region and is located in the Kenai Peninsula Borough and serves the contiguous area surrounding the office, inclusive of the following geographic boundaries within the Kenai Peninsula Borough: North to the Captain Cook Recreation Area, South to and including the Soldotna City Limits, East to Boundary Street and West to Cook Inlet.

The Dillingham Office is also included in the Southcentral Region and serves an area consisting of the contiguous area surrounding the office, inclusive of the following geographic boundaries: North to the village of Aleknagik, East to the village of New Stuyahok, West to the village of Togiak and South to Clarks Point.

The Kodiak Office is located in the Kodiak Island Borough and is also included in the Southcentral Region. The office serves the contiguous area surrounding the office, inclusive of the entire populated areas of the Island of Kodiak.

The Unalaska Office is located in the City of Unalaska and is included in the Southcentral Region. The office serves the contiguous area surrounding the office inclusive of the entire populated areas of the Island of Unalaska and Amaknak Island.

<u>*Delineation of Community #2 - Interior Region*</u>

The Interior Region community is served by the five Fairbanks North Star Borough offices consisting of the contiguous area surrounding each office and, in affiliation with other offices, the entire populated areas of the Fairbanks North Star Borough. The Offices serving the Interior Region are; Key Bank Center Office, Cushman and Gaffney Office, North Pole Office, College Office and the East College Office.

<u>*Delineation of Community #3 - Southeast Region*</u>

The Southeast Region community is served by the three Borough of Juneau Offices consisting of the contiguous area surrounding each office and, in affiliation with other offices, the entire populated areas of the Borough of Juneau. Offices serving the region include the Behrends Office, Mendenhall Office and the Pioneers Home Mobile Office.

The Ketchikan Office located in the Ketchikan Gateway Borough is included in the Southeast Region. The community served consists of the contiguous area surrounding the office inclusive of the entire populated areas of the Ketchikan Gateway Borough.

The Hoonah Office located on the northeast shore of Chichagof Island also serves the Southeast Region. The office serves the contiguous area surrounding the office inclusive of the populated area of the community of Hoonah.

The Yakutat Office located in the lowlands of the Gulf of Alaska also serves the Southeast Region. The office serves the contiguous area surrounding the office inclusive of the entire populated area within the City of Yakutat.

Our public file for the bank or for individual Communities may be looked at in these locations:

Community #1 - Southcentral Region
-Key Bank of Alaska CRA/Compliance Officer
101 West Benson Blvd., Anchorage, AK 99501

Community #2 - Interior Region
-Key Bank Center - Fairbanks
100 Cushman Street, Fairbanks, AK 99707

Community #3 - Southeast Region
-Behrends Office - Juneau
234 Seward Street, Juneau, AK 99801

GEOGRAPHIC DISTRIBUTION OF CREDIT EXTENSIONS

Key Bank of Alaska's loan portfolio is well diversified among these major categories: consumer credit, commercial loans, residential real estate loans (1-4 family), commercial

real estate mortgages and construction lending. Loans and credit commitments are distributed throughout all our Regions and the local communities within those regions regardless of the income level or racial composition of a particular region. Key Bank does not encourage or solicit either commercial or real estate loans outside of the State of Alaska.

Record of Opening and Closing Offices

During 1992 Key Bank of Alaska opened one new office. The Eagle River office located at 10928 Eagle River Road, Eagle River opened July 7, 1992. The office is a full service office offering deposit products and loans including consumer, commercial and real estate.

The Board of Directors of Key Bank of Alaska has approved a Branch Closing Policy which requires notice of closure to customers and the community based on regulatory standards. Management assesses the potential adverse impacts upon the community and implements efforts to minimize these effects. Some of the factors considered in any analysis of branch closure include: availability of financial services, branch performance, quality and accessibility of facilities, customer and employee safety.

In 1992 the Board of Directors approved the closure of Key Bank's office located in Klawock on Prince of Wales Island. The office closed on December 30, 1992. All deposit and related service customers were notified and given the opportunity to move their accounts to other financial institutions on the Prince of Wales Island. Key Bank offered to provide letters of introduction in all cases. Additionally, our customers were provided the opportunity to move their accounts to any other Key Bank of Alaska branch of their choosing. There were no costs associated with these moves to the customer. All customers who did not choose to move their accounts to another institution or another branch of Key Bank of Alaska were transferred to the Ketchikan Branch of Key Bank of Alaska as of December 31, 1992.

Opportunity was provided for each of the employees to transfer to another Key Bank of Alaska office. None of the employees asked for placement as all have long term ties to the community in which they reside. Upon request, letters of recommendation will be provided through our Human Resource Department.

The Prince of Wales Island is served by two other financial institutions and the closure of our Klawock Office has not significantly detracted from the island residents' access to financial services and products.

V. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

At the direction of the Board of Directors and Management, employees are provided with on-going training programs to assure that the Bank complies with all laws and regulations inclusive of the granting and extension of credit, the handling and processing of credit applications, credit inquiries, and credit terms and costs.

The availability and the terms and conditions of credit in a specific instance are always decided on a case by case basis and after a thorough evaluation as to the purpose, the creditworthiness of the borrower, value of collateral and the borrower's ability to repay the credit advance.

Loan applications are evaluated on the merits of the applicant(s) without prejudice because of race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to contract); to the fact that all or part of the applicant's income derives from a public assistance program; or the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

The Bank, as required by the Home Mortgage Disclosure Act (HMDA), gathers and reports loan data for all home purchase and home improvement loans it originates or purchases or for which it receives applications. Management regularly evaluates these reports to assure correctness and to continually assure no evidence of discrimination. Additionally, supporting analysis of the geodemographics which includes detailed information on customers, depositors and borrowers, specific to the communities served by Key Bank of Alaska is also evaluated.

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V. COMMUNITY DEVELOPMENT

How Key Bank of Alaska Is Helping To Meet The Financial Needs Of The Communities Served In The State Of Alaska.

<u>Financial Support of Community Programs</u>: Key Bank of Alaska has traditionally made contributions in support of charitable and community betterment programs. During 1992 financial contributions totaled $104,904. In addition, the bank has made additional 'in kind' contributions to numerous organizations in support of their community efforts.

<u>United Way</u>: Key Bank of Alaska employees have participated in and demonstrated a leadership role in the United Way Campaigns held on an annual basis. Several officers have in the past and currently hold Account Executive positions to assist in visiting community agencies to see first hand how United Way funds are used in serving the needs of people who need help and are team leaders in fund raising efforts. An Executive Vice President is on the United Way Board and participates on the Finance/Allocation Committee.

<u>WalkAmerica:</u> Key Bank of Alaska as an affiliate of KeyCorp participates in the national campaign for fundraising to support healthier babies. Employees have demonstrated a leadership role in being team leaders. In 1992 a bank commercial lending officer was the high fundraiser in the state and nationwide for KeyCorp, raising a personal total in excess of $4,700.

<u>Investments:</u> The Bank traditionally includes in its investment accounts industrial revenue bonds in support of local developments as well as municipal and State of Alaska bonds and State and Federal housing related debentures.

<u>Low Cost Personal Checking Accounts and Savings Accounts:</u> Low-income people are encouraged to become acquainted with banking services and with Bank personnel by availing themselves of the Bank's "Economy" checking account, which has no minimum balance requirement with a small monthly service fee of $3.00 plus $.20 per check, provides ATM access, and, if the person qualifies, a "Cash Reserve Credit" line of credit approval. These products have been widely advertised. Also encouraged is use of the "Key Saver Account" which is free of monthly service charge if the monthly minimum balance is $100 or more.

<u>24-Hour Banking:</u> 24-Hour Banking is provided by Automatic Teller Machines (ATM's). The Bank maintains 13 ATM's at statewide locations. Through the Plus System, of which Key Bank is a member, and other participating networks including Alaska Option, Cirrus and the Armed Forces Financial Network cash may be withdrawn in Alaska and over 60,000 locations worldwide.

<u>Community Service:</u> Directors, Officers and employees of the Bank are committed to community service, through which they are in frequent contact with community groups, community leaders and civic, charitable and ecclesiastical organizations. Some of these are:

-Salvation Army. A senior vice president is chairperson of the board for the Salvation Army in Anchorage. A vice president serves on the Salvation Army board in Ketchikan. Key Bank volunteers assist in Salvation Army projects year round and historically it is one of the recipients of volunteer efforts during our annual "Neighbors Make the Difference" project.

-Junior Achievement. An executive vice president from Anchorage and a vice president from Juneau serve on the state board committee. Officers from Anchorage, Fairbanks, Juneau, Dillingham, Kodiak, Kenai and Wasilla serve as instructors in the Junior Achievement program.

-Neighborhood Groups. Officers and employees statewide serve in numerous capacities on local economic development councils, neighborhood councils, church groups, hospital boards and others which focus on local neighborhoods.

-Newsletter. Key Bank of Alaska publishes a quarterly "Key Indicator" providing economic news of Alaska and the nation. At least twice annually 'Key Points' is published providing an update on products and services and requesting comments from customers.

-Neighbors Make the Difference. Key Bank of Alaska has for three years sponsored a program in which the bank closes almost all of its facilities for one half day per year and has donated that time to various community-help programs. With over 450 employees participating in this program, some 1700 hours of community service was performed during the 1992 program. This program was responsible for construction to aid the handicapped, painted and cleaned facilities of several organizations helping the homeless, helped local food banks, and performed a variety of tasks for other non-profit organizations.

Lending for Community Betterment: Key Bank of Alaska and its officers serve on economic development councils located in Anchorage, Eagle River, Fairbanks, Juneau, Kenai, Dillingham and Kodiak. We participate in development and redevelopment programs throughout Alaska. Permanent and interim financing has been provided for projects associated with municipal, native and private organizations.

Key Bank of Alaska and its officers work closely with native corporations, village corporations and tribal councils throughout Alaska to provide commercial credit and loans to facilitate social programs.

Our Involvement with private organizations throughout Alaska has resulted in development in several areas.

Small Business Administration (SBA). Key Bank of Alaska continues to be a Certified Lender with the SBA. Several officers participate statewide in workshops, SCORE, advisory services and seminars presented to assist borrowers in finance and lending related topics. In 1992 the Bank, the third largest in the State, approved 23 loans totalling $6,920,534 including ten rural loans at $3,587,339. This represented a total of 16.23% of the total loans approved through SBA in 1992.

Bureau of Indian Affairs (BIA). Key Bank of Alaska continues as a Certified Lender with the BIA. BIA requires a loan applicant to be a federally recognized tribe or Native Corporation pursuant to the Alaska Native Claims Settlement Act (ANSCA), or member or shareholder of one of these organizations. Our affiliation with several Native Corporations, Native Village Organizations and Tribal Councils has assisted us in completing loans under the BIA guidelines for qualifying native applicants.

Small Business Development Center (SBDC). An executive vice president continues to serve on the SBDC statewide advisory board which developed a Small Business Resource Directory to assist individuals and businesses in obtaining information on financing options which are available throughout the State. Key Bank continues to assist in funding the project with four other local financial institutions. Officers participate in SBDC workshops as speakers, panelists and attendees.

Anchorage Neighborhood Housing Service (ANHS). A vice-president in commercial lending serves on the finance committee assisting in review and recommending for action requests for business loans to cover start-up, expansion, rehabilitation and working capital in low-moderate income areas of the community. Key Bank of Alaska officers have participated in workshops to assist ANHS advisors in the loan application process.

Womensfund, Inc. A vice president in commercial lending is a board member and participates in the finance committee for Womensfund, Inc. This organization fills a funding gap for women in business, either as start-up or operating capital, who will not normally qualify under standard financial institution lending requirements.

Economic Development Councils. Key Bank of Alaska officers participate in economic development councils throughout the state including Anchorage, Eagle River, Fairbanks, Juneau and Dillingham. The councils focus on economic development in their areas including established businesses as well as new endeavors.

The Department of Commerce and Economic Development for the State of Alaska established an economic funding forum in 1991 to develop and identify funding gaps for economic development and to coordinate interagency funding and support for economic development projects. Key Bank of Alaska has two officers that continue to participate in the quarterly meetings.

In addition to the above, Key Bank of Alaska conducted the following activities within its CRA communities in 1992:

-Granted a $600,000 loan to purchase real estate for a Baptist church in the Interior region.
-Granted a $32,000 loan for business start-up of a native legal practice. Included coordinated efforts with AIDEA special funding program.
-Granted a $850,000 loan to Interior Region development authority to refinance building.
-Granted a $1,000,000 loan to Southcentral municipality to cover cost of gas line extensions.
-Granted a $6,000 loan to non-profit providing family assistance in Hoonah, in Southeast Region.
-Granted a $2,250,000 (participated share of $7,000,000) to native corporation to fund annual fuel purchase for delivery to North Slope Borough.
-Donated two lots to Kachemak Heritage Land Trust for Natural habitat in Southcentral Region.
-Granted a $2,000,000 AIDEA participated loan for private Alaskan corporation to finance wood chip production, storage and loading facility. Wood chips will be from clear cut of bark beetle killed trees on land owned by regional native corporation. The company will provide local employment opportunities for an expected six or seven years.

-Approved 38 in-house turn-key mortgages totalling $6,782,070.
-Provided interim construction and take-out loan financing with SBA participation of retail store warehouse and motel building on remote island in Aleutian Chain for $900,000.
-Provided $150,000 operating line for Alliance for Mentally Ill pending receipt of state grants.
-Granted $140,000 loan in conjunction with state historical preservation for building renovation in Southest Region.
-Granted $400,000 loan in Southcentral Region for state historical preservation of theater.
-Granted $25,000 loan to non-profit radio reading and education service.
-Granted $2,000,000 loan to native corporation for construction of nine single family homes in Barrow.

STAFF INVOLVEMENT:

Key Bank of Alaska employees are encouraged to contribute their personal and professional skills and services to community, civic, cultural and educational organizations and endeavors. In addition to the special effort of our employees in support and fundraising for the United Way and WalkAmerica, Key Bank employees contribute numerous hours to the community. For example, they serve in leadership roles as board members and volunteers on the following:

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-Various Chamber(s) of Commerce & Economic Development Councils
-Various non-profit service organizations such as Rotary, Kiwanis, Elks, Soroptimists, Lions
-Ketchikan General Hospital Advisory Board, Valley Hospital Association, Children's Miracle Network
-Governor's Women's Commission
-Building Industry of Alaska
-Food Bank of Alaska
-Boys & Girls Club of Alaska
-PTA and School Volunteers
-Junior Achievement
-Big Brothers/Big Sisters Program
-Dillingham Arts Council, Imaginarium
-Eldernet
-Access Alaska, Challenge Alaska
-World Trade Center Advisory Board
-Alaska Science & Technology Foundation Mentors Program
-SCORE/ACE Volunteer

VII. CRA SELF ASSESSMENT AND PLAN

In conducting our annual CRA Self Assessment, management completed a comprehensive review and evaluation of our CRA efforts and program. The results were reviewed and critiqued by the Board of Directors. The evaluation process involved each CRA performance category and its respective assessment factors. A summary of the findings are as follows:

Ascertainment: Key Bank officers and employees have frequent contact with current and prospective customers, non-profit and community groups and organizations, governmental and agency officials and others who are investigating or providing community development lending. The result of this dialogue is both in heightened awareness of community credit needs and in the increased level of participation in and support of private and public lending programs in the state and in our market area.

Marketing and Types of Credit Extended: Our marketing efforts showed continued improvement in our efforts to provide banking services to all sectors of our CRA communities. The use of local print media, radio, customer statement stuffers, a wide array of trade shows to both special interest and general groups enhances these efforts.

One of the strengths of the bank's marketing effort is the direct personal contact of branch and lending officers throughout our entire market area. During 1992 senior bank management initiated an increased effort to demonstrate our commitment and willingness to provide deposit and lending services to our communities by increasing community and business development calling efforts.

The bank offers a wide variety of consumer, commercial and real estate lending products. The products include traditional types of credit including government insured loans, e.g. SBA, BIA and state specific programs such as AIDEA and Public Finance.

Geographic Distribution of Credit Extension. The bank also reviewed its geographic distribution of loans and deposits. The areas with higher deposit to loan ratios are near our larger branch offices in the Southcentral, Interior and Southeast Regions. Those areas located farther away from our larger offices tend to have lower deposit to loan ratios. The bank shows a good volume of loan requests and balance of lending in all income and geographic areas within the regions.

An analysis of the bank's 1991 HMDA data revealed a pattern similar to other local and national lenders. Black credit applications were declined at a higher rate. However only 25% of the housing related applications were received from the MSA of Anchorage. The largest percentage, 75%, was received from rural areas. The banks approval rate for Hispanics and Asian/Pacific Islanders was higher than area peers.

It is the option of management and the Board of Directors of Key Bank of Alaska that the bank is doing a good job in meeting their communities' credit needs.

Discrimination & Other Illegal Practices: There is no evidence of discriminatory lending or other improper activity. Bank employees attempt to resolve customer complaints and inquiries in a prompt and courteous manner.

Community Development: The bank continues to demonstrate its commitment and support for community development. During the year our officers and employees participated in economic development councils throughout the state. Our presence in the

Public Finance market increased by promoting a loan specialist in Public Finance and approving and being awarded several loans for LID's, Bond Anticipation Notes and Public Leases. Our involvement and support of our native population is shown with the approval of several loans for native corporations, tribal councils and related subsidiaries to provide products, service and assistance to the native population. With the assistance of KeyCorp foreign language brochures on deposit and lending products and services were made available. The brochures are available in Spanish, Tagalog, Chinese and Korean.

The involvement of bank employees in community volunteer and leadership roles is remarkable. The promotion of United Way, WalkAmerica and our Neighbor's Make the Difference as well as other local events and activities reinforces the idea that the community should be a better place to live, to work, to visit or to go to school because of the bank's presence.

The economic well-being of our communities is related to the availability of decent, affordable housing and the access to essential banking services. During the year Key Bank continued its financing of private and commercial projects, increased the accessibility to financial services and promoted its basic banking types of deposit accounts.

1993 CRA Plan

Key Bank of Alaska has developed a CRA plan for 1993 which ensures that every facet of the CRA program which was discussed in this Statement will be enhanced during the course of the year. Highlights of the plan include:

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- -Active involvement of an outside Director on the CRA Committee
- -Marketing and advertising of our credit products and financial services throughout our market area with special sensitivity to lower income areas and minority groups
- -Expansion and training of commercial lending officers regarding our SBA, BIA and AIDEA lending efforts
- -Implementation of one or more credit programs directed toward small business owners
- -Development and distribution of native language aids
- -Exploration and expansion of our geodemographic analysis capabilities with a focus on improving our tracking of declined credit applications
- -Emphasis of ongoing CRA training of bank employees
- -Improvement in our tracking and recognition of employee involvement and contribution of time and skills to community development, support and enrichment efforts

In 1993 Key Bank of Alaska pledges a continuing level of excellence in providing financial services within our delineated communities. We recognize the diversity of our state, its regions and the communities within.

We believe in the ideal of "America's neighborhood bank" and appreciate that community involvement sensitivity and development are not added burdens, but are integral parts of our banking activity.

IX. PUBLIC NOTICE AND MAPS

Community Reinvestment Act Notice

The Federal Community Reinvestment Act (CRA) requires that the FDIC to evaluate our performance in helping to meet the credit needs of its community, and to take this evaluation into account when the FDIC decides on certain applications submitted by us. Your involvement is encouraged.

You should know that:

You may obtain our current CRA statements for this community in this office. Current CRA statements for other communities served by us are available at our head office located at 101 West Benson Boulevard, Anchorage, AK.

You may send signed, written comments about our CRA statement(s) or our performance to Michael J. Burns, CEO/President, Key Bank of Alaska, PO Box 100420, Anchorage, AK 99510 and to the Federal Deposit Insurance Corporation, San Francisco Regional Office, Regional Director, Supervision, 25 Ecker Street, Suite 2300, San Francisco, CA 94105. Your letter, together with any responses by us, may be made public.

You may look at a file of all signed, written comments received by us within the past two years, any responses we have made to the comments, and all CRA statements in effect during the past two years at our head office located at 101 West Benson Boulevard, Anchorage, AK 99501. You may also look at the file about this community at:

Southcentral Region	Interior Region	Southeast Region
101 W. Benson Blvd.	100 Cushman	234 Seward Street
Anchorage, AK 99503	Fairbanks, AK 99707	Juneau, AK 99802

You may ask to look at any comments received by the Federal Deposit Insurance Corporation, San Francisco Regional Office, Regional Director, Supervision, 25 Ecker Street, Suite 2300, San Francisco, CA 94105.

You may also request from the Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, D.C. 20429, an announcement of applications covered by the CRA files with the FDIC.

We are a subsidiary of KeyCorp, a bank holding company. You may request from the Federal Reserve Bank of New York, 33 Liberty Street, New York, NY 20045, an announcement of applications covered by the CRA filed by bank holding companies.

You may obtain the public section of our most recent CRA Performance Evaluation which was prepared by the Federal Deposit Insurance Corporation at 101 West Benson Blvd., Anchorage, AK 99503, at this office.

PUBLIC DISCLOSURE

March 16, 1992

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Key Bank of Alaska
Certificate Number 22300-7

P.O. Box 100420
Anchorage, Alaska 99510

Federal Deposit Insurance Corporation
25 Ecker Street, Suite 2300
San Francisco, California 94105

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Key Bank of Alaska prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of March 16, 1992. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated Outstanding based on the findings presented below.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

(Conclusion/Support):

Key Bank of Alaska (KBA) serves communities located throughout the State of Alaska. The diverse geographical and cultural makeup of this region presents significant challenges to ascertain the community credit needs of these communities. To ascertain these needs, bank officers have had numerous meetings and worked closely with government officials, community groups, native organizations and corporations, and individuals to ascertain the various communities' credit needs.

Bank contacts with federal government officials and agencies have included the United States Small Business Administration (SBA), Bureau of Indian Affairs (BIA), Farmers Home Administration (FmHA), Federal Home Loan Bank, and the United States Forest Service. The bank has had substantive contact and worked jointly or closely with numerous state agencies and programs. The following list contains some of the more significant state programs and agencies associated with the bank: Alaska Department of Commerce and Economic Development, Alaska Industrial Development and Export Authority (AIDEA), Alaska State Housing Authority, Alaska Department of Community and Regional Affairs, and the Alaska Housing Finance Corporation. Further, bank officers have worked on various task forces formed by the governor of Alaska and attended meetings held at the State House of Representatives concerning economic development and affordable housing.

Given the small-town or village nature of many of the communities with KBA branches, branch managers are very involved with municipal governments and private civic organizations in efforts to stimulate economic growth, provide affordable housing, and small business assistance. KBA officers have served on the board of directors or worked in close advisory capacities for numerous municipal organizations in towns with branch locations and outlying communities.

The bank has had numerous contacts with Alaska native tribal organizations and the corporations which represent their business interests. These contacts have resulted in substantial loan and deposit relationships with native Alaskans and native owned corporations throughout Alaska.

In addition to the numerous contacts with governmental and private organizations involved in Alaska's economic and social development, KBA desired improved awareness of the credit needs of the low- and moderate-income population served by the bank. To facilitate this awareness, KBA and another state-wide bank have hired a private research organization to interview low- and moderate-income residents of all ethnic types to determine these residents' credit needs, awareness of the banks' lending programs and redevelopment projects, and assess whether these residents are treated fairly and in a non-discriminatory manner. This research project began in early 1992 and has an expected completion date of April 30, 1992.

KBA began developing zip code based demographic data relating to deposits and loans throughout Alaska in June of 1991. While this provided valuable information concerning the bank's market penetration in its various markets, a thorough analysis of this data in relationship to low- and moderate-income communities was not performed. In February of 1992, KeyCorp, KBA's holding company, began providing loan and deposit information for KBA based both on zip code and census tract data. During the examination, KBA personnel began utilizing this information in conjunction with other data concerning low- and moderate-income census tracts to analyze market penetration into these areas.

<u>Assessment Factor C</u> - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

<u>(Conclusion/Support):</u>

The directors review the bank's CRA performance and update its CRA Statement annually. CRA is a regular agenda item at board meetings, where members discuss the bank's community involvement and lending programs as they impact the bank's CRA performance. A comprehensive written CRA program has been developed by KeyCorp and adopted by KBA but to date, no CRA Policy has been formulated. However, management does perform periodic assessments of its CRA performance which are reviewed by the Board of Directors. The Board appears to be genuinely concerned with CRA issues as evidenced by discussions pertaining to CRA topics and associated lending programs in many meetings.

Management has instituted a comprehensive loan tracking system to monitor the geographic distribution of loans made and denied. This tracking system was requested by the Board of Directors in late 1991 to monitor consumer and commercial loan activity to insure that the bank's market penetration was fair and non-discriminatory throughout the State of Alaska. This reporting system and its findings will be periodically reviewed by the board. Also, management actively supports CRA training of personnel through the use of videos and oral presentations.

The board has adopted an expanded CRA statement which fairly represents the bank's CRA performance.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

(Conclusion/Support):

KBA has developed several special credit-related products to meet the needs of its community. These include the Cash for Contracts program designed to cash-out sellers of non-conforming properties, a program to purchase receivables from a hospital located in Fairbank and the Community Home Improvement and Rehabilitation Program to aid low-income home owners. Further, KBA is actively involved in a guarantee/grant program instituted by the Bureau of Indian Affairs which benefits the native Alaskan community.

KBA utilizes all conventional media available to advertise state-wide and in the various communities served by the bank. This includes television, radio, and newspaper advertisements as well as statement stuffers and advertisements in bulletins and programs at various civic and ethnic functions. However, since almost all of KBA's advertising is general in nature and does not specifically identify loan products or credit programs, the bank's marketing efforts do not fully inform its community about available credit programs

In addition to conventional advertising, KBA has instituted an extensive officer call program. This includes bi-annual visits to isolated native communities throughout Alaska. In Southeast Alaska, branch employees fly to Saxman, Metlakatla, Kaasan, Hoonah, Kake, Haines, and Skagway. In the Interior of Alaska the communities of Healy, Nenana, Delta, North Pole, Two Rivers, Circle, Manley, Minto, Tok, and Paxon are called on by bank personnel. During these visits community needs are assessed and bank credit and deposit products are marketed.

To market its loan and deposit facilities to Alaska's Korean community KBA has hired a business development/lending officer of Korean descent. This employee speaks fluent Korean, has close ties to Anchorage's substantial Korean population, and has enabled the bank to have a significant presence in this community.

<u>Assessment Factor I</u> - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

<u>(Conclusion/Support):</u>

Management estimates between sixty and seventy percent, by dollar volume, of commercial loans are made to small businesses with twenty employees or less. Further, a significant number of large commercial loans made by KBA have been made to native corporations which benefit the Alaskan natives. Almost all of the bank's loans have been made within its delineated community.

During 1991, KBA originated a substantial volume of mortgage loans, some of which were kept for its loan portfolio, while others were sold on the secondary market. Further, the bank purchased a similar amount in Alaska mortgage loans from the Alaska Permanent Fund during this period. Purchases from this source and other State Agencies is expected to continue and increase during 1992 and into the future.

The bank has instituted an innovative loan program called Cash for Contracts in the Fairbanks community. This program was started because Fairbanks has a large number of homes that are considered non-conforming for secondary market purposes because certain construction or downpayment criteria have not been met. Since ordinary financing is not available for these properties, sellers are unable to cash-out of these homes and instead carry long-term contracts. To cash-out these property owners, the bank purchases real estate contracts at a discount and then offers the contract payor a conventional mortgage with a lower loan balance than owed on the original real estate contract. This is possible because the discount paid when purchasing the contract creates significant equity for KBA which can be shared with the purchaser to create adequate loan to value. The loan can then be sold on the secondary market if other secondary market criteria are met. If the resulting loan does not fulfill all necessary secondary market criteria, the bank retains the loans. This product aids sellers of properties who want cash rather than long-term income and helps buyers by reducing note balances and creating equity.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

(Conclusion/Support):

KBA is involved in numerous federal and state insured or guaranteed programs for housing and small businesses. The bank is the third largest SBA lender and only one of two lenders with SBA preferred lender status in Alaska. The bank participates in a loan guarantee program sponsored by the Bureau of Indian Affairs to serve its native Alaskan customers and also participates in the more conventional guaranteed or insured programs of the FmHA, FHA, VA, FHLMC, and FNMA.

KBA's participation in Alaska State programs is significant. The Alaska Industrial Development and Export Authority guarantees a substantial amount of the bank's commercial loans. Further the bank participates in loan guarantee and insurance programs offered by the Alaska Housing Corp., State of Alaska Department of Regional and Commercial Affairs, and the State of Alaska's REO Sales group.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

(Conclusion/Support):

KBA's community delineation is vague. No complete description of the delineated community exists in the 1991 CRA Statement, rather a listing of the bank's branches and the communities and boroughs served by these branches is noted along with a map of the State of Alaska with branch communities emphasized. This does not adequately delineate the community served by the bank. In previous CRA Statements the entire State of Alaska was considered KBA's delineated community. The current broad and vague delineation is not descriptive enough to provide for adequate market planning, penetration, and performance review as required by CRA.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

(Conclusion/Support):

KBA's analysis of credit applications, extensions, and denials reflects reasonable penetration into all communities served by the bank. It is noted that the bank has been active in development and redevelopment projects in low-income areas in Anchorage which includes loans to rehabilitate low-income housing and minority owned small businesses. Particularly strong market penetration is noted in many parts of rural Alaska.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

(Conclusion/Support):

The bank has 21 branches located throughout Alaska. The branches located in Hoonah, Yakatat, and Unalaska are the only banking facilities in those communities. Further, the Klawok branch is one of only two banking facilities located on Prince of Wales Island. Each of the bank's branches is a full service office and is reasonably accessible to all segments of the community. Management has plans to locate a new branch in East Anchorage which is nearer the low-income areas of Anchorage to better serve that population. Business hours are reviewed periodically to assure accommodation to the public.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

(Conclusion/Support):

Management solicits applications from all segments of its local community. The board of directors and senior management effectively assures the absence of illegal discouragement and prescreening of applicants through its policies, procedures and training programs . This examination did not disclose any practices which would discourage applicants.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

(Conclusion/Support):

This examination revealed no evidence of noncompliance with provisions of the anti-discrimination laws and regulations.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

(Conclusion/Support):

KBA has participated in a number of development and redevelopment programs throughout Alaska. Bank officers have served on economic development councils located in Anchorage, Fairbanks, Juneau, Kenai, Dillingham, and Kodiak Alaska. Permanent and interim financing have been provided for projects associated with municipal, native, and private organizations. In conjunction with an Anchorage neighborhood housing concern, the bank has been involved in numerous rehabilitation projects in low-income areas of Anchorage to rehabilitate or improve low-income housing. Further, KBA has provided financing for low-income housing construction in Barrow in conjunction with a native Alaskan corporation and is currently negotiating to finance low-income housing in conjunction with municipalities and private groups in Southeast and Interior Alaska.

KBA and its officers have worked closely with native corporations throughout Alaska to provide commercial credit and loans to facilitate social programs. This includes financing land settlement and logging operations for various tribal corporations in the Kenai and Southeast Alaska regions. Currently, KBA has loans outstanding to native corporations for school, utility, and hospital construction.

KBA's involvement with private organizations throughout Alaska has resulted in development of a large transportation and hospitality site in Anchorage, improved channel and dock facilities in Seward, exploratory development of mining projects in Southeast Alaska, power plant purchase in Galena, hospital and utility expansion in Wasilla, and other smaller development projects located throughout Alaska.

KBA officers have served on several advisory committees and task forces aimed at encouraging small, minority and disadvantaged businesses.

As of December 31, 1991, investment in securities issued by states and political subdivisions totalled $26,471,000 of which $6,980,000 were issued by the State of Alaska or its municipalities.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

(Conclusion/Support):

The bank's financial condition and size, legal impediments, and local economic conditions do not generally restrict the bank's ability to meet various community credit needs. Overall, it appears that the bank has been able to offer a wide range of financial products to meet its communities' credit needs on a continuing basis.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

(Conclusion/Support):

KBA and other lending institutions have formed a non-profit organization whose goal is to foster education, development, growth, and expansion of small businesses in Alaska and to more efficiently coordinate and combine public/private assistance to small businesses. This organization has contacts at all banks in Anchorage and has sponsored a small business development center and resource directory at an Anchorage university. This center provides resources to small business owners or potential owners including aid in preparation of business plans and development of financial packages.

The bank has provided training for members of non-profit organizations involved with low-income housing in the Anchorage area. Further, senior officers of the bank have provided advice/assistance regarding Alaskan banking and credit issues for the BIA and the State of Alaska House of Representatives. A bank officer sits on the Alaska State Housing Authority board which approves tax credits for low- and moderate-income income properties.

The bank provides low cost deposit services for senior citizens and has reduced merchant credit-card account fees for Korean businesses associated with the Korean Chamber of Commerce.

Since 1990, KBA has closed almost all of its facilities for 1/2 day per year and has donated that time to various community-help programs. With over 400 employees participating in this program, some 1600 hours of community service was performed during the 1991 program. This program was responsible for construction to aid the handicapped, painted and cleaned facilities of several organizations helping the homeless, helped food banks, and performed a variety of tasks for other non-profit organizations.

Community Reinvestment Act

Statements and Performance Evaluations
National Bank of Alaska

Community Reinvestment Act

Statement

Alaska's Most Convenient Bank

National Bank of Alaska

National Bank of Alaska
Corporate Headquarters P.O. Box 100600 Anchorage, Alaska 99510-0600 (907) 276-1132

A Message from the Chairman

Dear Fellow Alaskan,

When the Community Reinvestment Act was introduced in 1977, NBA already had many years of practical experience in identifying and meeting diverse community credit and financial needs for residents throughout Alaska. This brochure concentrates on National Bank of Alaska activities that directly relate to understanding and responding to the credit needs of the communities we serve. We are committed to affirmative programs to assist low- and moderate-income groups, ethnic communities, and small businesses in addressing their needs for housing and economic development.

Over 30 years ago, we established our first community Advisory Board to enhance communication and to enable the bank to be of greater service to the community. Since then, we have developed a network of 25 advisory boards in major communities throughout the state (and in Seattle). The staff of NBA keeps informed about activities and issues in their respective communities through periodic meetings with advisory board members, active participation in civic, community and business associations, and regular contact with customers, residents, and community leaders.

National Bank of Alaska is proud of our role as a leading corporate citizen in the state of Alaska; and as such, we believe strongly in knowing local communities, participating in community activities and being sensitive to local credit needs. We will continue to promote and participate in activities that enhance the welfare and development of the communities we serve. We welcome your comments and suggestions.

Sincerely,

Edward B. Rasmuson

Edward B. Rasmuson
Chairman

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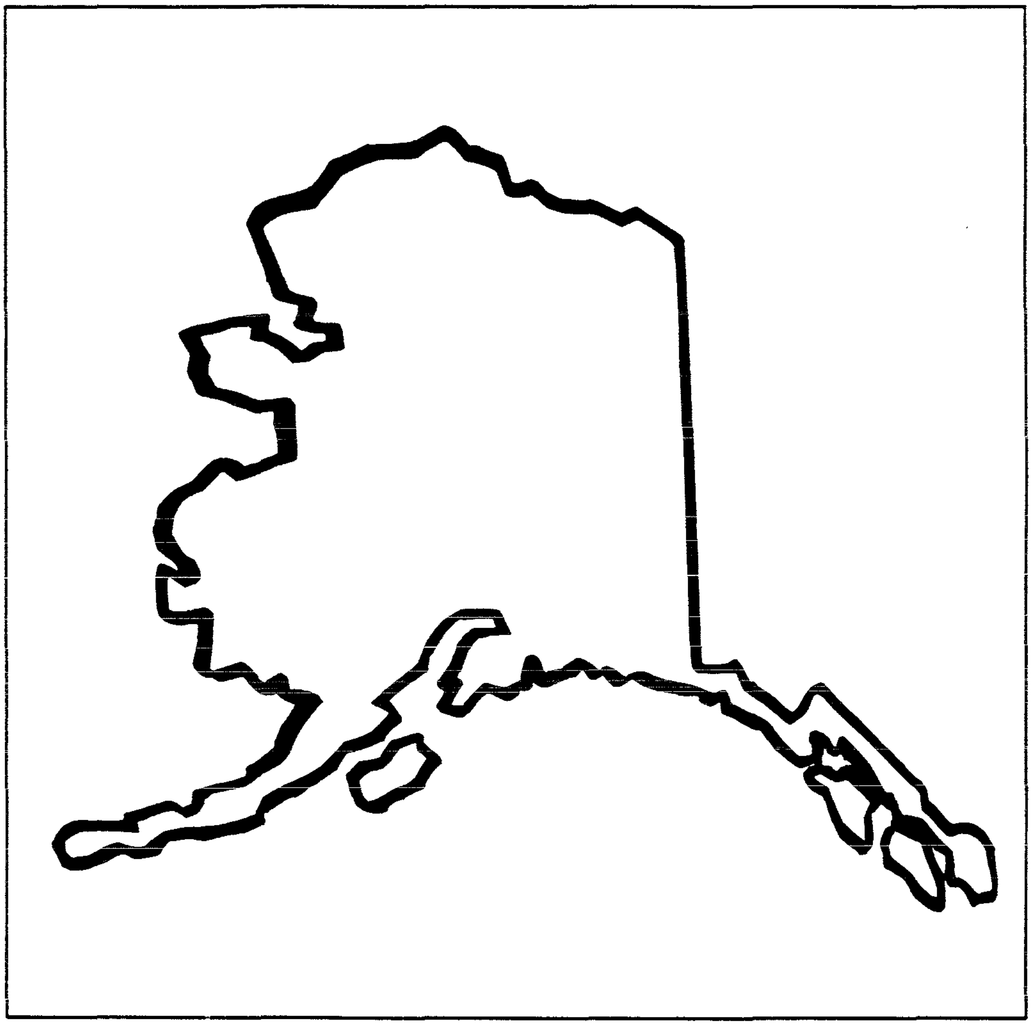


We consider the whole state to be our service area for deposits, loans, and our other financial services.

Philosophy Statement

National Bank of Alaska opened its first office in 1916. Over the years we have grown to a major regional bank with headquarters in Anchorage. NBA presently maintains more than 50 branches in 29 Alaska communities, as well as an office in Seattle.

When the Community Reinvestment Act (CRA) was introduced in 1977, NBA already had many years of participation and practical experience at all levels of the bank — from the boardroom to branch offices — in identifying and meeting diverse community credit and financial needs for residents of communities throughout the state. Thirty years ago we established our first community Advisory Board to enhance communication with the local population and to enable the bank to be of greater service to the community. Today we have 25 community advisory boards throughout the state and in Seattle.

Today we have 25 community advisory boards throughout the state and in Seattle.

The staff of NBA welcomes applications for credit from all individuals, businesses, and organizations throughout Alaska. We consider the whole state to be our service area for deposits, loans, and our other financial services; although we do not have branches in some communities, customers' needs can be met through our branch network and many electronic services. This bank is part of the community and, as such, NBA recognizes it is a corporate responsibility, as well as a sound business practice, to determine and help meet legitimate credit and financial needs. By doing so, NBA contributes to the general economic health of the community, which in turn creates expanded job opportunities and an improved quality of life.

It is firm policy at NBA to offer loans for worthwhile purposes on fair and equitable terms to all credit worthy borrowers without discrimination as to race, color, religion, national origin, gender, marital status, family status, age, the presence of any physical, mental or sensory handicap, or the fact that the applicant may have in good faith exercised rights under the Consumer Protection Act (provided the applicant has the capacity to enter into a binding contract). NBA welcomes your credit request. However, we do have a standard, and this standard is applicable to all borrowers: *that the borrower in good faith intends to repay the loan in accordance with credit terms and demonstrates an ability to do so.* As a source of repayment, income derived in whole or in part from public assistance programs is given full weight, together with all other sources of income.

Regardless of a person's income level, be it low-, moderate- or high-income, the borrower's ability to repay the loan is a pri-

(continued)

mary consideration in our decision to extend credit. The management and staff of National Bank of Alaska are committed to making prudent credit decisions. We do not want to place any customer in any community we serve in a position of personal financial risk by making a loan that may exceed the borrower's ability to repay his/her obligations.

Where loans are secured by residential or other real property, fair market value is an additional consideration; NBA does not discriminate against any neighborhood. The staff of this bank acknowledge a responsibility to adhere to and carry out this fundamental policy.

The assessment of credit needs throughout the state of Alaska is an ongoing process at National Bank of Alaska. Our board of directors, senior management, officers and staff are actively involved in this process. The most important sources of information for us are the many comments and suggestions we receive from our customers. Other important sources of information used to determine community credit needs include regular contact with community and business leaders throughout the state; active participation in civic, business and community associations; and market research.

In response to community needs, NBA offers loan programs for mortgage, home improvement, second mortgage/equity, mobile home, consumer, small business, government entity and commercial/industrial loans, as well as lease financing. The bank works with various government agencies (including the Small Business Administration, the National Marine Fisheries Service, the Farm Home Administration and the Bureau of Indian Affairs) to provide credit when it may not be readily available. Loans made in cooperation with these agencies provide essential financing to many types of businesses. (In 1990, based on 10 years activity, the U.S. Small Business Administration recognized NBA as the highest volume guaranteed loan participant in Alaska.)

National Bank of Alaska is proud of its role as a leading corporate citizen in the state of Alaska. In addition to addressing community financial needs, NBA recognizes the importance of committing time and resources to address a broad spectrum of human and community needs. We will continue to promote and participate in charitable contribution, volunteer and educational programs that enhance the welfare and development of the communities we serve.

Determining Community Credit Needs

Determining the needs for financial and credit services is an ongoing process at National Bank of Alaska. Our board of directors, senior management, officers and staff are actively involved in this process through regular contact with community and business leaders throughout the state; active participation in nearly 1,000 civic, business and community associations; and market research.

Another important source of information for us is the many comments and suggestions we receive from our customers. These comments come in many forms, including personal conversations, letters and a comment brochure. The *"Your Opinion, Please"* brochure is available in all of our facilities and enables customers or members of the community to tell us how we are doing in meeting their financial needs and expectations.

We also rely heavily on the 25 community advisory boards we have throughout the state and in Seattle. These advisory boards provide an additional means for branch managers and other staff to communicate with local community members and identify services needed in the community. They are an important link in our assessment of community credit and financial needs.

Beyond these informal methods of determining needs, managers in all NBA communities complete formal needs assessments. All of this information is analyzed by senior management and recommendations are formulated and approved by the NBA board of directors. NBA has also contracted with a research consultant to conduct focus group sessions regarding the credit needs in our Anchorage market. This research will be repeated annually to ensure that we continue to identify and respond to these needs.

Here are some highlights of our efforts to determine community needs:

- **Senior management involvement** — branch administrators and senior officers are available for customers to comment and offer advice on financial services. They are active in their community and travel throughout the state frequently to meet with community and business leaders, branch staff and advisory board members. This provides a critical link to the needs in each community. It is the policy of NBA not to screen calls to executives of the bank.
- **Advisory Board meetings** — the 25 community advisory boards meet monthly with branch staff to review community issues and needs to provide feedback on branch activities.
- **Employee volunteer involvement** — over 70% of NBA employees are involved in their communities through volunteer

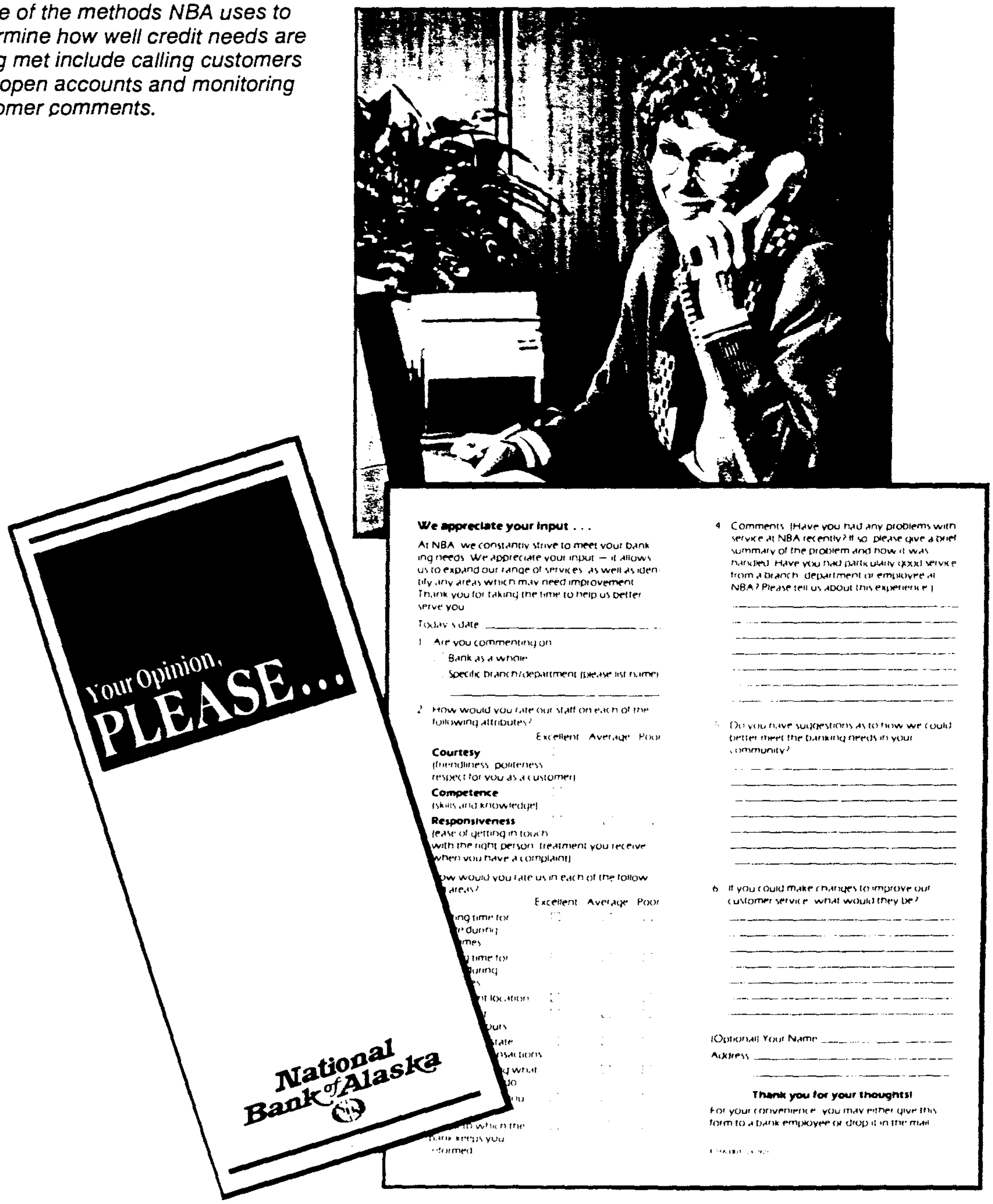
(continued)

efforts or membership in nearly 1,000 local organizations. Through these organizations NBA employees learn informally about our communities, the people, and their banking needs. Some examples of organizations and efforts supported by NBA employees are:

- Society, civic and community organizations such as local Chambers of Commerce and Alaska Rural Development Organizations (ARDORs)
- Health and human services organizations
- Business and professional organizations
- Youth programs
- Sports programs
- Educational organizations and events
- Arts and cultural events and organizations
- Churches and religious organizations

- **Customer** — we believe the most effective way to learn about community financial needs is to listen and respond to customer comments. In addition to customer letters and verbal comments, NBA's "Your Opinion, Please" comment form available for customers in every branch and department. The postage-paid form is addressed to Ed Rasmuson, Chairman of the Board. He reads each form as it arrives, sends a letter of response and forwards the comments to appropriate staff for action. A monthly report describes the comments and identifies the action taken.
- **Participation in community councils** — bank officers are assigned to each community council and regularly attend meetings to interact with community members and identify financial needs.
- **Focus group research** — NBA jointly sponsored six focus group sessions in Anchorage in 1992 to identify community concerns regarding banking services. These studies were helpful in identifying general attitudes and needs. We intend to repeat these activities annually.
- **Customer service survey** — a representative sample of Anchorage residents is surveyed on a regular basis to determine the perceived quality of service provided by the bank. Respondents also offer suggestions for improvements to banking services.
- **Customer Service Department** — this department responds to customer questions and resolves customer problems. The department handles approximately 30,000 calls per month. In addition, representatives regularly call new customers to assess how well NBA is meeting each customer's expectations. Monthly reports are provided to senior management.

Some of the methods NBA uses to determine how well credit needs are being met include calling customers who open accounts and monitoring customer comments.



Meeting Community Credit Needs

With extensive branch and ATM networks, and numerous electronic services, National Bank of Alaska offers a wide array of credit and other financial services to meet community needs throughout the state. In addition to traditional deposit and lending services, we offer trust and investment services, escrow and contract collections, leasing, international banking, debit point of sale, cash management services, merchant credit card processing, and a consumer Visa card.

We offer several specific bank products and services to meet the diverse needs of residents of Alaska:

• **Basic accounts** — the bank offers a number of different types of accounts. Among them are three that specifically meet the needs of senior citizens and low- to moderate- income customers:

• **Basic Checking** — our basic checking account is a low-cost, non-interest bearing checking account designed for those who only make a few transactions a month. It has the lowest maintenance fee of all our checking programs.

• **Senior Citizen Checking** — for customers age 60 and older, we offer a non-interest bearing checking account without a monthly maintenance fee.

• Care Free Checking — this is an all purpose, non-interest bearing account with a low maintenance fee. Customers who maintain a minimum monthly balance of $1,000 qualify for waiver of monthly maintenance fee.

• **Notary service** — we provide notary service to customers free of charge at most NBA branches. Non-customers are charged a nominal fee for this service.

• **Customer Convenience Card** — this identification document is issued at no cost as a service to customers in rural regions by branches in those areas. The purpose is to provide the customer with a primary identification credential suitable for transacting business at NBA.

• **Savings Coupon Plan** — this program encourages customers to build savings balances for specific purposes, such as a vacation or a down payment on a home. It was developed and piloted in our Barrow Branch and was introduced in all branches in 1992.

• **Settlement Trusts** — the 1971 Alaska Native Claims Settlement Act (ANCSA) was amended in 1987 to allow the 12 regional and over 200 village Native corporations to establish settlement trusts to "promote the health, education and welfare of its beneficiaries and preserve the heritage and culture of Natives." NBA developed a program to specifically implement the settlement trust provision and has established several trusts for Native corporations.

• **Extensive branch and ATM network** — we meet the needs of most major communities in Alaska through our 52 branch locations and 59 automated teller machines (ATMs). NBA was the first bank to offer an extensive ATM product in Alaska.

• **Bank by Mail envelopes** — these postage paid envelopes are useful for customers who don't live or work near one of our branches. Many of these areas are not connected to the statewide road system.

• **Toll-free number for customer service** — we offer statewide 800 numbers so that customers throughout the state can speak to a customer service representative or transact business through our automated account information line.

• **Telephone Device for the Deaf** — this interactive system ensures that our services are accessible to hearing impaired Alaska residents.

We are particularly proud of the extensive lending programs at NBA. NBA offers loans for mortgage, home improvement, second mortgage/equity, mobile home, consumer, small businesses, government entities and commercial/industrial enterprises, as well as lease financing. We have a high level of participation in governmentally insured, guaranteed or subsidized programs and we participate in several community lending programs to provide credit when it may not be readily available. Loans made in cooperation with these agencies provide essential financing to consumers and many types of businesses. NBA is proud to offer the following credit services:

• **Mortgage loans** — to finance the purchase of residential property or for other appropriate purposes. Several types of mortgage loan programs with differing characteristics are available: Fannie Mae and Freddie Mac, Federal Housing Administration (FHA), Farmers Home Administration (FmHA), Veterans Association (VA), Alaska Housing Finance Corporation (AHFC), the Department of Community and Regional Affairs (DCRA) and other programs unique to the state of Alaska, as well as conventional loans. We also have two portfolio programs: the Adjustable Rate Mortgage (ARM) Plan III and a fixed rate program which has been used mainly for condominium loans in projects where other financing is not available.

Some state and federal programs are especially important in meeting the needs of low-

(continued)

and moderate-income borrowers and those in rural areas; those programs include AHFC's First Time Homebuyer program, Homeowners Assistance fund, Veterans Mortgage Program, Mobile Home Program and Multi-Family Program; all DCRA programs; FHA insured loans; VA guaranteed loans; and the Farmers Home Guaranty program.

- **Home improvement loans** — for the purpose of making repairs or improvements to residential property. These loans may be secured by a first or second mortgage on the residential property.
- A **second mortgage loan** — loans based on the equity in a personal residence.
- **Financing for mobile homes** — The Alaska Housing Finance Corporation program is supplemented by direct lending. These programs often provide relatively low-cost housing.
- **Consumer loans** — for the purpose of financing consumer needs with a wide variety of repayment schedules. Three general types of consumer loans are available: direct to the applicant, indirect through various dealers, and direct issuance of Classic and Gold Visa cards.

Direct programs include financing for new autos, light trucks and motorcycles, used autos and light trucks, mobile homes, pleasure boats and other chattels. We also offer lines of credit, secured loans, and unsecured loans. In several of these programs, entry level borrowers may substitute personal references and an interview for lack of credit with all other credit criteria adhering to bank policy.

Indirect loans are offered for autos and light trucks, marine craft and some equipment, motorhomes and travel trailers, new motorcycles, snowmobiles, ATVs, jet skis, utility vehicles, computers, pianos, and mobile homes. NBA offers a first-time borrower program for use by individuals who are just entering the credit market and wish to purchase an automobile.

- **Loan By Phone** — this program allows customers to utilize a statewide phone number to apply for a personal loan or Visa card. A 24 hour response time is guaranteed. Closing is scheduled at any branch selected by the customer.
- **Small business loans** — to assist in acquiring, expanding, or financing the operation of small businesses.
- **Commercial or industrial loans** — to provide the financial needs of larger business concerns. We provide lines of credit, term loans, equipment leasing, accounts receivable and inventory financing, vehicle

floor planning, letters of credit, real estate loans, and interim construction loans on commercial and multi-family projects, to owner/builders and developers for single-family homes, and for various commercial purposes. Several types of commercial loan programs with differing characteristics are available: Small Business Administration, Farmers Home Administration, Department of Community and Rural Affairs, Bureau of Indian Affairs Guarantee Loan Program, and the Alaska Industrial Development and Export Authority. (In 1990, the U.S. Small Business Administration recognized NBA as the highest volume guaranteed loan participant in Alaska, based on 10 years of activity.)

- **Public entity loans** — such as tax anticipation notes and special improvement tax anticipation bonds to villages, cities, municipalities and boroughs.
- **Assistance to community organizations** — particularly those which provide educational information about loans (i.e. the Small Business Development Center, SBA, etc.)
- **Educational seminars** — on types of lending programs available through NBA, how to qualify for and obtain a mortgage loan, obtaining a consumer loan and maintaining good credit, Financial Management for the closely Held Business, etc.
- **Community educational activities** — by bank officers, including trips to outlying communities to present information about lending and other bank programs and presentations to schools and other organizations.
- **Educational materials** — such as the NBA brochure, "Your Guide to Small Business Loans," miscellaneous flyers, and an informational packet for small businesses (joint effort with other banks through the "Bankers Fostering Enterprise" organization).

Communicating Our Products and Services

National Bank of Alaska's marketing and advertising campaigns are directed to residents throughout the state. We use a variety of media to inform and educate people, including television, radio and newspaper advertising, informational articles in newspapers and newsletters, speeches to community organizations, brochures, educational workshops, and sponsorships and educational materials.

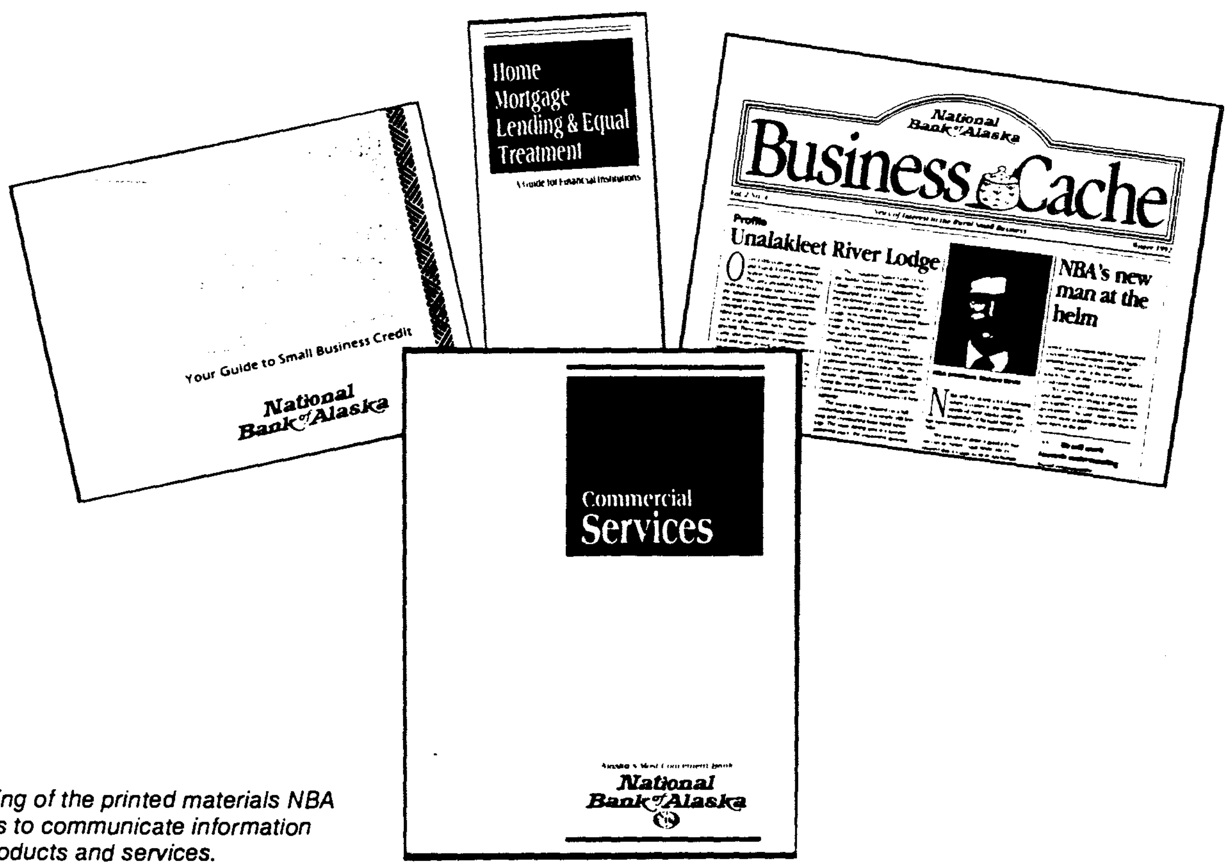
Each major campaign is carefully tailored to reach the greatest percentage of the audience in our primary market areas. This entails using a variety of media since the state is made up of diverse geographic regions and peoples (we have produced ads and sponsorship taglines in other languages during some campaigns). A typical campaign would include television advertising (including spots on the Rural Alaska Television Network), radio advertising on stations with the greatest reach in major communities, and newspaper advertising in the large daily and local weekly newspapers. This would be supplemented by informational news releases and articles in newsletters, brochures and other outreach activities depending on the nature of the campaign.

In addition to major campaigns, the bank's marketing department works with branch managers and staff to customize small campaigns in local communities. These are typically focused efforts such as local newspaper advertising or promotion of community workshops.

Here are a few highlights of other marketing activities:

- **Educational seminars and workshops** — the bank offers workshops on consumer loans, mortgage loans, small business concerns (Financial Management for the Closely Held Business), Individual Retirement Accounts and other topics.
- **Community sponsorships** — in conjunction with community organizations, NBA provides networking and educational forums for small businesses, people seeking consumer or mortgage loans, women in business and many other concerns.
- **Outreach to schools and community organizations** — NBA officers frequently speak to schools, villages, and community organizations about financial services and credit.
- **Brochures** — we offer a variety of topical brochures in addition to fee schedules and brochures covering regulatory subjects. We continue to develop educational brochures such as "Your Guide to Small Business Credit."
- **Business Cache** — this quarterly newsletter was developed

in 1991 to provide a communication network and educational forum for small businesses in rural Alaska. The Corporate Relations staff work with local, state and federal agencies in the fields of economics, small business development and education to compile articles of interest to rural small businesses.



A sampling of the printed materials NBA produces to communicate information about products and services.

Participating in the Community

National Bank of Alaska believes strongly in supporting non-profit organizations throughout the state. Each of the 28 Alaska communities in which we have branches has unique needs which we support through corporate contributions, employee involvement and community-minded management.

In recognition of these efforts, community organizations have nominated and awarded several honors to the bank, including:

- 1989 **Outstanding Corporate Grantmaker**, the Alaska Chapter of the National Society of Fund-raising Executives
- 1990 and 1991 **Mishka Award, Alaska Business of the Year**, Make It Alaskan, Inc.
- 1991 **Best Managed Business,** University of Alaska Anchorage School of Business
- **Award of Excellence** (ongoing yearly award), United Way of Anchorage

NBA's annual contributions budget of over $500,000 provides support for a variety of organizations, events and programs, including those in health and social services, arts, youth services, sports, culture, education, and civic and community activities. Following is a sampling of the organizations that receive grants and contributions from National Bank of Alaska:

Community Development

- Resource Development Council of Alaska
- Anchorage Neighborhood Housing Services
- Mountain View Community Council
- Alaska Rural Development Organizations (ARDORs)
- Chambers of Commerce
- Downtown business associations
- University of Alaska Small Business Development Center
- Bankers Fostering Enterprise Development
- Make It Alaskan, Inc.
- Alaska Municipal League
- Alaska Visitors Association, Alaska Miners Association and other trade groups
- Rural Small Business Conference

Education

- Alaska Hugh O'Brien Youth Leadership Seminars
- American Academy of Achievement
- Junior Achievement of Alaska
- Alaska Council on Economic Education
- Bootstraps of America
- Alaska Science and Engineering Fair
- Native Youth Entrepreneurial Project
- Universities, colleges and public schools throughout the state
- Scholarships through universities and Native corporations
- Public broadcast programming
- Internship programs

Health and Social Services

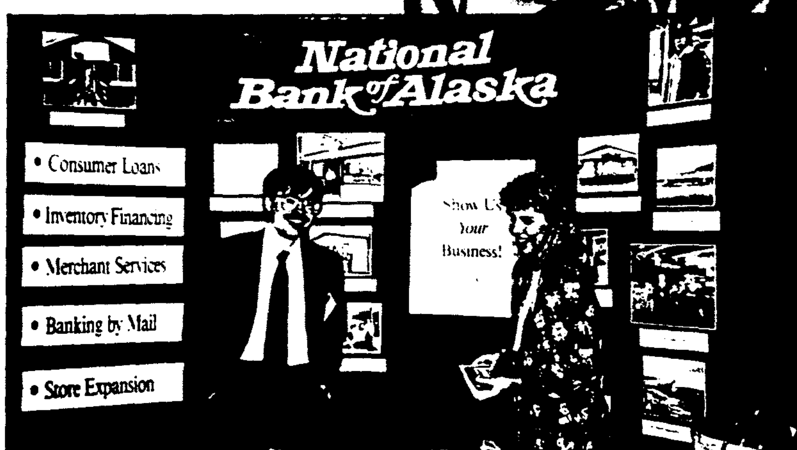
- United Way agencies
- American Cancer Society

- American Lung Association of Alaska
- Food Bank of Alaska
- Pioneer Homes
- Community non-profit organizations

Culture and Arts

- Museums
- Concert associations
- Arts councils
- Symphonies
- Theatre
- Dance
- Culture preservation

Below: Many employees throughout the state participate in Junior Achievement activities, such as classroom consulting on business topics. A few of the Anchorage participants are pictured here with their awards.



Right: The bank participates in numerous trade shows and community events, including the Rural Small Business Conference, a forum for identifying and meeting the unique needs of businesses in rural Alaska.

Right: NBA presented six video cameras to the Mountain View Community Council to assist with neighborhood crime patrols.

Community Reinvestment Act Notice

The federal Community Reinvestment Act (CRA) requires the Comptroller of the Currency to evaluate our performance in helping to meet the credit needs of this community, and to take this evaluation into account when the Comptroller decides on certain applications submitted by us. Your involvement is encouraged.

You should know that:

- You may obtain our current CRA statement in this office.
- You may send signed, written comments about our CRA statement(s) or performance in helping to meet community credit needs to National Bank of Alaska, CRA Officer, P.O. Box 100600, Anchorage, Alaska 99510-0600, and to the Deputy Comptroller, 50 Freemont Street, Suite 3900, San Francisco, California 94105. Your letter, together with any response by us, may be made public.
- You may look at a file of all signed, written comments received by us within the past two years, any responses we have made to the comments, and all CRA statements in effect during the past two years at our office at 301 West Northern Lights Boulevard, Anchorage, Alaska. You also may look at the file about this community at this office.
- You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Office of the Comptroller of the Currency at 301 West Northern Lights Boulevard, Anchorage, Alaska.
- You may ask to look at any comments received by the Deputy Comptroller.
- You may also request from the Deputy Comptroller an announcement of applications covered by the CRA filed with the Comptroller.
- We are a subsidiary of National Bancorp of Alaska, a bank holding company. You may request from the Federal Reserve Bank of San Francisco, 101 Market Street, San Francisco, California 94105, an announcement of applications covered by the CRA filed by bank holding companies.

NBA Form #00-016-016
Revised 10/93

Comptroller of the Currency
Administrator of National Banks

Western District Office
50 Fremont Street, Suite 3900
San Francisco, California 94105

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

November 13, 1992

National Bank of Alaska
Charter Number 14651
Post Office Box 100600
Anchorage, Alaska 99510-0600

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of National Bank of Alaska prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of November 13, 1992. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: "Satisfactory Record of Meeting Community Credit Needs."

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

The National Bank of Alaska (NBA) uses many methods to identify credit needs. Bank methods effectively identify needs throughout the entire community, including low- to moderate-income areas in both urban and rural locations. The bank started a formal credit needs ascertainment process in 1992. The process formalized various informal methods used previously. NBA's directors, management and employees maintain contacts with a wide variety of individuals, groups, and organizations. These contacts include civic and social groups, native villages and urban neighborhoods, small businesses, local and regional economic growth groups, and government interest groups. These contacts help identify needs for affordable housing, small business development, rural economic and industrial development, health and education.

For example, NBA works with the U.S. Department of Agriculture (USDA), the Small Business Administration (SBA), and the Bureau of Indian Affairs (BIA). State contacts include the Alaska Housing Finance Corporation (AHFC), the State of Alaska Department of Community and Regional Affairs (DCRA), the Alaska Industrial Development and Export Authority (AIDEA), and the Alaska Regional Development Organizations (ARDOR). NBA works with the University of Alaska Small Business Development Centers (UA-SBDC) to provide training sessions throughout Alaska. NBA sponsors rural candidates in the Entrepreneurship Training Program. NBA makes loans to small developing rural businesses through this program.

NBA has contacts in rural Alaska and works with native groups. Bank employees frequently contact native corporations like those representing the Arctic Slope, Bering Strait, Doyon, Ahtna, and Sealaska regions. On a local level, employees regularly work with native village corporations such as those in Kwethluk, Tanana, Barrow, Old Harbor, Ounalashka, Shee Atika, and Sitnasuak. NBA is working on economic development with the Association of Village Council Presidents.

The Board of Directors actively identifies community credit needs. NBA created its first Advisory Board 30 years ago. The Advisory Boards link the Board of Directors and local branch managers with members of the community. NBA now has 25 Advisory Boards around the state. These boards meet regularly and discuss local economic conditions, branch lending activities, bank services, and community involvement. They also suggest contacts and potential new business. Attending directors and visiting branch managers convey this information to the full Board.

Bank employees attend Anchorage area Community Council meetings to learn community credit needs. Bank employees do not attend all meetings on a regular basis. However, bank management contacts each neighborhood group for ways to help meet local credit needs. Bank management assigned individual bank officers to each council in 1992. Assigned officers are responsible for contacting the council, identifying credit needs, offering possible solutions, and reporting regularly to the Community Development Department.

Bank management uses several marketing sources to identify credit needs. They hired outside consultants to conduct research projects. The projects use focus groups and market surveys. The consultants solicit information from senior citizens, minority groups, real estate professionals, bank and nonbank customers, low- to moderate-income residents, and NBA employees. NBA's customer service department regularly contacts customers to research service levels. The bank continuously gathers input from the "Your Opinion Please" survey forms. NBA's Officer Call Program is another way bank officers learn community needs. It includes regular visits to outlying rural villages.

Bank management has not completed a full analysis of loan applications, extensions, and denials. And, collecting and analyzing demographics in relation to lending patterns is a new process at NBA. Management reviews the Home Mortgage Disclosure Act report showing the bank's residential lending activity in Anchorage. Management also analyzes lending and deposit patterns by zip code.

Bank management has expanded products and services to meet identified needs. They based the product and services changes on information from contacts and the lending analyses. The 1992 customer survey shows NBA's customer profile now closely matches Anchorage demographics.

NBA offers a wide variety of consumer and commercial loan products and services. The products and services are flexible enough to help meet many of the identified credit needs. Also, the bank participates in government sponsored loan programs administered by AHFC, SBA, AIDEA and BIA. The bank is also active in loan programs offered by nonprofit groups like Anchorage Neighborhood Housing Services.

Bank employees are willing to work with their customers. They use nontraditional sources for evaluating credit worthiness, offer seasonal installment loans, and provide credit training and counseling. The bank also started a two-tier credit approval process for consumer and residential products. NBA's support for the Fairbanks Neighborhood Housing Services and the Tinaa Loan Fund is another effort to help meet credit needs.

NBA's outreach efforts prompted several changes. Bank management extended Saturday service hours, started the Dealer Loan Program for consumer and small business lending, and packaged a new small business loan guide. The bank also developed lending seminars for students, consumers, small businesses, and home buyers. The seminars are presented throughout the state.

Assessment Factor C - The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

NBA's Board of Directors sets policies and oversees the CRA program. In August 1992, the Board approved an updated CRA policy with well-defined goals and objectives. Board minutes show little discussion on CRA issues until May 1992, when CRA became a detailed monthly topic. The board passed several resolutions to strengthen CRA efforts and approved changes in loan policies. Other bank documentation shows a history of Board CRA involvement.

Several Board traditions help keep its members active in the CRA process. The Board discusses Advisory Board and branch reports during monthly "Round Table" discussions. The board also holds its August meetings in rural communities such as Nome/Kotzebue, and Barrow/Prudhoe Bay. These meetings allow the Board to meet area residents and understand rural conditions. Nearly half of the board members live and work outside the Anchorage area. Most serve on outlying branch Advisory Boards such as in Kodiak, Homer, Fairbanks, Sitka, and Ketchikan. Each branch manager reports community activities to the full board at least annually.

The Board devotes significant resources to the CRA program and has given it high visibility. During 1992, the Board created the Community Development Department (CDD) and staffed it with a full-time CRA officer and technical support. CDD now manages the program and reports to the CRA Committee. This committee managed NBA's CRA process until 1992. The committee includes NBA's President and officers from Lending (consumer, real estate, commercial, and branch), Marketing, Corporate Relations, Data Processing, and Personnel.

Individual directors show an interest in increasing their personal involvement in the CRA process. Several directors state an interest in joining the CRA Committee. Also, individual directors were personally involved in starting a "Loan by Phone" program, creating a flexible real estate product for financing energy efficient extended family dwellings, and lending to a regional native health services facility.

Bank management has not formally assessed CRA performance. However, the Board hired an independent consultant to critique NBA's CRA program in early 1992. The consultant's brief review helped management identify CRA program strengths and weaknesses. The CRA Committee used the information to create and implement an action plan to improve performance. The remaining actions under the action plan include CRA program tests and the self-assessment.

In September 1992, the Board approved a three step self-assessment process. It requires regular performance reports by CDD, followed by a comprehensive annual review. Internal audit must also perform an independent annual review of the CRA process and performance. All results must be reported to senior management and the Board.

Although the bank's fair lending tests and lending pattern analyses are not complete, bank systems ensure fair lending. Management reviews residential real estate lending patterns annually. They recently reviewed deposit and loan origination distributions. NBA policies and executive memoranda strongly support fair lending practices. Periodic training is provided. Senior management reviews all minority mortgage applications before final disposition. Internal Audit regularly tests technical compliance with consumer regulations and reports findings to the board.

The CDD has not completed the analysis of credit extensions, applications, and denials. The bank has not done formal fair lending tests. The data processing group enhanced the data processing system so applications and denials can be tracked.

CRA training is adequate to ensure directors, managers and employees are aware of their CRA responsibilities. The bank maintains video, computer-based, and classroom training. New employee orientation programs, regular staff meetings, and advisory and formal board meetings include CRA sections. Job descriptions and performance standards include CRA knowledge and performance criteria. NBA's staff demonstrated a good working knowledge of CRA.

NBA's CRA Statement meets regulatory requirements. The CRA Committee expanded the statement to include the bank's continuing efforts to ascertain community credit needs, activities to help meet those needs, and overall record in meeting community credit needs.

The bank maintains compliance with CRA through compliance checklists, compliance management reviews, and branch audits. We did not find significant problems during this evaluation.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

<u>Assessment Factor B</u> - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

NBA's marketing and advertising programs adequately inform and educate all segments of the community. Senior management directs marketing efforts. However, the board does not review or approve the program. The marketing program uses statewide mass media, including television, radio and newspaper. Local newspaper advertising is limited. The bank also uses direct mail, branch lobby posters and brochures. The advertising campaigns highlight loan products, deposit products and general financial services.

The bank occasionally places advertisements in specialized publications. They used bilingual copy in two instances. However, the bank does little marketing targeted only to low- and moderate-income neighborhoods or minority groups.

NBA uses workshops, seminars and other specialized programs to educate the community. These workshops vary from basic banking services to consumer lending, home ownership, and small business seminars. An example is the cosponsored "Rural Small Business Conference." The bank also uses trade shows to target specific groups.

The bank assists small businesses, especially in rural areas, through special publications. NBA prints the "Business Cache" quarterly newsletter to "develop a communication network and educational outreach throughout rural Alaska for small businesses." The bank's brochure, "Your Guide to Small Business Credit," provides plain English basics for small business development and financing. NBA developed a "Small Business Resource Directory" with several other local banks and the University of Alaska Small Business Development Center. The directory includes NBA's small business brochure and other resource information.

The CRA Committee uses informal measures of marketing effectiveness. Those measures include input from branch managers, Advisory Boards, and other customer contacts. NBA contracts a professional clipping service to retain advertising copies. Internal compliance officers review all advertising for compliance with laws and regulations.

<u>Assessment Factor I</u> - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Housing and small business loans are two pressing needs within the community. The bank actively meets these needs through residential mortgage loans, home improvement loans, and small business and small farm loans. Most of the bank's lending is within the community.

The bank is one of the largest residential lenders in the state. Both NBA and its wholly-owned subsidiary, Northland Mortgage Company, make housing loans throughout the state. The bank makes most conventional loans for sale in the secondary market. Underwriting standards for these loans meet the Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) requirements.

Bank management designed creative products to meet credit needs excluded by the secondary market's underwriting standards. They created four home loan products with fixed and adjustable rate terms. Management is presently marketing these new products throughout the community.

Bank officers make housing rehabilitation, home improvement, and mobile home loans through the direct and indirect consumer loan programs. NBA offers a home equity line that is often used for home improvement and rehabilitation. It is the only bank in the state with this product.

NBA started its Dealer Loan Program to improve access to mobile home loan products. The Dealer Banking Department electronically processes applications taken at the dealership. The mobile home portfolio shows significant growth over 1991 levels.

Management tracks loan volumes and trends in small business and farm lending through portfolio totals. The totals show NBA is reasonably active in both urban and rural areas. Management feels most of their commercial lending meets small business and small farm definitions. However management cannot accurately track their performance in meeting small business credit needs in urban, rural, or low- to moderate-income areas. The bank does not track business borrowers by type and size.

NBA meets small businesses and small farm credit needs through commercial and leasing products. NBA also uses consumer loan products to meet rural small business needs. Loan officers tailor consumer loans to fit seasonal income cycles, mostly in rural areas dependent on fishing or transfer payments. Consumer loan products include installment loans, lines of credit, and credit cards. The Dealer Loan Program is also available through car, boat, and all terrain vehicle dealers around the state. NBA has not set minimum income or loan requirements for its consumer loans.

Bank management is developing a consumer "Loan by Phone" program. The program may be operational by year-end, 1992. The program will help customers in rural or remote areas.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

The bank actively meets the needs of its community, especially in the low- and moderate-income areas, through several state and federal government programs. Bank portfolio trends show increasing participation in these programs.

NBA and Northland Mortgage Company make home loans guaranteed under the FHA and VA programs. With low down payment requirements and below-market rates, these guaranty programs help low- and moderate-income borrowers. NBA also underwrites Government National Mortgage Association (GNMA) securities backed by Veterans Administration (VA)- and Federal Housing Authority (FHA)-insured loans. Bank loan volumes are growing in these programs.

The Alaska Housing Finance Corporation (AHFC) is a major home loan underwriter. The bank makes a significant portion of AHFC loans, including one-third of the First Time Homebuyer loans. The bank offers several AHFC housing programs, including First Time Homebuyer, Homeowners Assistance Fund, Veterans Mortgage and Mobile Home Program. The AHFC programs are more flexible than federal programs in accepting unique rural housing characteristics. The programs subsidize interest rates or payments based on household income levels. NBA is also the leading servicer for AHFC loans.

NBA also makes loans under Department of Community and Regional Affairs, Housing Assistance Division, State of Alaska (DCRA) programs. The DCRA purchases loans made in areas defined as "rural" by state statute. Program standards also consider Alaska's unique rural characteristics and seasonal employment. The bank helps DCRA lending by servicing over 40% of the DCRA portfolio.

The Farmers Home Administration (FmHA) started the Guaranteed Rural Housing program in 1992, with NBA/Northland Mortgage Company as one of the first lenders. While the volume of loans made to date is small, the bank made 85% of the total. The program benefits Alaska's rural communities.

The bank also meets the needs of small businesses through several Federal guaranty programs. NBA is a "Certified Lender" with the Small Business Administration (SBA). The bank continues to be one of the largest participants in SBA's programs. Since 1990, NBA has made 32% of all Alaska loans guaranteed by the program. The bank made more than half of its SBA loans in rural communities.

NBA is also one of the largest participants in the Alaska Industrial Development and Export Authority (AIDEA) guaranty program, primarily in underwriting commercial real estate projects. The agency is able to offer lower interest rates through tax-exempt revenue bond issues.

NBA participates in loan programs sponsored by the Bureau of Indian Affairs (BIA). BIA officials wrote letters complimentary of the bank's participation. The BIA guarantees loans to people of American Indian or Eskimo cultures, and to native corporations. One of NBA's largest loans was for a hotel in Ketchikan. The BIA also has an interest subsidy program. The program pays a portion of the interest to make projects qualify for financing.

The bank participates in the FmHA/Business and Industry loan guaranty program. The program benefits rural communities with populations less than 25,000. An example is a FmHA-guaranteed loan to develop a shopping center. The borrower is the first women-owned business in the United States sponsored in this program.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

NBA delineates the entire state of Alaska as its community. This delineation is reasonable and meets the requirements of the Act. It does not exclude any low- and moderate-income neighborhoods. NBA is the largest bank in the state and has the largest branch network. The bank's outreach efforts and its loan distribution in urban and rural areas of Alaska, including remote villages, support this delineation.

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

NBA's loans are reasonably distributed throughout the state. The geographic distribution of the bank's consumer and mortgage loans shows good penetration of low- and moderate-income census tracts and zip codes throughout the state.

The bank's 1990 HMDA statement and loan activity records show that, within the Anchorage metropolitan area, the bank received more than its proportionate share of applications when compared to other financial institutions. Also, NBA's approval rate is higher for minority applicants than other financial institutions. The HMDA data indicates that NBA's percentage of loans to minority applicants is below population demographics. Bank management is analyzing methods to improve this ratio.

Bank management maintains a breakdown of loans made by zip code. However, as of this evaluation date, bank management had not completely analyzed the data. The bank does not yet have the ability to analyze the distribution patterns of credit applications or denials. The data processing center expanded the data processing system to provide denial and application analysis capability.

The Board of Directors and senior management have not formally used the geographic distribution of credits to determine or change loan policies and products. They used the information informally in the product changes noted earlier. They also identified a need for condominium loans from this information. They worked with a nonprofit agency to develop a condominium loan program.

<u>Assessment Factor G</u> - The institution's record of opening and closing offices and providing services at offices.

NBA's offices are reasonably accessible to all segments of the community. While management's reviews of services and business hours are largely informal, management tries to meet most customer requests. One example was providing additional hours and services at various branches. Also, management agreed to several focus group requests over the last two years. The Board's policy for branch closings is adequate, but needs to be changed to meet technical requirements.

In 1991, the bank closed three branches in the Anchorage area and reduced services in Nenana. The bank added three ATM locations and closed no branches in 1992. NBA staff met with affected customers to identify alternative services. Bank officials found ways to meet most customer needs.

The bank's record of opening and closing offices has not adversely affected the level of services available in low- and moderate-income neighborhoods. While one branch closure was in a moderate-income area, a nearby branch provides similar services. It is reasonably accessible by public bus service.

IV. DISCRIMINATION

<u>Assessment Factor D</u> - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

NBA solicits credit applications from all segments of its community, including low- and moderate-income areas. Our compliance examination in May 1992 found no practices intended to discourage credit applications.

The Board of Directors and senior management provide adequate policies, procedures and training programs supporting fair lending. Management reviews their HMDA record annually. Loan officers expanded outreach efforts and credit seminars to increase minority loan applications. Senior management also reviews pending minority home loan applications to ensure fair treatment.

The bank's internal audit department is responsible for assessing policies and practices. However, there is no structured review of all applications for fair lending purposes. Our compliance examination also noted some departments were not performing internal reviews.

<u>Assessment Factor F</u> - Evidence of prohibited discriminatory credit practices.

NBA complies with the substantive provisions of fair lending laws and regulations, including: The Equal Credit Opportunity Act (ECOA), the Fair Housing Act, the Fair Housing Home Loan Data System (FHHLDS), and the Home Mortgage Disclosure Act. Our compliance examination noted a few procedural and technical violations of the ECOA and FHHLDS. The violations were nonsubstantive and were not discriminatory. Management is correcting the problems.

V. COMMUNITY DEVELOPMENT

<u>Assessment Factor H</u> - The institution's participation, including investments, in local community development and redevelopment projects or programs.

NBA actively participates in local development and redevelopment projects. In July 1992, NBA approved a low interest loan to help capitalize the Tinaa Fund. The Fund is a nonprofit corporation set up by the Central Council's Tlingit and Haida Economic Commission. The Fund will assist tribal members of southeast Alaska. The fund will operate a circle lending fund for native people starting and growing small businesses. The Fund's goal is to develop self-sufficiency and less reliance on government subsidies.

NBA officers sit on both the board and loan committee of the Anchorage Neighborhood Housing Services, Inc. ANHS is a nonprofit community development corporation that develops public/private partnerships to improve distressed neighborhoods. Among other programs, ANHS directs a loan fund for housing, rehabilitation and small business development in targeted neighborhoods within Anchorage. NBA helps to leverage the loan programs by buying loans made by ANHS.

NBA joined with ANHS to buy and renovate the Loussac-Sogn Building in downtown Anchorage. The bank purchased the project's tax credits and provides renovation funds. This project will provide 52 efficiency units for low-income residents.

In Fairbanks, NBA pledged both funds and administrative support to the newly formed Fairbanks Neighborhood Housing Services (FNHS). National Neighborhood Housing Services targeted Fairbanks for a neighborhood housing program in 1992. FNHS contracted with ANHS to start housing, rehabilitation and small business programs in Fairbanks.

NBA also buys investment securities to help meet housing and community development needs. The bank has significant investments in FNMA and FHLMC issuances, and AHFC and Alaska State Housing Authority bonds. NBA also helps AHFC by providing mortgage loan servicing.

In Barrow, NBA works with local suppliers, architects, and the AHFC to solve housing needs. Their efforts include designing and financing home packages to meet the area's unique, harsh conditions. The bank also created a Savings Coupon Program that helps local residents accumulate down payments. And, bank employees provide home buyer education and counseling.

Many rural branches develop special programs to serve unique, local needs. Bethel branch employees provide training and micro-business lending assistance. Kotzebue and Dillingham branch employees provide basic banking education and nontraditional consumer lending. While not all branches are as active as these, rural managers meet periodically to share local lending innovations.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

NBA supports the needs of its delineated community consistent with its size and financial capacity. There are no financial or economic impediments to the bank's performance. NBA creatively meets many challenges presented by the community's size, large undeveloped areas, unique climates, rugged topography, and rural neighborhoods with subsistence economies.

NBA is a wholly-owned subsidiary of National Bancorp of Alaska, Inc. The bank owns 100% of Northland Mortgage Corporation. As of September 30, 1992, National Bancorp of Alaska, Inc. had total assets of $2.1 billion. The bank has 52 branches in 28 Alaskan communities, 56 automated teller machines, and a loan production office in Seattle, Washington.

Alaska's population approximates 550,000. U.S. military personnel and their dependents represent almost 11% of the population. Based on the 1990 Census, the median income for an Alaskan household is $41,408. Over 40% of the Alaskan households earn 80% or less of the mediam income.

About 45% of the population lives in the Anchorage MSA. The 1990 Census provides the following racial demographics of the Anchorage MSA: White - 77%; Native Indian/Alaskan - 6%; Black - 6%; Asian - 5%; and Hispanic - 4%. There is a large government employee base within the Anchorage MSA. The government workers are employed by the U.S. military and state, local and federal agencies.

Alaska has almost one-sixth of the land area of the United States, and slightly over one-third of the water area. About 60% of Alaska land is federally owned. The state is mostly undeveloped, with access limited via plane or boat. The state's principal industries include petroleum, fishing, forest products, mining, government, tourism and support industries.

<u>Assessment Factor L</u> - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

NBA provides other products and services that serve the needs of its community. The bank provides basic banking services, corporate contributions, and volunteer efforts.

The bank offers a full array of banking services. The bank offers a low cost basic checking account with no minimum balance requirements. Senior citizen checking accounts have no monthly fee and no minimum balance requirement. They do have a 25 check per month limit. NBA offers "Bank-By-Mail," with postage paid envelopes. The bank enhanced its automated customer service line with "TouchTone Express", a toll-free number with a telephone device for the deaf. The bank regularly conducts basic banking, home ownership, and small business workshops and seminars. Many workshops and seminars are targeted to schools, minority groups, and native villages.

NBA provides its rural customers with a no cost "Customer Convenience Card." Customers without a driver's license and customers with difficulty using the English language use the card for identification. The bank also maintains a directory of bilingual employees to help customers overcome potential language barriers.

NBA donates funds to many organizations throughout Alaska. Some examples include: The Denali Center, a Fairbanks nursing home caring for a large percentage of Native patients; Video cameras for the Spenard and Mountain View communities' use in their fight against crime and drug abuse; Public television and radio network programming, and; The "Love to Learn" weekly newspaper delivered to village schools.

NBA's employees volunteer in local communities. These efforts encompass humanitarian, cultural, civic, business and religious organizations. A few examples include the Boys and Girls Club, the I Care Patient Network, the Special Olympics, Little League, local Chambers of Commerce, Junior Achievement, and the World Eskimo Indian Olympics.

APPENDIX H

Multi-Family Mortgage Conduits

Multi-Family Mortgage Conduits

Mortgage Lenders	Source of Funds	Comments
The Capsource Co., Boulder, CO; Gary Ruhl 303-541-9550	Donaldson, Lufkin & Jenrette, Inc.	fixed and adjustable rates; loans of $1 million–$9 million
Column Financial Inc. of Atlanta Gerald Joiner 404-239-5335	Donaldson, Lufkin & Jenrette, Inc.; Equitable Real Estate Investment Management Inc.	7 to 10 year mortgages @ 2 points and 275–300 basis points over Treasuries; loans of $1 million –$10 million; loan-to-value: 75% coverage: 1.25;
Berkshire Mortgage Co. of Boston Kurt Reimann 617-556-1584 Legg Mason Multi-Family Capital Craig Bjornsund 212-819-1833 Triquest Financial Services, NY Richard Hyman 212-752-7722	Kidder, Peabody & Co.	5–10 year loans @ 30 year amortization; loans of $1 million–$20 million; loan-to-value: 75%; coverage: 1.25
Arbor National Commercial Mortgage Corp. of Boston Ellen Segal 617-557-0100	Nomura Asset Capital Corp.	5, 7, and 10 year mortgages @ 235–300+ basis points over Treasuries; fixed and adjustable rates; loan-to-value: 75%; coverage: 1.25
Inland Mortgage Corp, Indianapolis Candice Hagan 317-573-8596 J.I. Kislak Mortgage Corp, FL Marvin Rausch 305-820-5823 Seattle Mortgage, Bellvue, WA John Henkle 206-451-2102	Paine Webber Group Inc.	290 basis points over 10 year Treasuries; loans of $1 million–$7 million loan-to-value: 75% coverage: 1.3

AGM Financial Services, Inc., MN Ned Foster 612-339-8700	Piper Capital Management, Minneapolis	fixed and adjustable rates; loans of $1 million–$5 million; loan-to-value: 75%; coverage: 1.3
Midland Commercial Funding, Shawnee Mission, Kansas Clay Sublett 816-435-2300	Prudential Securities Inc.	7 to 15 year mortgages @ 250–350 basis points over Treasuries;
Remsen Partners, Ltd., NY Arvind K. Bajaj 212-838-1111	Smith Barney Shearson Inc.	5, 7, and 10 year mortgages @ 305 basis points over Treasuries; 30 years @ 240 bp over Treasuries; loans of $500,000 to $30 million; loan-to-value: 75%; coverage: 1.25
AMI Capital Inc., Bethesda, MD Neil P. Cullen 301-654-0033	Ullico Inc., Washington Herb Kolben 202-682-7923	
American Capital Resource, Atlanta Jim Hanson 404-240-0065	Lehman Brothers Inc.	265–345 basis points over Treasuries; loans of $1 million–$10 million

APPENDIX I

Federal Housing Administration (FHA) Multi-Family Mortgage Insurance

Federal Housing Administration (FHA) Multi-Family Mortgage Insurance

FHA Section 221(d)(3) and (4) Insurance Provisions

LOOKING FOR FINANCING FOR YOUR RENTAL APARTMENT, BOARD & CARE, OR NURSING HOME PROJECT?

Consider FHA multifamily mortgage insurance

Advantages to the developer/owner:

- Up to 40 year term
- Fixed rate market interest
- Fully assumable
- Mortgages up to 90% LTV (depending on the program)
- Available anytime to both profit-motivated and non-profit developers/owners
- Non-recourse
- Fixed monthly payments
- No prepayment penalties
- Can be used with other financing options, such as tax-exempt bonds
- Any FHA-approved lender may obtain mortgage insurance

General requirements:

- Projects must be attractive, well-built, and designed for long-term success in the market
- Property can be held in fee simple or lease for 50 - 75 years (depending on program, lessor)
- A single-asset mortgagor entity (partnership, corporation, Sub S corporation) must be created before closing
- No tenant income requirements; no HUD regulation of rents; FHA mortgage insurance does not provide a subsidy for low-income housing
- CPA-certified project financial statements to HUD yearly
- A portion of project cash flow goes to Replacement Reserve account, for long-term repair items (e.g., re-roofing)
- Project profits are released twice a year

How to proceed:

Contact Bob Arbios at the below address, Mailstop 10HDH, phone (206) 220-5212, extension 3254. When we receive a pre-application package, we will assign your project to one of our Development Teams. After consulting with the Office Manager's Screening Committee, the Team will set up a meeting with you to discuss the project further.

U.S. Department of Housing and Urban Development
Seattle Federal Office Building
909 First Avenue Suite 200
Seattle, WA 98104-1000

SECTION 221d4

FHA mortgage insurance for new construction or substantial rehabilitation of rental apartments (minimum 5 units)

- Covers both construction and permanent financing

- Mortgages up to the lower of the following:

  1. What 90% of net income will support
  2. 90% of HUD's estimated replacement cost
  3. The total of statutory unit limits, depending on geographic area and type of construction, plus up to 15% more for costs not tied to individual units.

     Example: Bellevue project will have 20 one-bedroom, 50 two-bedroom, and 30 three-bedroom units. Area statutory limits for non high-rise construction: 1 BR = $55,668, 2 BR = $67,288, 3 BR = $84,459.

     (20 X $55,668) + (50 X $67,288) + (30 X $84,459) = $7,011,530 X 115% = $8,063,260

- In some cases cash to close can be reduced by either land equity and/or "BSPRA" (Builder's/Sponsor's Profit and Risk Allowance) if builder shares project ownership

- Fully engineered construction documents reviewed and accepted by HUD before Firm Commitment stage must meet HUD Accessibility Guidelines; commercial space limited to 10% of project area

- Construction workers to be paid Davis-Bacon wages; 100% bonding or 15% cash escrow for general construction contract; development costs to be certified by CPA

- Fees:

  - Firm Commitment application fee = 0.3 % of mortgage amount (0.1 % collected at either SAMA and/or Conditional Commitment stages will be credited to the 0.3 % total); application fees are earned whether project closes or not
  - Inspection fee = 0.5 % of mortgage, paid at closing
  - Mortgage Insurance Premium (MIP) = 0.5 % of mortgage, paid at closing and yearly for life of the loan
  - All above fees (except annual MIP) are potentially eligible for inclusion in the mortgage

Section 221d4:

- **Stages of processing:**

  - Site Appraisal/Market Analysis (SAMA): (optional but encouraged stage) establishes environmental approval, market, rents, and land value for FHA underwriting; typical HUD processing time = 60 days; major exhibit required to apply = site control document

  - Conditional Commitment: (optional stage) provides estimates of mortgage amount and cash to close; typical HUD processing time = 60 days; major application exhibits = schematic drawings, survey, project management plans, and principals' financial statements (OR full capitalization of the mortgagor entity)

  - Firm Commitment: determines actual mortgage amount and cash to close; typical HUD processing time = 60 days; major application exhibits = complete working drawings and specs acceptable to HUD, financial statements for general contractor and other principals (OR full capitalization of mortgagor entity), draft document (e.g., partnership agreement) creating mortgagor entity

  - Initial Endorsement: loan closing, with first draw of insured advances, prior to start of construction and typically 30 days from Firm Commitment issuance

  - Final Endorsement: following construction completion and cost certification, sets final mortgage amount; HUD oversight shifts to Multifamily Loan Servicing Branch

- **Recent Section 221d4 mortgages:**

Project	Location	Mortgage	Cash to Close	SAMA to Const.Start
250 units	W. Wash.	$17M	$1.3M	7 months
340 units	W. Wash.	$15.9M	$1.5M	11 months
215 units	E. Wash.	$7.7M	$400,000	12 months

For further information, please contact Bob Arbios, Housing Programs Branch, Mailstop 10HDH, U.S. Department of Housing & Urban Development, Seattle Federal Office Building, 909 First Avenue, Suite 200, Seattle WA 98104-1000, phone (206) 220-5212, extension 3254.

1/94

Federal Housing Administration
(FHA)
Multi-Family Mortgage Insurance

HUD Statutory Per Unit Mortgage Limits

U.S. Department of Housing and Urban Development

Anchorage Office, Region X
222 West 8th Avenue, #64
Anchorage, Alaska 99513-7537

Section 221(d)(3) Other Mortgagors

Bedrooms	Non-Elevator	Elevator
0	$ 79,471	$ 83,632
1	91,630	95,867
2	110,505	116,575
3	141,447	150,809
4 or more	157,578	165,541

Section 221(d)(4)

Bedrooms	Non-Elevator	Elevator
0	$ 79,468	$ 85,840
1	90,203	98,402
2	109,030	119,655
3	136,854	154,791
4 or more	155,077	169,917

Section 231

Bedroom	Non-Elevator	Elevator
0	$ 75,552	$ 85,840
1	84,460	98,402
2	100,859	119,655
3	121,375	154,791
4 or more	142,695	169,917

Section 202, 811

Bedroom	Non-Elevator	Elevator
0	$100,915	$106,200
1	116,355	121,737
2	140,324	148,032
3	179,614	191,502
4 or more	200,098	210,211

If you should have any questions concerning these limits, please contact either Gene Dobrzynski at 271-4613 or Robert Hunt at 271-4176.

Sincerely,

Arlene L. Patton,
Manager

U.S. Department of Housing and Urban Development

Anchorage Office, Region X
222 West 8th Avenue, #64
Anchorage, Alaska 99513-7537

MAR 5 1992

Office of Housing

Circular Letter 92-01

TO: ALL MORTGAGEES DOING BUSINESS WITH HUD

SUBJECT: **Maximum Statutory Per Unit Mortgage Limits**

The National Housing Act requires establishing the maximum per unit dollar limits for **multifamily** mortgages. The following maximum statutory per unit morgtage limits have been established for ALASKA:

Section 207,213,220,223f

Number of Bedrooms	Non-Elevator Construction	Elevator Construction
0	$ 79,852	$ 92,137
1	88,452	103,194
2	105,651	126,535
3	130,221	158,476
4 or more	147,420	179,187

Manufactured Home Park Space $28,350

Section 221(d)(3) Non-Profit, 234

Number of Bedrooms	Non-Elevator Construction	Elevator Construction
0	$ 88,300	$ 92,925
1	101,811	106,520
2	122,783	129,528
3	157,162	167,564
4 or more	175,086	183,934

Federal Housing Administration (FHA) Multi-Family Mortgage Insurance

FHA-Approved Multi-Family Lenders

Multifamily Mortgage Lenders

National Bank of Alaska
Northern Lights & "C" Street
Anchorage, AK 99510
Attn: Lucille Stietz
(907) 257-3442

Bank of America, Alaska NA
550 West 7th Avenue
Anchorage, AK 99501
Attn: Kristi Lewis
(907) 263-3291

Seattle Mortgage Company
1800-112th N.E.
Suite 300
Bellevue, WA. 98004
Attn: John Hinkel
(206) 451-2102

TRI Capital Corporation
100 Pine Street, 3rd Floor
San Francisco, CA 94111-5102
(415) 989-9000

American Property Financing Inc.
135 East 57th Street
New York, NY 10022-2009
Attn: Arthur A. Habighorst
(212) 888-3800

Alaska Housing Finance Corp
520 E. 34th
Anchorage, AK 99503
(907) 561-1900

Northrim Bank
3111 C Street
Suite 301
Post Office Box 241489
Anchorage, Ak 99524-1489
(907) 261-3337
Attn: Debbie Green

BOCC Funding Corp
1750 Presidents Street
Suite 200
Reston, Virgina 22090
(703) 318-8150
Attn: Mark C. Beisler

Continental Wingate Mortgage Grp
1010 Washington
Suite 200
Vancouver, WA 98660
(202) 694-1322
Attn: R. Bruce James

City Commerce Corp
560 East 34th Avenue
Suite 201
P.O. Box 244914
Anchorage, Alaska 99524-4914
(907) 563-9683
Attn: Jan C. Hood

American Capital Resource
520 Pike St., Suite 1350
Seattle, Wash 98101
(206) 624-8400
Attn: Daniel Spils

Any HUD approved mortgagee may apply for mortgage insurance. This list only represents mortgagees which have recently processed full insurance projects with the Anchorage Field Office or have indicated an interest in originating loans in our jurisdiction. This list is not exclusive and neither is it a recommendation of the services of the listed lenders.

APPENDIX J

Pro Forma Multi-Family Housing Projects Financial Feasibility

PROJECT A - 16 Unit Valley Market Rent Project
Base Case

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$650	$46 800
2	10	$850	102 000

Project Rent		$148 800
Less Vacancy & credit loss @ 2%		3 000
Gross Annual Income		$145 800

Expenses

Taxes	$11,100		
Insurance	5,200		
Utilities	12,800		
Maintenance	11,700		
Management	11,700		
Snow removal	600		
Reserves	5 200		
Total Expenses		$58 300	40%

Net Operating Income (NOI)	$87 500
Capitalization Rate	11%
Income Value	**$800,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$90	$297,000
2	10	830	$90	747,000
Total Cost of Units				$1,044,000
Common Areas				0%
Total Building Cost				$1,044,000

Land Cost

	Units	Cost/Unit	
Raw land	16	$6,000	$96,000
Development	16	$6,000	96 000
Total Land Cost			$192,000

Interest during Construction (15 months)	@ 9 25%	$35,900
Loan Fees and Loan Closing	@ 5 5%	$34,200
Rent-Up Reserve	@ 3 months	$18 600
Total Development Cost		**$1,324,700**

FINANCIAL FEASIBILITY

Financing source AHFC Multi Family Secondary Market Participation Housing Program

Market value	$800 000	(income value)
Loan-to-value	80%	
Loan amount	$622 800	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$64 400	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$701,900 (cost - loan amount)

Annual return on equity (pre-tax)
3 3% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT A - 16 Unit Valley Market Rent Project

Sensitivity Case: High Density

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	8	$650	$62,400
2	12	$850	122,400

Project Rent		$184,800	
Less Vacancy & credit loss @ 2%		3,700	
Gross Annual Income		$181,100	
Expenses			
Taxes	$13,900		
Insurance	6,500		
Utilities	16,000		
Maintenance	14,500		
Management	14,500		
Snow removal	600		
Reserves	6,500		
Total Expenses		$72,500	40%
Net Operating Income (NOI)		$108,600	
Capitalization Rate		11%	
Income Value		$990,000	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	8	550	$90	$396,000
2	12	830	$90	896,400
Total Cost of Units				$1,292,400
Common Areas				0%
Total Building Cost				$1,292,400

Land Cost

	Units	Cost/Unit	
Raw land	20	$4,800	$96,000
Development	20	$4,800	96,000
Total Land Cost			$192,000

Interest during Construction (15 months)	@ 9 25%	$44,700
Loan Fees and Loan Closing	@ 5 5%	$42,500
Rent-Up Reserve	@ 3 months	$23,100
Total Development Cost		**$1,594,700**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$990,000	(income value)
Loan-to-value	80%	
Loan amount	$772,800	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$80,000	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$821,900 (cost - loan amount)

Annual return on equity (pre-tax)
3 5% (NOI - loan payment)/equity

Notes:

1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT A - 16 Unit Valley Market Rent Project

Sensitivity Case: Low Land Development Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$650	$46 800
2	10	$850	102 000

Project Rent		$148 800
Less Vacancy & credit loss @ 2%		3,000
Gross Annual Income		$145 800
Expenses		
Taxes	$11,100	
Insurance	5,200	
Utilities	12 800	
Maintenance	11,700	
Management	11 700	
Snow removal	600	
Reserves	5,200	
Total Expenses		$58 300 (40%)
Net Operating Income (NOI)		$87 500
Capitalization Rate		11%
Income Value		**$800,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$90	$297,000
2	10	830	$90	747 000
Total Cost of Units				$1,044 000
Common Areas				0%
Total Building Cost				$1,044 000

Land Cost

	Units	Cost/Unit	
Raw land	16	$6,000	$96,000
Development	16	$3,000	48,000
Total Land Cost			$144 000

Interest during Construction (15 months)	@ 9 25%	$35 900
Loan Fees and Loan Closing	@ 5 5%	$34 200
Rent-Up Reserve	@ 3 months	$18 600
Total Development Cost		**$1,276,700**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$800 000	(income value)
Loan-to-value	80%	
Loan amount	$622 800	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$64 400	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$653,900 (cost - loan amount)

Annual return on equity (pre-tax)
3 5% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT A - 16 Unit Valley Market Rent Project

Sensitivity Case: Zero Raw Land Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$650	$46,800
2	10	$850	102,000

Project Rent	$148,800	
Less Vacancy & credit loss @ 2%	3,000	
Gross Annual Income	$145,800	

Expenses

Taxes	$11,100		
Insurance	5,200		
Utilities	12,800		
Maintenance	11,700		
Management	11,700		
Snow removal	600		
Reserves	5,200		
Total Expenses		$58,300	40%

Net Operating Income (NOI)	$87,500
Capitalization Rate	11%
Income Value	$800,000

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$90	$297,000
2	10	830	$90	747,000
Total Cost of Units				$1,044,000
Common Areas				0%
Total Building Cost				$1,044,000

Land Cost

	Units	Cost/Unit	
Raw land	16	$0	$0
Development	16	$6,000	96,000
Total Land Cost			$96,000

Interest during Construction (15 months)	@ 9.25%	$35,900
Loan Fees and Loan Closing	@ 5.5%	$34,200
Rent-Up Reserve	@ 3 months	$18,600
Total Development Cost		**$1,228,700**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$800,000	(income value)
Loan-to-value	80%	
Loan amount	$622,800	
Interest rate	9.219%	
Amortization period	30 years	
Annual loan payment	$64,400	
Debt service coverage	1.23	(NOI/annual loan payment)
Required coverage	1.25	

Equity required
$605,900 (cost - loan amount)

Annual return on equity (pre-tax)
3.8% (NOI - loan payment)/equity

Notes:
1. Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with bank 20% participation requiring 1.2 coverage
2. Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9.25% interest and 15 years amortization

PROJECT A - 16 Unit Valley Market Rent Project
Sensitivity Case: Low Construction Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$650	$46,800
2	10	$850	102,000

Project Rent	$148,800	
Less Vacancy & credit loss @ 2%	3,000	
Gross Annual Income	$145,800	

Expenses

Taxes	$11,300		
Insurance	4,700		
Utilities	12,800		
Maintenance	11,700		
Management	11,700		
Snow removal	600		
Reserves	5,200		
Total Expenses		$58,000	40%

Net Operating Income (NOI)	$87,800
Capitalization Rate	11%
Income Value	**$800,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$81	$267,300
2	10	830	$81	672,300
Total Cost of Units				$939,600
Common Areas				0%
Total Building Cost				$939,600

Land Cost

	Units	Cost/Unit	
Raw land	16	$6,000	$96,000
Development	16	$6,000	96,000
Total Land Cost			$192,000

Interest during Construction (15 months)	@ 9 25%	$36,100
Loan Fees and Loan Closing	@ 5 5%	$34,400
Rent-Up Reserve	@ 3 months	$18,600
Total Development Cost		**$1,220,700**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$800,000	(income value)
Loan-to-value	80%	
Loan amount	$625,200	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$64,700	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$595,500 (cost - loan amount)

Annual return on equity (pre-tax)
3 9% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT A - 16 Unit Valley Market Rent Project
Sensitivity Case: Lowest Total Development Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	8	$650	$62 400
2	12	$850	122 400

Project Rent		$184 800
Less Vacancy & credit loss @ 2%		3 700
Gross Annual Income		$181 100
Expenses		
Taxes	$13 900	
Insurance	5 800	
Utilities	16 000	
Maintenance	14,500	
Management	14 500	
Snow removal	600	
Reserves	6 500	
Total Expenses		$71 800 40%
Net Operating Income (NOI)		$109 300
Capitalization Rate		11%
Income Value		$990,000

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	8	550	$81	$356,400
2	12	830	$81	806,760
Total Cost of Units				$1,163,160
Common Areas				0%
Total Building Cost				$1,163,160

Land Cost

	Units	Cost/Unit	
Raw land	20	$0	$0
Development	20	$2,400	48,000
Total Land Cost			$48,000

Interest during Construction (15 months)	@ 9 25%	$45 000
Loan Fees and Loan Closing	@ 5 5%	$42 800
Rent-Up Reserve	@ 3 months	$23 100
Total Development Cost		$1,322,100

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$990 000	(income value)
Loan-to-value	80%	
Loan amount	$778 300	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$80 500	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$543,800 (cost - loan amount)

Annual return on equity (pre-tax)
5 3% (NOI - loan payment)/equity

Notes
1. Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2. Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT A - 16 Unit Valley Market Rent Project
Sensitivity Case: High Construction Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$650	$46,800
2	10	$850	102,000

Project Rent	$148,800	
Less Vacancy & credit loss @ 2%	3,000	
Gross Annual Income	$145,800	

Expenses

Taxes	$11,100		
Insurance	6,300		
Utilities	12,800		
Maintenance	11,700		
Management	11,700		
Snow removal	600		
Reserves	5,200		
Total Expenses		$59,400	41%

Net Operating Income (NOI)	$86,400
Capitalization Rate	11%
Income Value	**$790,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$108	$356,400
2	10	830	$108	896,400
Total Cost of Units				$1,252,800
Common Areas				0%
Total Building Cost				$1,252,800

Land Cost

	Units	Cost/Unit	
Raw land	16	$6,000	$96,000
Development	16	$6,000	96,000
Total Land Cost			$192,000

Interest during Construction (15 months)	@ 9 25%	$35,500
Loan Fees and Loan Closing	@ 5 5%	$33,800
Rent-Up Reserve	@ 3 months	$18,600
Total Development Cost		**$1,532,700**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$790,000	(income value)
Loan-to-value	80%	
Loan amount	$614,200	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$63,500	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$918,500 (cost - loan amount)

Annual return on equity (pre-tax)
2 5% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT A - 16 Unit Valley Market Rent Project
Sensitivity Case: Breakeven Expenses

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$650	$46 800
2	10	$850	102 000

Project Rent	$148 800	
Less Vacancy & credit loss @ 2%	3 000	
Gross Annual Income	$145,800	

Expenses

Taxes	NA		
Insurance	NA		
Utilities	NA		
Maintenance	NA		
Management	NA		
Snow removal	NA		
Reserves	NA		
Total Expenses		$5 290	4%
Net Operating Income (NOI)		$140 510	
Capitalization Rate		11%	
Income Value		$1,280,000	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$90	$297,000
2	10	830	$90	747,000
Total Cost of Units				$1,044,000
Common Areas				0%
Total Building Cost				$1,044,000

Land Cost

	Units	Cost/Unit	
Raw land	16	$6,000	$96,000
Development	16	$6,000	96 000
Total Land Cost			$192,000

Interest during Construction (15 months)	@ 9 25%	$59 200
Loan Fees and Loan Closing	@ 5 5%	$56,300
Rent-Up Reserve	@ 3 months	$18,600
Total Development Cost		**$1,370,100**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$1 280,000	(income value)
Loan-to-value	80%	
Loan amount	$1,024,000	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$105 900	
Debt service coverage	1 25	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$346,100 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT A - 16 Unit Valley Market Rent Project
Sensitivity Case: Breakeven Rents

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$971	$69 920
2	10	$1,270	152 390

Project Rent		$222 310	
Less Vacancy & credit loss @ 2%		4 400	
Gross Annual Income		$217 910	
Expenses			
Taxes	$18 000		
Insurance	5,200		
Utilities	12,800		
Maintenance	17,400		
Management	17,400		
Snow removal	600		
Reserves	5,200		
Total Expenses		$76 600	35%
Net Operating Income (NOI)		$141 310	
Capitalization Rate		11%	
Income Value		**$1,280,000**	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$90	$297,000
2	10	830	$90	747,000
Total Cost of Units				$1,044,000
Common Areas				0%
Total Building Cost				$1,044 000

Land Cost

	Units	Cost/Unit	
Raw land	16	$6,000	$96 000
Development	16	$6,000	96 000
Total Land Cost			$192,000

Interest during Constuction (15 months)	@ 9 25%	$58 600
Loan Fees and Loan Closing	@ 5 5%	$55,700
Rent-Up Reserve	@ 3 months	$27 800
Total Development Cost		**$1,378,100**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$1 280 000	(income value)
Loan-to-value	80%	
Loan amount	$1,013 000	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$104 800	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$365,100 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

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PROJECT A - 16 Unit Valley Market Rent Project

Sensitivity Case: Lowest Total Development Cost, Breakeven Expenses

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	8	$650	$62,400
2	12	$850	122 400

Project Rent	$184 800	
Less Vacancy & credit loss @ 2%	3 700	
Gross Annual Income	$181,100	

Expenses

Taxes	NA		
Insurance	NA		
Utilities	NA		
Maintenance	NA		
Management	NA		
Snow removal	NA		
Reserves	NA		
Total Expenses		$42 810	24%

Net Operating Income (NOI)	$138 290
Capitalization Rate	11%
Income Value	$1,260,000

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	8	550	$81	$356,400
2	12	830	$81	806,760
Total Cost of Units				$1,163,160
Common Areas				0%
Total Building Cost				$1,163,160

Land Cost

	Units	Cost/Unit	
Raw land	20	$0	$0
Development	20	$2,400	48,000
Total Land Cost			$48,000

Interest during Construction (15 months)	@ 9 25%	$58,100
Loan Fees and Loan Closing	@ 5 5%	$55,300
Rent Up Reserve	@ 3 months	$23,100
Total Development Cost		**$1,347,700**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$1 260 000	(income value)
Loan-to-value	80%	
Loan amount	$1,005 800	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$104 100	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$341,900 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT A - 16 Unit Valley Market Rent Project
Sensitivity Case: Lowest Total Development Cost, Breakeven Rents

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	8	$791	$75,923
2	12	$1,034	148 927

Project Rent		$224 850	
Less Vacancy & credit loss @ 2%		4 500	
Gross Annual Income		$220 350	
Expenses			
Taxes	$17,700		
Insurance	5,800		
Utilities	16,000		
Maintenance	17 600		
Management	17 600		
Snow removal	600		
Reserves	6 500		
Total Expenses		$81 800	37%
Net Operating Income (NOI)		$138 550	
Capitalization Rate		11%	
Income Value		**$1,260,000**	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	8	550	$81	$356,400
2	12	830	$81	806,760
Total Cost of Units				$1,163,160
Common Areas				0%
Total Building Cost				$1 163,160

Land Cost

	Units	Cost/Unit	
Raw land	20	$0	$0
Development	20	$2,400	48 000
Total Land Cost			$48,000

Interest during Construction (15 months)	@ 9 25%	$57 300
Loan Fees and Loan Closing	@ 5 5%	$54 500
Rent-Up Reserve	@ 3 months	$28 100
Total Development Cost		**$1,351,100**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$1 260 000	(income value)
Loan-to-value	80%	
Loan amount	$990 600	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$102 500	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$360 500 (cost - loan amount)

Annual return on equity (pre tax)
10 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT A - 16 Unit Valley Market Rent Project

Sensitivity Case: Bank Financing

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$650	$46,800
2	10	$850	102,000

Project Rent		$148 800	
Less Vacancy & credit loss @ 2%		3 000	
Gross Annual Income		$145 800	
Expenses			
Taxes	$11,300		
Insurance	5,200		
Utilities	12,800		
Maintenance	11,700		
Management	11,700		
Snow removal	600		
Reserves	5,200		
Total Expenses		$58 500	40%
Net Operating Income (NOI)		$87,300	
Capitalization Rate		11%	
Income Value		**$790,000**	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$90	$297,000
2	10	830	$90	747,000
Total Cost of Units				$1,044,000
Common Areas				0%
Total Building Cost				$1,044,000

Land Cost

	Units	Cost/Unit	
Raw land	16	$6,000	$96,000
Development	16	$6,000	96,000
Total Land Cost			$192,000

Interest during Construction (15 months)	@ 9 25%	$30,900
Loan Fees and Loan Closing	@ 5 0%	$26,800
Rent-Up Reserve	@ 3 months	$18,600
Total Development Cost		**$1,312,300**

FINANCIAL FEASIBILITY

Financing source Bank Financing (variable rate)

Market value	$790,000	(income value)
Loan-to-value	75%	
Loan amount	$534,000	
Interest rate	9 250%	
Amortization period	15 years	
Annual loan payment	$66 000	
Debt service coverage	1 20	(NOI/annual loan payment)
Required coverage	1 2	

Equity required
$778,300 (cost - loan amount)

Annual return on equity (pre-tax)
2 7% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with bank requiring 1 2 coverage

PROJECT A - 16 Unit Valley Market Rent Project

Sensitivity Case: FNMA Financing

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$650	$46 800
2	10	$850	102 000

Project Rent		$148 800	
Less Vacancy & credit loss @ 2%		3 000	
Gross Annual Income		$145,800	
Expenses			
Taxes	$11,300		
Insurance	5,200		
Utilities	12,800		
Maintenance	11,700		
Management	11,700		
Snow removal	600		
Reserves	5 200		
Total Expenses		$58 500	40%
Net Operating Income (NOI)		$87,300	
Capitalization Rate		11%	
Income Value		**$790,000**	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$90	$297,000
2	10	830	$90	747,000
Total Cost of Units				$1,044,000
Common Areas				0%
Total Building Cost				$1,044 000

Land Cost

	Units	Cost/Unit	
Raw land	16	$6,000	$96,000
Development	16	$6,000	96,000
Total Land Cost			$192,000

Interest during Construction (15 months)	@ 9 25%	$36,700
Loan Fees and Loan Closing	@ 7 0%	$44,500
Rent-Up Reserve	@ 3 months	$18,600
Total Development Cost		**$1,335,800**

FINANCIAL FEASIBILITY

Financing source FNMA

Market value	$790 000	(income value)
Loan-to-value	80%	
Loan amount	$632 000	
Interest rate	10 375%	
Amortization period	30 years	
Annual loan payment	$68 700	
Debt service coverage	1 15	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$703,800 (cost - loan amount)

Annual return on equity (pre-tax)
2 6% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with FNMA requiring 1 15 coverage

PROJECT A - 16 Unit Valley Market Rent Project
Sensitivity Case: FHA Financing

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$650	$46,800
2	10	$850	102 000

Project Rent		$148 800
Less Vacancy & credit loss @ 2%		3 000
Gross Annual Income		$145 800
Expenses		
Taxes	$11,100	
Insurance	6,300	
Utilities	12,800	
Maintenance	11,700	
Management	11,700	
Snow removal	600	
Reserves	5 200	
Total Expenses		$59 400 — 41%
Net Operating Income (NOI)		$86 400
Capitalization Rate		11%
Income Value		**$790,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$108	$356,400
2	10	830	$108	896,400
Total Cost of Units				$1,252 800
Common Areas				0%
Total Building Cost				$1 252 800

Land Cost

	Units	Cost/Unit	
Raw land	16	$6,000	$96 000
Development	16	$6,000	96 000
Total Land Cost			$192 000

Interest during Construction (15 months)	@ 9 25%	$41,100
Loan Fees and Loan Closing	@ 6 5%	$46 200
Rent-Up Reserve	@ 3 months	$18 600
Total Development Cost		**$1,550,700**

FINANCIAL FEASIBILITY

Financing source FHA

Market value	$790 000	(income value)
Loan-to-value	90%	
Loan amount	$711,000	
Interest rate	9 500%	
Amortization period	40 years	
Annual loan payment	$69 100	
Debt service coverage	1 13	(NOI/annual loan payment)
Required coverage	1 11	

Equity required
$839,700 (cost - loan amount)

Annual return on equity (pre-tax)
2 1% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support with FHA requiring 1 11 coverage

PROJECT A - 16 Unit Valley Market Rent Project
Sensitivity Case: CBJ Financing

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	6	$650	$46,800
2	10	$850	102,000

Project Rent	$148 800
Less Vacancy & credit loss @ 2%	3,000
Gross Annual Income	$145,800

Expenses

Taxes	$11,300		
Insurance	5,200		
Utilities	12,800		
Maintenance	11,700		
Management	11,700		
Snow removal	600		
Reserves	5,200		
Total Expenses		$58 500	40%

Net Operating Income (NOI)	$87,300
Capitalization Rate	*11%
Income Value	**$790,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	6	550	$90	$297,000
2	10	830	$90	747,000
Total Cost of Units				$1,044,000
Common Areas				0%
Total Building Cost				$1,044,000

Land Cost

	Units	Cost/Unit	
Raw land	16	$6,000	$96,000
Development	16	$6,000	96,000
Total Land Cost			$192,000

Interest during Construction (15 months)	@ 9 25%	$37,100
Loan Fees and Loan Closing	@ 9 0%	$57,700
Rent-Up Reserve	@ 3 months	$18 600
Total Development Cost		**$1,349,400**

FINANCIAL FEASIBILITY

Financing source CBJ Bond Issue

Market value	$790 000	(income value)
Loan-to-value	90%	
Loan amount	$639,700	
Interest rate	9 750%	
Amortization period	30 years	
Annual loan payment	$66 000	
Debt service coverage	1 20	(NOI/annual loan payment)
Required coverage	1 2	

Equity required
$709,700 (cost - loan amount)

Annual return on equity (pre-tax)
3 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with bond issue requiring 1 2 coverage

PROJECT B - 30 Unit Downtown Market Rent Project
Base Case

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	6	600	$43,200
1	17	$700	142,800
2	7	$900	75,600

Project Rent		$261,600	
Less Vacancy & credit loss @ 2%		5,200	
Gross Annual Income		$256,400	
Expenses			
Taxes	$19,400		
Insurance	9,200		
Utilities	24,000		
Maintenance	20,500		
Management	20,500		
Snow removal	1,000		
Reserves	9,800		
Total Expenses		$104,400	41%
Net Operating Income (NOI)		$152,000	
Capitalization Rate		11%	
Income Value		$1,380,000	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	6	450	$95	$256,500
1	17	550	$95	888,250
2	7	783	$95	520,695
Total Cost of Units				$1,665,445
Common Areas				10%
Total Building Cost				$1,831,990

Land Cost

	Units	Cost/Unit	
Raw land	30	$7,800	$234,000
Development	30	$4,200	126,000
Total Land Cost			$360,000

Interest during Construction (15 months)	@ 9.25%	$62,400
Loan Fees and Loan Closing	@ 5.5%	$59,400
Rent-Up Reserve	@ 3 months	$32,700
Total Development Cost		**$2,346,500**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$1,380,000	(income value)
Loan-to-value	80%	
Loan amount	$1,080,000	
Interest rate	9.219%	
Amortization period	30 years	
Annual loan payment	$111,700	
Debt service coverage	1.23	(NOI/annual loan payment)
Required coverage	1.25	

Equity required
$1,266,500 (cost - loan amount)

Annual return on equity (pre-tax)
3.2% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value or what 7.5% vacancy and credit loss will support, with bank 20% participation requiring 1.2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9.25% interest and 15 years amortization

PROJECT B - 30 Unit Downtown Market Rent Project
Sensitivity Case: High Density

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	7	600	$50,400
1	21	$700	176,400
2	9	$900	97,200

Project Rent	$324 000	
Less Vacancy & credit loss @ 2%	6 500	
Gross Annual Income	$317,500	
Expenses		
Taxes	$24 100	
Insurance	11,400	
Utilities	29,600	
Maintenance	25 400	
Management	25,400	
Snow removal	1 000	
Reserves	12,000	
Total Expenses	$128 900	41%
Net Operating Income (NOI)	$188,600	
Capitalization Rate	11%	
Income Value	$1,710,000	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	7	450	$95	$299,250
1	21	550	$95	1,097,250
2	9	783	$95	669,465
Total Cost of Units				$2,065,965
Common Areas				10%
Total Building Cost				$2,272,562

Land Cost

	Units	Cost/Unit	
Raw land	37	$6,324	$234,000
Development	37	$3,405	126,000
Total Land Cost			$360,000

Interest during Construction (15 months)	@ 9 25%	$77,500
Loan Fees and Loan Closing	@ 5 5%	$73,700
Rent-Up Reserve	@ 3 months	$40,500
Total Development Cost		**$2,824,300**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$1 710 000	(income value)
Loan-to-value	80%	
Loan amount	$1,340 800	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$138 700	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$1,483,500 (cost - loan amount)

Annual return on equity (pre-tax)
3 4% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT B - 30 Unit Downtown Market Rent Project

Sensitivity Case: Low Construction Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	6	600	$43 200
1	17	$700	142 800
2	7	$900	75 600

Project Rent	$261 600	
Less Vacancy & credit loss @ 2%	5 200	
Gross Annual Income	$256 400	

Expenses

Taxes	$19,600		
Insurance	8,200		
Utilities	24,000		
Maintenance	20,500		
Management	20,500		
Snow removal	1,000		
Reserves	9,800		
Total Expenses		$103 600	40%

Net Operating Income (NOI)	$152,800
Capitalization Rate	11%
Income Value	**$1,390,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	6	450	$86	$230,850
1	17	550	$86	799,425
2	7	783	$86	468,626
Total Cost of Units				$1,498,901
Common Areas				10%
Total Building Cost				$1,648,791

Land Cost

	Units	Cost/Unit	
Raw land	30	$7,800	$234,000
Development	30	$4,200	126,000
Total Land Cost			$360,000

Interest during Construction (15 months)	@ 9 25%	$62,800
Loan Fees and Loan Closing	@ 5 5%	$59 700
Rent-Up Reserve	@ 3 months	$32 700
Total Development Cost		**$2,164,000**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$1 390 000	(income value)
Loan-to-value	80%	
Loan amount	$1 086 300	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$112 400	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$1,077,700 (cost - loan amount)

Annual return on equity (pre-tax)
3 7% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT B - 30 Unit Downtown Market Rent Project
Sensitivity Case: Zero Raw Land Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	6	600	$43,200
1	17	$700	142,800
2	7	$900	75,600

Project Rent		$261,600	
Less Vacancy & credit loss @ 2%		5,200	
Gross Annual Income		$256,400	
Expenses			
Taxes	$19,400		
Insurance	9,200		
Utilities	24,000		
Maintenance	20,500		
Management	20,500		
Snow removal	1,000		
Reserves	9,800		
Total Expenses		$104,400	41%
Net Operating Income (NOI)		$152,000	
Capitalization Rate		11%	
Income Value		**$1,380,000**	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	6	450	$95	$256,500
1	17	550	$95	888,250
2	7	783	$95	520,695
Total Cost of Units				$1,665,445
Common Areas				10%
Total Building Cost				$1,831,990

Land Cost

	Units	Cost/Unit	
Raw land	30	$0	$0
Development	30	$4,200	126,000
Total Land Cost			$126,000

Interest during Construction (15 months)	@ 9 25%	$62,400
Loan Fees and Loan Closing	@ 5 5%	$59,400
Rent-Up Reserve	@ 3 months	$32,700
Total Development Cost		**$2,112,500**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$1,380,000	(income value)
Loan-to-value	80%	
Loan amount	$1,080,000	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$111,700	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$1,032,500 (cost - loan amount)

Annual return on equity (pre-tax)
3 9% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT B - 30 Unit Downtown Market Rent Project

Sensitivity Case: Lowest Total Development Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	7	$600	$50,400
1	21	700	176,400
2	9	$900	97,200

Project Rent	$324,000
Less Vacancy & credit loss @ 2%	6,500
Gross Annual Income	$317,500

Expenses

Taxes	$24,200		
Insurance	10,200		
Utilities	29,600		
Maintenance	25,400		
Management	25,400		
Snow removal	1,000		
Reserves	12,000		
Total Expenses		$127,800	40%

Net Operating Income (NOI)	$189,700
Capitalization Rate	11%
Income Value	$1,720,000

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	7	450	$86	$269,325
1	21	550	86	987,525
2	9	783	$86	602,519
Total Cost of Units				$1,859,369
Common Areas				10%
Total Building Cost				$2,045,305

Land Cost

	Units	Cost/Unit	
Raw land	37	$0	$0
Development	37	$3,405	126,000
Total Land Cost			$126,000

Interest during Construction (15 months)	@ 9 25%	$78,000
Loan Fees and Loan Closing	@ 5 5%	$74,200
Rent Up Reserve	@ 3 months	$40,500
Total Development Cost		$2,364,000

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$1,720,000	(income value)
Loan-to-value	80%	
Loan amount	$1,349,400	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$139,600	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$1,014,600 (cost - loan amount)

Annual return on equity (pre-tax)
4 9% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT B - 30 Unit Downtown Market Rent Project
Sensitivity Case: High Construction Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	6	600	$43,200
1	17	$700	142,800
2	7	$900	75 600

Project Rent	$261,600
Less Vacancy & credit loss @ 2%	5 200
Gross Annual Income	$256,400

Expenses

Taxes	$19,300		
Insurance	11,000		
Utilities	24,000		
Maintenance	20 500		
Management	20 500		
Snow removal	1,000		
Reserves	9,800		
Total Expenses		$106,100	41%

Net Operating Income (NOI)	$150,300
Capitalization Rate	11%
Income Value	**$1,370,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	6	450	$114	$307,800
1	17	550	$114	1,065,900
2	7	783	$114	624,834
Total Cost of Units				$1,998,534
Common Areas				10%
Total Building Cost				$2,198,387

Land Cost

	Units	Cost/Unit	
Raw land	30	$7,800	$234,000
Development	30	$4,200	126,000
Total Land Cost			$360,000

Interest during Construction (15 months)	@ 9 25%	$61,700
Loan Fees and Loan Closing	@ 5 5%	$58,700
Rent-Up Reserve	@ 3 months	$32,700
Total Development Cost		**$2,711,500**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$1,370 000	(income value)
Loan-to-value	80%	
Loan amount	$1,066 700	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$110 400	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

<u>Equity required</u>
$1,644,800 (cost - loan amount)

<u>Annual return on equity (pre-tax)</u>
2 4% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT B - 30 Unit Downtown Market Rent Project
Sensitivity Case: Breakeven Expenses

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	6	$600	$43 200
1	17	700	142 800
2	7	$900	75 600

Project Rent	$261 600
Less Vacancy & credit loss @ 2%	5 200
Gross Annual Income	$256 400

Expenses

Taxes	NA		
Insurance	NA		
Utilities	NA		
Maintenance	NA		
Management	NA		
Snow removal	NA		
Reserves	NA		
Total Expenses		$7 140	3%

Net Operating Income (NOI)	$249 260
Capitalization Rate	11%
Income Value	$2,270,000

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	6	450	$95	$256,500
1	17	550	95	888 250
2	7	783	$95	520 695
Total Cost of Units				$1,665,445
Common Areas				10%
Total Building Cost				$1,831,990

Land Cost

	Units	Cost/Unit	
Raw land	30	$7,800	$234 000
Development	30	$4 200	126 000
Total Land Cost			$360 000

Interest during Construction (15 months)	@ 9 25%	$105 000
Loan Fees and Loan Closing	@ 5 5%	$99 900
Rent-Up Reserve	@ 3 months	$32 700
Total Development Cost		**$2,429,600**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$2 270 000	(income value)
Loan-to-value	80%	
Loan amount	$1 816 000	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$187 900	
Debt service coverage	1 25	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$613,600 (cost - loan amount)

Annual return on equity (pre tax)
10 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT B - 30 Unit Downtown Market Rent Project
Sensitivity Case: Breakeven Rents

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	6	$910	$65,532
1	17	1,062	216 618
2	7	$1 365	114 680

Project Rent	$396 830
Less Vacancy & credit loss @ 2%	7 900
Gross Annual Income	$388 930

Expenses

Taxes	$32 100		
Insurance	9 200		
Utilities	24 000		
Maintenance	31 100		
Management	31 100		
Snow removal	1 000		
Reserves	9 800		
Total Expenses		$138 300	36%

Net Operating Income (NOI)	$250 630
Capitalization Rate	11%
Income Value	**$2,280,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	6	450	$95	$256,500
1	17	550	95	888 250
2	7	783	$95	520 695
Total Cost of Units				$1,665,445
Common Areas				10%
Total Building Cost				$1,831,990

Land Cost

	Units	Cost/Unit	
Raw land	30	$7,800	$234 000
Development	30	$4 200	126 000
Total Land Cost			$360 000

Interest during Construction (15 months)	@ 9 25%	$103,800
Loan Fees and Loan Closing	@ 5 5%	$98 800
Rent-Up Reserve	@ 3 months	$49 600
Total Development Cost		**$2,444,200**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$2 280 000	(income value)
Loan-to-value	80%	
Loan amount	$1,795 900	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$185 800	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$648,300 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT B - 30 Unit Downtown Market Rent Project

Sensitivity Case: Lowest Total Development Cost, Breakeven Expenses

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	7	$600	$50 400
1	21	700	176 400
2	9	$900	97 200

Project Rent	$324 000	
Less Vacancy & credit loss @ 2%	6 500	
Gross Annual Income	$317 500	

Expenses

Taxes	NA		
Insurance	NA		
Utilities	NA		
Maintenance	NA		
Management	NA		
Snow removal	NA		
Reserves	NA		
Total Expenses		$69 810	22%

Net Operating Income (NOI)	$247 690
Capitalization Rate	11%
Income Value	**$2,250,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	7	450	$86	$269,325
1	21	550	86	987,525
2	9	783	$86	602,519
Total Cost of Units				$1,859,369
Common Areas				10%
Total Building Cost				$2 045,305

Land Cost

	Units	Cost/Unit	
Raw land	37	$0	$0
Development	37	$3,405	126 000
Total Land Cost			$126,000

Interest during Construction (15 months)	@ 9 25%	$104,100
Loan Fees and Loan Closing	@ 5 5%	$99,000
Rent-Up Reserve	@ 3 months	$40 500
Total Development Cost		**$2,414,900**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$2 250 000	(income value)
Loan-to-value	80%	
Loan amount	$1,800 000	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$186 200	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$614,900 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT B - 30 Unit Downtown Market Rent Project
Sensitivity Case: Lowest Total Development Cost, Breakeven Rents

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	7	$749	$62,919
1	21	874	220,217
2	9	$1,124	121,344

Project Rent	$404,480	
Less Vacancy & credit loss @ 2%	8,100	
Gross Annual Income	$396,380	

Expenses

Taxes	$31,800		
Insurance	10,200		
Utilities	29,600		
Maintenance	31,700		
Management	31,700		
Snow removal	1,000		
Reserves	12,000		
Total Expenses		$148,000	37%

Net Operating Income (NOI)	$248,380
Capitalization Rate	11%
Income Value	**$2,260,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	7	450	$86	$269,325
1	21	550	86	987,525
2	9	783	$86	602,519
Total Cost of Units				$1,859,369
Common Areas				10%
Total Building Cost				$2,045,305

Land Cost

	Units	Cost/Unit	
Raw land	37	$0	$0
Development	37	$3,405	126,000
Total Land Cost			$126,000

Interest during Construction (15 months)	@ 9 25%	$102,600
Loan Fees and Loan Closing	@ 5 5%	$97,600
Rent-Up Reserve	@ 3 months	$50,600
Total Development Cost		**$2,422,100**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Secondary Market Participation Housing Program

Market value	$2 260,000	(income value)
Loan-to-value	80%	
Loan amount	$1,775 300	
Interest rate	9 219%	
Amortization period	30 years	
Annual loan payment	$183 700	
Debt service coverage	1 23	(NOI/annual loan payment)
Required coverage	1 25	

Equity required
$646,800 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage
2 Annual loan payment calculated on 80% participation under AHFC loan terms as stated and 20% bank participation @ 9 25% interest and 15 years amortization

PROJECT B - 30 Unit Downtown Market Rent Project

Sensitivity Case: Bank Financing

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	6	600	$43,200
1	17	$700	142,800
2	7	$900	75,600

Project Rent	$261,600
Less Vacancy & credit loss @ 2%	5,200
Gross Annual Income	$256,400

Expenses

Taxes	$19,400		
Insurance	9,200		
Utilities	24,000		
Maintenance	20,500		
Management	20,500		
Snow removal	1,000		
Reserves	9,800		
Total Expenses		$104,400	41%

Net Operating Income (NOI)	$152,000
Capitalization Rate	11%
Income Value	**$1,380,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	6	450	$95	$256,500
1	17	550	$95	888,250
2	7	783	$95	520,695
Total Cost of Units				$1,665,445
Common Areas				10%
Total Building Cost				$1,831,990

Land Cost

	Units	Cost/Unit	
Raw land	30	$7,800	$234,000
Development	30	$4,200	126,000
Total Land Cost			$360,000

Interest during Construction (15 months)	@ 9.25%	$53,700
Loan Fees and Loan Closing	@ 5.0%	$46,400
Rent-Up Reserve	@ 3 months	$32,700
Total Development Cost		**$2,324,800**

FINANCIAL FEASIBILITY

Financing source Bank Financing

Market value	$1,380,000	(income value)
Loan-to-value	75%	
Loan amount	$928,300	
Interest rate	9.250%	
Amortization period	15 years	
Annual loan payment	$114,600	
Debt service coverage	1.20	(NOI/annual loan payment)
Required coverage	1.2	

Equity required
$1,396,500 (cost - loan amount)

Annual return on equity (pre-tax)
2.7% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with bank requiring 1.2 coverage

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PROJECT B - 30 Unit Downtown Market Rent Project
Sensitivity Case: FNMA Financing

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	6	600	$43,200
1	17	$700	142,800
2	7	$900	75,600
Project Rent			$261,600
Less Vacancy & credit loss @ 2%			5,200
Gross Annual Income			$256,400

Expenses

Taxes	$19,400		
Insurance	9,200		
Utilities	24,000		
Maintenance	20,500		
Management	20,500		
Snow removal	1,000		
Reserves	9,800		
Total Expenses		$104,400	41%
Net Operating Income (NOI)		$152,000	
Capitalization Rate		11%	
Income Value		**$1,380,000**	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	6	450	$95	$256,500
1	17	550	$95	888,250
2	7	783	$95	520,695
Total Cost of Units				$1,665,445
Common Areas				10%
Total Building Cost				$1,831,990

Land Cost

	Units	Cost/Unit	
Raw land	30	$7,800	$234,000
Development	30	$4,200	126,000
Total Land Cost			$360,000

Interest during Construction (15 months)	@ 9.25%	$63,700
Loan Fees and Loan Closing	@ 7.0%	$77,100
Rent-Up Reserve	@ 3 months	$32,700
Total Development Cost		**$2,365,500**

FINANCIAL FEASIBILITY

Financing source FNMA Financing

Market value	$1,380,000	(income value)
Loan-to-value	80%	
Loan amount	$1,101,100	
Interest rate	10.375%	
Amortization period	30 years	
Annual loan payment	$119,600	
Debt service coverage	1.15	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$1,264,400 (cost - loan amount)

Annual return on equity (pre-tax)
2.6% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with FNMA requiring 1.15 coverage

PROJECT B - 30 Unit Downtown Market Rent Project
Sensitivity Case: FHA Financing

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	6	$600	$43,200
1	17	700	142 800
2	7	$900	75 600

Project Rent	$261 600
Less Vacancy & credit loss @ 2%	5 200
Gross Annual Income	$256,400

Expenses

Taxes	$19,300		
Insurance	11,000		
Utilities	24,000		
Maintenance	20,500		
Management	20,500		
Snow removal	1,000		
Reserves	9 800		
Total Expenses		$106 100	41%

Net Operating Income (NOI)	$150 300
Capitalization Rate	11%
Income Value	$1,370,000

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	6	450	$114	$307,800
1	17	550	114	1,065,900
2	7	783	$114	624,834
Total Cost of Units				$1,998,534
Common Areas				10%
Total Building Cost				$2,198,387

Land Cost

	Units	Cost/Unit	
Raw land	30	$7,800	$234,000
Development	30	$4,200	126,000
Total Land Cost			$360,000

Interest during Construction (15 months)	@ 9 25%	$71,300
Loan Fees and Loan Closing	@ 6 5%	$80,100
Rent-Up Reserve	@ 3 months	$32,700
Total Development Cost		$2,742,500

FINANCIAL FEASIBILITY

Financing source FHA Financing

Market value	$1,370 000	(income value)
Loan-to-value	90%	
Loan amount	$1,233 000	
Interest rate	9 500%	
Amortization period	40 years	
Annual loan payment	$119 900	
Debt service coverage	1 13	(NOI/annual loan payment)
Required coverage	1 11	

Equity required
$1,509 500 (cost - loan amount)

Annual return on equity (pre-tax)
2 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with FHA requiring 1 11 coverage

PROJECT B - 30 Unit Downtown Market Rent Project
Sensitivity Case: CBJ Financing

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
0	6	600	$43,200
1	17	$700	142,800
2	7	$900	75,600

Project Rent	$261,600
Less Vacancy & credit loss @ 2%	5,200
Gross Annual Income	$256,400

Expenses

Taxes	$19,400		
Insurance	9,200		
Utilities	24,000		
Maintenance	20,500		
Management	20,500		
Snow removal	1,000		
Reserves	9,800		
Total Expenses		$104,400	41%

Net Operating Income (NOI)	$152,000
Capitalization Rate	11%
Income Value	**$1,380,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
0	6	450	$95	$256,500
1	17	550	$95	888,250
2	7	783	$95	520,695
Total Cost of Units				$1,665,445
Common Areas				10%
Total Building Cost				$1,831,990

Land Cost

	Units	Cost/Unit	
Raw land	30	$7,800	$234,000
Development	30	$4,200	126,000
Total Land Cost			$360,000

Interest during Construction (15 months)	@ 9.25%	$64,300
Loan Fees and Loan Closing	@ 9.0%	$100,100
Rent-Up Reserve	@ 3 months	$32,700
Total Development Cost		**$2,389,100**

FINANCIAL FEASIBILITY

Financing source CBJ Bond Issue

Market value	$1,380,000	(income value)
Loan-to-value	90%	
Loan amount	$1,112,000	
Interest rate	9.750%	
Amortization period	30 years	
Annual loan payment	$114,600	
Debt service coverage	1.20	(NOI/annual loan payment)
Required coverage	1.2	

Equity required
$1,277,100 (cost - loan amount)

Annual return on equity (pre-tax)
2.9% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with bond issue requiring 1.2 coverage

PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Base Case

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	4	681	32,688
3	4	787	37,776
1	12	650	93,600
2	18	850	183,600
3	6	$1,000	72,000

Project Rent		$426,480	
Less: Vacancy & credit loss @ 2%		8,500	
Gross Annual Income		$417,980	
Expenses			
Taxes	$30,100		
Insurance	16,100		
Utilities	36,000		
Maintenance	41,800		
Management	41,800		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$182,400	44%
Net Operating Income (NOI)		$235,580	
Capitalization Rate		11%	
Income Value		**$2,140,000**	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$85	$46,750
2	4	783	85	266,220
3	4	1000	85	340,000
1	12	550	85	561,000
2	18	783	85	1,197,990
3	6	1,000	$85	510,000
Total Cost of Units				$2,921,960
Common Areas				10%
Total Building Cost				$3,214,156

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$6,000	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	9.25%	$105,200
Loan Fees and Loan Closing	@ 3.0%	$54,600
Rent-Up Reserve	@ 3 months	$53,300
Total Development Cost		**$3,967,300**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,140,000	(income value)
Loan-to-value	85%	
Loan amount	$1,819,000	
Interest rate	7.179%	
Amortization period	30 years	
Annual loan payment	$147,900	
Debt service coverage	1.43	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$2,148,300 (cost - loan amount)

Annual return on equity (pre-tax)
4.1% (NOI - loan payment)/equity

Notes:
1. Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with bank 20% participation requiring 1.2 coverage

PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Sensitivity Case: High Density

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	5	681	40,860
3	5	787	47,220
1	15	650	117,000
2	22	850	224,400
3	8	$1,000	96,000
Project Rent			$532,296
Less Vacancy & credit loss @ 2%			10,600
Gross Annual Income			$521,696

Expenses

Taxes	$37,700		
Insurance	20,100		
Utilities	44,800		
Maintenance	52,200		
Management	52,200		
Snow removal	2,000		
Reserves	18,200		
Total Expenses		$227,200	44%
Net Operating Income (NOI)		$294,496	
Capitalization Rate		11%	
Income Value		**$2,680,000**	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$85	$46,750
2	5	783	85	332,775
3	5	1000	85	425,000
1	15	550	85	701,250
2	22	783	85	1,464,210
3	8	1,000	$85	680,000
Total Cost of Units				$3,649,985
Common Areas				10%
Total Building Cost				$4,014,984

Land Cost

	Units	Cost/Unit	
Raw land	56	$4,821	$270,000
Development	56	$4,821	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9.25%	$131,700
Loan Fees and Loan Closing	@ 3.0%	$68,300
Rent-Up Reserve	@ 3 months	$66,500
Total Development Cost		**$4,821,500**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,680,000	(income value)
Loan-to-value	85%	
Loan amount	$2,278,000	
Interest rate	7.179%	
Amortization period	30 years	
Annual loan payment	$185,200	
Debt service coverage	1.43	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$2,543,500 (cost - loan amount)

Annual return on equity (pre tax)
4.3% (NOI - loan payment)/equity

Notes:

1 Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with AHFC requiring 1.15 coverage

PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Sensitivity Case: Low Land Development Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	4	681	32,688
3	4	787	37 776
1	12	650	93,600
2	18	850	183 600
3	6	$1,000	72,000

Project Rent	$426,480
Less Vacancy & credit loss @ 2%	8,500
Gross Annual Income	$417,980

Expenses

Taxes	$30,100		
Insurance	16,100		
Utilities	36,000		
Maintenance	41,800		
Management	41,800		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$182,400	44%

Net Operating Income (NOI)	$235,580
Capitalization Rate	11%
Income Value	**$2,140,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$85	$46,750
2	4	783	85	266,220
3	4	1000	85	340,000
1	12	550	85	561,000
2	18	783	85	1,197,990
3	6	1,000	$85	510,000
Total Cost of Units				$2,921,960
Common Areas				10%
Total Building Cost				$3,214,156

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$3,000	135,000
Total Land Cost			$405,000

Interest during Construction (15 months)	@ 9 25%	$105,200
Loan Fees and Loan Closing	@ 3 0%	$54,600
Rent-Up Reserve	@ 3 months	$53,300
Total Development Cost		**$3,832,300**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,140,000	(income value)
Loan-to-value	85%	
Loan amount	$1,819,000	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$147,900	
Debt service coverage	1 43	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$2,013,300 (cost - loan amount)

Annual return on equity (pre-tax)
4 4% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with AHFC requiring 1 15 coverage

PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Sensitivity Case: Zero Raw Land Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	4	681	32,688
3	4	787	37,776
1	12	650	93,600
2	18	850	183,600
3	6	$1,000	72,000

Project Rent	$426,480
Less Vacancy & credit loss @ 2%	8,500
Gross Annual Income	$417,980

Expenses

Taxes	$30,100		
Insurance	16,100		
Utilities	36,000		
Maintenance	41,800		
Management	41,800		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$182,400	44%

Net Operating Income (NOI)	$235,580
Capitalization Rate	11%
Income Value	**$2,140,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$85	$46,750
2	4	783	85	266,220
3	4	1000	85	340,000
1	12	550	85	561,000
2	18	783	85	1,197,990
3	6	1,000	$85	510,000
Total Cost of Units				$2,921,960
Common Areas				10%
Total Building Cost				$3,214,156

Land Cost

	Units	Cost/Unit	
Raw land	45	$0	$0
Development	45	$6,000	270,000
Total Land Cost			$270,000

Interest during Construction (15 months)	@ 9.25%	$105,200
Loan Fees and Loan Closing	@ 3.0%	$54,600
Rent-Up Reserve	@ 3 months	$53,300
Total Development Cost		**$3,697,300**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,140,000	(income value)
Loan-to-value	85%	
Loan amount	$1,819,000	
Interest rate	7.179%	
Amortization period	30 years	
Annual loan payment	$147,900	
Debt service coverage	1.43	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$1,878,300 (cost - loan amount)

Annual return on equity (pre-tax)
4.7% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with AHFC requiring 1.15 coverage

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PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Sensitivity Case: Low Construction Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	4	681	32,688
3	4	787	37,776
1	12	650	93,600
2	18	850	183,600
3	6	$1,000	72,000

Project Rent	$426,480
Less Vacancy & credit loss @ 2%	8,500
Gross Annual Income	$417,980

Expenses

Taxes	$30,300		
Insurance	14,500		
Utilities	36,000		
Maintenance	41,800		
Management	41,800		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$181,000	43%

Net Operating Income (NOI)	$236,980
Capitalization Rate	11%
Income Value	$2,150,000

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$77	$42,075
2	4	783	77	239,598
3	4	1000	77	306,000
1	12	550	77	504,900
2	18	783	77	1,078,191
3	6	1,000	$77	459,000
Total Cost of Units				$2,629,764
Common Areas				10%
Total Building Cost				$2,892,740

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$6,000	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9.25%	$105,700
Loan Fees and Loan Closing	@ 3.0%	$54,800
Rent-Up Reserve	@ 3 months	$53,300
Total Development Cost		**$3,646,500**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,150,000	(income value)
Loan-to-value	85%	
Loan amount	$1,827,500	
Interest rate	7.179%	
Amortization period	30 years	
Annual loan payment	$148,500	
Debt service coverage	1.44	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$1,819,000 (cost - loan amount)

Annual return on equity (pre-tax)
4.9% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7.5% vacancy and credit loss will support, with AHFC requiring 1.15 coverage

PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Sensitivity Case: Lowest Total Development Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	5	681	40,860
3	5	787	47,220
1	15	650	117,000
2	22	850	224,400
3	8	$1,000	96,000
Project Rent			$532,296
Less Vacancy & credit loss @ 2%			10,600
Gross Annual Income			$521,696

Expenses

Taxes	$37,900		
Insurance	18 100		
Utilities	44,800		
Maintenance	52 200		
Management	52,200		
Snow removal	2,000		
Reserves	18 200		
Total Expenses		$225,400	43%

Net Operating Income (NOI)	$296,296
Capitalization Rate	11%
Income Value	**$2,690,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$77	$42,075
2	5	783	77	299,498
3	5	1000	77	382,500
1	15	550	77	631,125
2	22	783	77	1,317,789
3	8	1,000	$77	612,000
Total Cost of Units				$3,284,987
Common Areas				10%
Total Building Cost				$3,613,485

Land Cost

	Units	Cost/Unit	
Raw land	56	$0	$0
Development	56	$2,411	135,000
Total Land Cost			$135,000

Interest during Construction (15 months)	@ 9 25%	$132,200
Loan Fees and Loan Closing	@ 3 0%	$68,600
Rent-Up Reserve	@ 3 months	$66,500
Total Development Cost		**$4,015,800**

FINANCIAL FEASIBILITY ·

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,690 000	(income value)
Loan-to-value	85%	
Loan amount	$2,286 500	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$185,900	
Debt service coverage	1 44	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$1,729,300 (cost - loan amount)

Annual return on equity (pre-tax)
6 4% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with AHFC requiring 1 15 coverage

PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Sensitivity Case: High Construction Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	4	681	32,688
3	4	787	37,776
1	12	650	93,600
2	18	850	183,600
3	6	$1,000	72,000

Project Rent	$426,480
Less Vacancy & credit loss @ 2%	8,500
Gross Annual Income	$417,980

Expenses

Taxes	$29,800		
Insurance	19,300		
Utilities	36,000		
Maintenance	41,800		
Management	41,800		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$185,300	44%

Net Operating Income (NOI)	$232,680
Capitalization Rate	11%
Income Value	**$2,120,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$102	$56,100
2	4	783	102	319,464
3	4	1000	102	408,000
1	12	550	102	673,200
2	18	783	102	1,437,588
3	6	1,000	$102	612,000
Total Cost of Units				$3,506,352
Common Areas				10%
Total Building Cost				$3,856,987

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$6,000	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9 25%	$104,200
Loan Fees and Loan Closing	@ 3 0%	$54,100
Rent-Up Reserve	@ 3 months	$53,300
Total Development Cost		**$4,608,600**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,120,000	(income value)
Loan-to-value	85%	
Loan amount	$1,802,000	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$146,500	
Debt service coverage	1 43	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$2,806,600 (cost - loan amount)

Annual return on equity (pre-tax)
3 1% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with AHFC requiring 1 15 coverage

PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Sensitivity Case: Breakeven Expenses

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	4	681	32,688
3	4	787	37 776
1	12	650	93 600
2	18	850	183,600
3	6	$1,000	72 000

Project Rent	$426 480
Less Vacancy & credit loss @ 2%	8,500
Gross Annual Income	$417,980

Expenses

Taxes	NA		
Insurance	NA		
Utilities	NA		
Maintenance	NA		
Management	NA		
Snow removal	NA		
Reserves	NA		
Total Expenses		$64,330	15%

Net Operating Income (NOI)	$353,650
Capitalization Rate	11%
Income Value	**$3,210,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$85	$46,750
2	4	783	85	266,220
3	4	1000	85	340 000
1	12	550	85	561,000
2	18	783	85	1 197,990
3	6	1,000	$85	510,000
Total Cost of Units				$2 921,960
Common Areas				10%
Total Building Cost				$3,214 156

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$6,000	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9 25%	$157 700
Loan Fees and Loan Closing	@ 3 0%	$81,900
Rent-Up Reserve	@ 3 months	$53,300
Total Development Cost		**$4,047,100**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$3,210,000	(income value)
Loan-to-value	85%	
Loan amount	$2,728,500	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$221,800	
Debt service coverage	1 49	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$1,318,600 (cost - loan amount)

Annual return on equity (pre-tax)
10.0% (NOI - loan payment)/equity

Notes:
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage

PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Sensitivity Case: Breakeven Rents

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	4	681	32 688
3	4	787	37 776
1	12	972	139,915
2	18	1,271	274,448
3	6	$1,495	107,627
Project Rent			$599 270
Less Vacancy & credit loss @ 2%			12,000
Gross Annual Income			$587,270

Expenses

Taxes	$45,500		
Insurance	16,100		
Utilities	36,000		
Maintenance	58,700		
Management	58 700		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$231,600	39%

Net Operating Income (NOI)	$355 670
Capitalization Rate	11%
Income Value	**$3,230,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$85	$46,750
2	4	783	85	266,220
3	4	1000	85	340 000
1	12	550	85	561,000
2	18	783	85	1,197,990
3	6	1,000	$85	510,000
Total Cost of Units				$2,921,960
Common Areas				10%
Total Building Cost				$3,214,156

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$6,000	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9 25%	$158,700
Loan Fees and Loan Closing	@ 3 0%	$82,400
Rent-Up Reserve	@ 3 months	$74,900
Total Development Cost		**$4,070,200**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$3 230,000	(income value)
Loan-to-value	85%	
Loan amount	$2,745,500	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$223 200	
Debt service coverage	1 45	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$1,324,700 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with bank 20% participation requiring 1 2 coverage

PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Sensitivity Case: Lowest Total Development Cost, Breakeven Expenses

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	5	681	40,860
3	5	787	47 220
1	15	650	117,000
2	22	850	224 400
3	8	$1,000	96,000

Project Rent	$532 296	
Less Vacancy & credit loss @ 2%	10 600	
Gross Annual Income	$521,696	

Expenses

Taxes	NA		
Insurance	NA		
Utilities	NA		
Maintenance	NA		
Management	NA		
Snow removal	NA		
Reserves	NA		
Total Expenses		$167,366	32%

Net Operating Income (NOI)	$354 330
Capitalization Rate	11%
Income Value	**$3,220,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$77	$42,075
2	5	783	77	299,498
3	5	1000	77	382,500
1	15	550	77	631,125
2	22	783	77	1,317,789
3	8	1,000	$77	612,000
Total Cost of Units				$3,284,987
Common Areas				10%
Total Building Cost				$3,613,485

Land Cost

	Units	Cost/Unit	
Raw land	56	$0	$0
Development	56	$2,411	135,000
Total Land Cost			$135,000

Interest during Construction (15 months)	@ 9 25%	$158,200
Loan Fees and Loan Closing	@ 3 0%	$82,100
Rent-Up Reserve	@ 3 months	$66,500
Total Development Cost		**$4,055,300**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$3 220,000	(income value)
Loan-to-value	85%	
Loan amount	$2 737 000	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$222,500	
Debt service coverage	1 46	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$1,318,300 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value or what 7 5% vacancy and credit loss will support, with AHFC requiring 1 15 coverage

PROJECT C - 45 Unit Valley Low-Income Project

20% of units restricted to rents @ 30% of 50% of median income

Sensitivity Case: Lowest Total Development Cost, Breakeven Rents

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	1	$568	$6,816
2	5	681	40,860
3	5	787	47,220
1	15	776	139,719
2	22	1,015	267,974
3	8	$1,194	114,641

Project Rent	$617,230
Less Vacancy & credit loss @ 2%	12,300
Gross Annual Income	$604,930

Expenses

Taxes	$45,500		
Insurance	18,100		
Utilities	44,800		
Maintenance	60,500		
Management	60,500		
Snow removal	2,000		
Reserves	18,200		
Total Expenses		$249,600	41%

Net Operating Income (NOI)	$355,330
Capitalization Rate	11%
Income Value	**$3,230,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	1	550	$77	$42,075
2	5	783	77	299,498
3	5	1000	77	382,500
1	15	550	77	631,125
2	22	783	77	1,317,789
3	8	1,000	$77	612,000
Total Cost of Units				$3,284,987
Common Areas				10%
Total Building Cost				$3,613,485

Land Cost

	Units	Cost/Unit	
Raw land	56	$0	$0
Development	56	$2,411	135,000
Total Land Cost			$135,000

Interest during Construction (15 months)	@ 9.25%	$158,700
Loan Fees and Loan Closing	@ 3.0%	$82,400
Rent-Up Reserve	@ 3 months	$77,200
Total Development Cost		**$4,066,800**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$3,230,000	(income value)
Loan-to-value	85%	
Loan amount	$2,745,500	
Interest rate	7.179%	
Amortization period	30 years	
Annual loan payment	$223,200	
Debt service coverage	1.44	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$1,321,300 (cost - loan amount)

Annual return on equity (pre-tax)
10.0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value or what 7.5% vacancy and credit loss will support, with AHFC requiring 1.15 coverage

PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Base Case

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	8	817	78,432
3	8	945	90,720
1	9	650	70,200
2	13	850	132,600
3	5	$1,000	60,000
Project Rent			$447,552
Less Vacancy & credit loss @ 2%			9,000
Gross Annual Income			$438,552

Expenses

Taxes	$32,000		
Insurance	16,600		
Utilities	36,000		
Maintenance	43,900		
Management	43,900		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$189,000	43%
Net Operating Income (NOI)		$249,552	
Capitalization Rate		11%	
Income Value		**$2,270,000**	

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$85	$93,500
2	8	783	85	532,440
3	8	1000	85	680,000
1	9	550	85	420,750
2	13	783	85	865,215
3	5	1,000	$85	425,000
Total Cost of Units				$3,016,905
Common Areas				10%
Total Building Cost				$3,318,596

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$6,000	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9.25%	$111,500
Loan Fees and Loan Closing	@ 3.0%	$57,900
Rent-Up Reserve	@ 3 months	$55,900
Total Development Cost		**$4,083,900**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,270,000	(income value)
Loan-to-value	85%	
Loan amount	$1,929,500	
Interest rate	7.179%	
Amortization period	30 years	
Annual loan payment	$156,800	
Debt service coverage	1.43	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$2,154,400 (cost - loan amount)

Annual return on equity (pre-tax)
4.3% (NOI - loan payment)/equity

Notes:

1 Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with AHFC requiring 1.15 coverage

PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Sensitivity Case: High Density

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	10	817	98,040
3	10	945	113,400
1	11	650	85,800
2	17	850	173,400
3	6	$1,000	72,000

Project Rent	$558,240
Less Vacancy & credit loss @ 2%	11,200
Gross Annual Income	$547,040

Expenses

Taxes	$40,000		
Insurance	20,700		
Utilities	44,800		
Maintenance	54,700		
Management	54,700		
Snow removal	2,000		
Reserves	18,200		
Total Expenses		$235,100	43%

Net Operating Income (NOI)	$311,940
Capitalization Rate	11%
Income Value	**$2,840,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$85	$93,500
2	10	783	85	665,550
3	10	1000	85	850,000
1	11	550	85	514,250
2	17	783	85	1,131,435
3	6	1,000	$85	510,000
Total Cost of Units				$3,764,735
Common Areas				10%
Total Building Cost				$4,141,209

Land Cost

	Units	Cost/Unit	
Raw land	56	$4,821	$270,000
Development	56	$4,821	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9 25%	$139,600
Loan Fees and Loan Closing	@ 3 0%	$72,400
Rent-Up Reserve	@ 3 months	$69,800
Total Development Cost		**$4,963,000**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,840,000	(income value)
Loan-to-value	85%	
Loan amount	$2,414,000	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$196,200	
Debt service coverage	1 43	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$2,549,000 (cost - loan amount)

Annual return on equity (pre tax)
4 5% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with AHFC requiring 1 15 coverage

PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Sensitivity Case: Low Land Development Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	8	817	78,432
3	8	945	90,720
1	9	650	70,200
2	13	850	132,600
3	5	$1,000	60,000

Project Rent	$447,552
Less: Vacancy & credit loss @ 2%	9,000
Gross Annual Income	$438,552

Expenses

Taxes	$32,000		
Insurance	16,600		
Utilities	36,000		
Maintenance	43,900		
Management	43,900		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$189,000	43%

Net Operating Income (NOI)	$249,552
Capitalization Rate	11%
Income Value	**$2,270,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$85	$93,500
2	8	783	85	532,440
3	8	1000	85	680,000
1	9	550	85	420,750
2	13	783	85	865,215
3	5	1,000	$85	425,000
Total Cost of Units				$3,016,905
Common Areas				10%
Total Building Cost				$3,318,596

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$3,000	135,000
Total Land Cost			$405,000

Interest during Construction (15 months)	@ 9.25%	$111,500
Loan Fees and Loan Closing	@ 3.0%	$57,900
Rent-Up Reserve	@ 3 months	$55,900
Total Development Cost		**$3,948,900**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,270,000	(income value)
Loan-to-value	85%	
Loan amount	$1,929,500	
Interest rate	7.179%	
Amortization period	30 years	
Annual loan payment	$156,800	
Debt service coverage	1.43	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$2,019,400 (cost - loan amount)

Annual return on equity (pre-tax)
4.6% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value or what 7.5% vacancy and credit loss will support, with AHFC requiring 1.15 coverage

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PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Sensitivity Case: Zero Raw Land Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	8	817	78,432
3	8	945	90,720
1	9	650	70,200
2	13	850	132,600
3	5	$1,000	60,000

Project Rent	$447,552
Less Vacancy & credit loss @ 2%	9,000
Gross Annual Income	$438,552

Expenses

Taxes	$32,000		
Insurance	16,600		
Utilities	36,000		
Maintenance	43,900		
Management	43,900		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$189,000	43%

Net Operating Income (NOI)	$249,552
Capitalization Rate	11%
Income Value	**$2,270,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$85	$93,500
2	8	783	85	532,440
3	8	1000	85	680,000
1	9	550	85	420,750
2	13	783	85	865,215
3	5	1,000	$85	425,000
Total Cost of Units				$3,016,905
Common Areas				10%
Total Building Cost				$3,318,596

Land Cost

	Units	Cost/Unit	
Raw land	45	$0	$0
Development	45	$6,000	270,000
Total Land Cost			$270,000

Interest during Construction (15 months)	@ 9.25%	$111,500
Loan Fees and Loan Closing	@ 3.0%	$57,900
Rent-Up Reserve	@ 3 months	$55,900
Total Development Cost		**$3,813,900**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,270,000	(income value)
Loan-to-value	85%	
Loan amount	$1,929,500	
Interest rate	7.179%	
Amortization period	30 years	
Annual loan payment	$156,800	
Debt service coverage	1.43	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$1,884,400 (cost - loan amount)

Annual return on equity (pre-tax)
4.9% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with AHFC requiring 1.15 coverage

PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Sensitivity Case: Low Construction Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	8	817	78,432
3	8	945	90,720
1	9	650	70,200
2	13	850	132,600
3	5	$1,000	60,000

Project Rent	$447,552
Less Vacancy & credit loss @ 2%	9,000
Gross Annual Income	$438,552

Expenses

Taxes	$32,100		
Insurance	14,900		
Utilities	36,000		
Maintenance	43,900		
Management	43,900		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$187,400	43%

Net Operating Income (NOI)	$251,152
Capitalization Rate	11%
Income Value	**$2,280,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$77	$84,150
2	8	783	77	479,196
3	8	1000	77	612,000
1	9	550	77	378,675
2	13	783	77	778,694
3	5	1,000	$77	382,500
Total Cost of Units				$2,715,215
Common Areas				10%
Total Building Cost				$2,986,736

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$6,000	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9 25%	$112,000
Loan Fees and Loan Closing	@ 3 0%	$58,100
Rent-Up Reserve	@ 3 months	$55,900
Total Development Cost		**$3,752,700**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,280,000	(income value)
Loan-to-value	85%	
Loan amount	$1,938,000	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$157,500	
Debt service coverage	1 44	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$1,814,700 (cost - loan amount)

Annual return on equity (pre-tax)
5 2% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with AHFC requiring 1 15 coverage

PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Sensitivity Case: Lowest Total Development Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	10	817	98,040
3	10	945	113,400
1	11	650	85,800
2	17	850	173,400
3	6	$1,000	72,000

Project Rent	$558,240
Less Vacancy & credit loss @ 2%	11,200
Gross Annual Income	$547,040

Expenses

Taxes	$40,100		
Insurance	18,600		
Utilities	44,800		
Maintenance	54,700		
Management	54,700		
Snow removal	2,000		
Reserves	18,200		
Total Expenses		$233,100	43%

Net Operating Income (NOI)	$313,940
Capitalization Rate	11%
Income Value	**$2,850,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$77	$84,150
2	10	783	77	598,995
3	10	1000	77	765,000
1	11	550	77	462,825
2	17	783	77	1,018,292
3	6	1,000	$77	459,000
Total Cost of Units				$3,388,262
Common Areas				10%
Total Building Cost				$3,727,088

Land Cost

	Units	Cost/Unit	
Raw land	56	$0	$0
Development	56	$2,411	135,000
Total Land Cost			$135,000

Interest during Construction (15 months)	@ 9.25%	$140,100
Loan Fees and Loan Closing	@ 3.0%	$72,700
Rent-Up Reserve	@ 3 months	$69,800
Total Development Cost		**$4,144,700**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,850,000	(income value)
Loan-to-value	85%	
Loan amount	$2,422,500	
Interest rate	7.179%	
Amortization period	30 years	
Annual loan payment	$196,900	
Debt service coverage	1.44	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$1,722,200 (cost - loan amount)

Annual return on equity (pre-tax)
6.8% (NOI - loan payment)/equity

Notes:
1 Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with AHFC requiring 1.15 coverage

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PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Sensitivity Case: High Construction Cost

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	8	817	78,432
3	8	945	90,720
1	9	650	70,200
2	13	850	132,600
3	5	$1,000	60,000

Project Rent	$447,552
Less Vacancy & credit loss @ 2%	9,000
Gross Annual Income	$438,552

Expenses

Taxes	$31,500		
Insurance	19,900		
Utilities	36,000		
Maintenance	43,900		
Management	43,900		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$191,800	44%

Net Operating Income (NOI)	$246,752
Capitalization Rate	11%
Income Value	**$2,240,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$102	$112,200
2	8	783	102	638,928
3	8	1000	102	816,000
1	9	550	102	504,900
2	13	783	102	1,038,258
3	5	1,000	$102	510,000
Total Cost of Units				$3,620,286
Common Areas				10%
Total Building Cost				$3,982,315

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$6,000	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9.25%	$110,100
Loan Fees and Loan Closing	@ 3.0%	$57,100
Rent-Up Reserve	@ 3 months	$55,900
Total Development Cost		**$4,745,400**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$2,240,000	(income value)
Loan-to-value	85%	
Loan amount	$1,904,000	
Interest rate	7.179%	
Amortization period	30 years	
Annual loan payment	$154,800	
Debt service coverage	1.44	(NOI/annual loan payment)
Required coverage	1.15	

Equity required
$2,841,400 (cost - loan amount)

Annual return on equity (pre-tax)
3.2% (NOI - loan payment)/equity

Notes

1 Loan amount calculated at lesser of loan-to-value, or what 7.5% vacancy and credit loss will support, with AHFC requiring 1.15 coverage

PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Sensitivity Case: Breakeven Expenses

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	8	817	78,432
3	8	945	90,720
1	9	650	70,200
2	13	850	132,600
3	5	$1,000	60,000

Project Rent	$447,552
Less Vacancy & credit loss @ 2%	9,000
Gross Annual Income	$438,552

Expenses

Taxes	NA		
Insurance	NA		
Utilities	NA		
Maintenance	NA		
Management	NA		
Snow removal	NA		
Reserves	NA		
Total Expenses		$75,002	17%

Net Operating Income (NOI)	$363,550
Capitalization Rate	11%
Income Value	**$3,300,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$85	$93,500
2	8	783	85	532,440
3	8	1000	85	680 000
1	9	550	85	420,750
2	13	783	85	865,215
3	5	1,000	$85	425,000
Total Cost of Units				$3,016,905
Common Areas				10%
Total Building Cost				$3,318,596

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$6,000	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9 25%	$162,200
Loan Fees and Loan Closing	@ 3 0%	$84,200
Rent-Up Reserve	@ 3 months	$55,900
Total Development Cost		**$4,160,900**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$3 300 000	(income value)	
Loan-to-value	85%		Equity required
Loan amount	$2,805,000		$1,355,900 (cost - loan amount)
Interest rate	7 179%		
Amortization period	30 years		Annual return on equity (pre-tax)
Annual loan payment	$228 000		10 0% (NOI - loan payment)/equity
Debt service coverage	1 49	(NOI/annual loan payment)	
Required coverage	1 15		

Notes:

1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with AHFC requiring 1 15 coverage

PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Sensitivity Case: Breakeven Rents

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	8	817	78,432
3	8	945	90 720
1	9	1,062	114,694
2	13	1,389	216,645
3	5	$1,634	98,029

Project Rent	$614,120
Less: Vacancy & credit loss @ 2%	12 300
Gross Annual Income	$601,820

Expenses

Taxes	$46 700		
Insurance	16,600		
Utilities	36 000		
Maintenance	60,200		
Management	60 200		
Snow removal	2,000		
Reserves	14,600		
Total Expenses		$236,300	39%

Net Operating Income (NOI)	$365,520
Capitalization Rate	11%
Income Value	**$3,320,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$85	$93,500
2	8	783	85	532,440
3	8	1000	85	680,000
1	9	550	85	420,750
2	13	783	85	865,215
3	5	1,000	$85	425,000
Total Cost of Units				$3,016,905
Common Areas				10%
Total Building Cost				$3,318,596

Land Cost

	Units	Cost/Unit	
Raw land	45	$6,000	$270,000
Development	45	$6,000	270,000
Total Land Cost			$540,000

Interest during Construction (15 months)	@ 9 25%	$163,100
Loan Fees and Loan Closing	@ 3 0%	$84,700
Rent-Up Reserve	@ 3 months	$76,800
Total Development Cost		**$4,183,200**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$3 320 000	(income value)
Loan-to-value	85%	
Loan amount	$2 822,000	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$229 400	
Debt service coverage	1 45	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$1,361,200 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with AHFC requiring 1 15 coverage

PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Sensitivity Case: Lowest Total Development Cost, Breakeven Expenses

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	10	817	98,040
3	10	945	113,400
1	11	650	85,800
2	17	850	173,400
3	6	$1,000	72,000

Project Rent	$558,240
Less Vacancy & credit loss @ 2%	11,200
Gross Annual Income	$547,040

Expenses

Taxes	NA		
Insurance	NA		
Utilities	NA		
Maintenance	NA		
Management	NA		
Snow removal	NA		
Reserves	NA		
Total Expenses		$181,870	33%

Net Operating Income (NOI)	$365,170
Capitalization Rate	11%
Income Value	**$3,320,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$77	$84,150
2	10	783	77	598,995
3	10	1000	77	765,000
1	11	550	77	462,825
2	17	783	77	1,018,292
3	6	1,000	$77	459,000
Total Cost of Units				$3,388,262
Common Areas				10%
Total Building Cost				$3,727,088

Land Cost

	Units	Cost/Unit	
Raw land	58	$0	$0
Development	56	$2,411	135,000
Total Land Cost			$135,000

Interest during Construction (15 months)	@ 9 25%	$163,100
Loan Fees and Loan Closing	@ 3 0%	$84,700
Rent-Up Reserve	@ 3 months	$69,800
Total Development Cost		**$4,178,700**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$3,320,000	(income value)
Loan-to-value	85%	
Loan amount	$2 822 000	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$229,400	
Debt service coverage	1 46	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$1,357,700 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes.
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with AHFC requiring 1 15 coverage

PROJECT D - 45 Unit Valley Low-Income Project

40% of units restricted to rents @ 30% of 60% of median income

Sensitivity Case: Lowest Total Development Cost, Breakeven Rents

INCOME VALUE

Gross Income

Bedrooms	Units	Rent/Unit	Total Rent
1	2	$650	$15,600
2	10	817	98,040
3	10	945	113 400
1	11	798	105,279
2	17	1,043	212,766
3	6	$1,227	88,346

Project Rent		$633,430
Less Vacancy & credit loss @ 2%		12,700
Gross Annual Income		$620,730
Expenses		
Taxes	$46,900	
Insurance	18 600	
Utilities	44,800	
Maintenance	62 100	
Management	62,100	
Snow removal	2 000	
Reserves	18,200	
Total Expenses		$254,700 41%
Net Operating Income (NOI)		$366,030
Capitalization Rate		11%
Income Value		**$3,330,000**

DEVELOPMENT COST

Building Cost

Bedrooms	Units	Square Feet/Unit	Cost/ Square Foot	Total Cost
1	2	550	$77	$84,150
2	10	783	77	598,995
3	10	1000	77	765,000
1	11	550	77	462,825
2	17	783	77	1,018,292
3	6	1,000	$77	459,000
Total Cost of Units				$3,388,262
Common Areas				10%
Total Building Cost				$3,727,088

Land Cost

	Units	Cost/Unit	
Raw land	56	$0	$0
Development	56	$2,411	135,000
Total Land Cost			$135,000

Interest during Construction (15 months)	@ 9 25%	$163,600
Loan Fees and Loan Closing	@ 3 0%	$84,900
Rent-Up Reserve	@ 3 months	$79,200
Total Development Cost		**$4,189,800**

FINANCIAL FEASIBILITY

Financing source AHFC Multi-Family, Special Needs & Congregate Housing Program (tax-exempt)

Market value	$3,330,000	(income value)
Loan-to-value	85%	
Loan amount	$2,830,500	
Interest rate	7 179%	
Amortization period	30 years	
Annual loan payment	$230 100	
Debt service coverage	1 44	(NOI/annual loan payment)
Required coverage	1 15	

Equity required
$1,359,300 (cost - loan amount)

Annual return on equity (pre-tax)
10 0% (NOI - loan payment)/equity

Notes
1 Loan amount calculated at lesser of loan-to-value, or what 7 5% vacancy and credit loss will support, with AHFC requiring 1 15 coverage

Juneau Housing Demand Forecast

Volume III of the

Juneau Multi-Family Housing Program Feasibility Study

Prepared for:

City and Borough of Juneau

Prepared by:

McDowell Group

Juneau • Ketchikan

in association with

Thomas P. King & Associates/Milton B. Barker

July 1994

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Juneau Housing Demand Forecast

Introduction

As in most housing markets, the demand for housing in Juneau has been directly affected by local economic conditions. During the early 1980s, residential building increased dramatically (900 units constructed in 1983 alone) due primarily to increasing state government employment in Juneau. Juneau's population grew by 6,000 residents over a five year period. During this period of rapid growth, the supply of housing could not keep up with the demand. High housing costs reflected this imbalance.

In 1986 and 1987, however, the speculative bubble in real estate construction collapsed, resulting in the loss of over 1,100 jobs. The population declined by nearly 1,500 residents and the housing market was flooded with units for sale or rent. Property values declined by as much as 40% in some areas.

Since about 1988, Juneau's economy has been on the upswing. State government has grown and now employs as many workers as before the recession. Retail expansion has occurred at an unprecedented rate. Juneau population, at about 29,000 residents is the highest ever. For a number of reasons Juneau's housing supply has not kept pace with local population growth. With a vacancy rate of less than 1%, the community again faces a situation where the supply of housing falls short of demand.

As part of the *Juneau Multi-Family Housing Program Feasibility Study,* this analysis predicts future housing demand in Juneau and identifies the likely imbalance between housing supply and demand. Predicting housing demand through the year 2000 entailed a four step process, including the following:

1. Identify Juneau's existing housing stock
2. Measure pent-up demand through household survey research and other data
3. Project changes in housing demand as a result of population change in Juneau and
4. Compare future housing demand with existing supply.

This report includes an Executive Summary and four sections. Detailed housing inventory and demand data is presented in the appendix. Following is a summary of results.

Executive Summary

Juneau's Current Housing Supply

- According to data provided by the City and Borough of Juneau (CBJ), Juneau's current housing supply is 10,821 units. This includes 4,144 single family units, 2,281 multi-family units, 1,468 units in duplexes, 1,172 mobile homes, 871 condominium units and 741 zero-lot line units. The balance is comprised of live-aboard boats in Juneau harbors.

Pent-up Demand

- There is pent-up demand among local residents for at least 300 additional housing units. Pent-up demand includes local residents currently sharing housing who would have their own housing if not for the constrained market in Juneau.
- More than half (180 units) of the pent-up demand is for multi-family rental housing. The remaining demand is for owner-occupied housing, including single family homes, condominiums or zero lot lines.
- Though not quantified in this study, survey results suggest that there is also pent-up demand among non-residents for housing in Juneau.
- These estimates of pent-up demand suggest that construction of 300 additional units would not reduce Juneau's vacancy rate, depending on the cost and location of the additional housing.
- These estimates of pent-up demand are conservative. They represent a fraction of pent-up demand indicated in survey results. Adjustments to survey results were made to attempt to account for factors such as affordability, location, and size of unit that would limit local household members from acting on their perceived housing needs.
- Also, potential non-residential demand was discounted entirely due to an inability to confidently quantify its magnitude. Yet, almost one-quarter of Juneau households have relatives or friends that might move to Juneau if they could find satisfactory housing.

Housing Demand Forecast

- According to population figures presented in the Final Socioeconomic Impact Assessments for the Alaska-Juneau (AJ) and Kensington Mines, Juneau's baseline population is expected to grow in 1994 and begin declining slowly after 1995.
- To meet increased housing demand associated with growth during 1994, 170 additional housing units will be required, including 40 multi-family units. This is the increase necessary to meet new demand. Construction of 170 units would not increase the vacancy rate.
- The gradual population decline after 1995, ranging between 0.34% and 0.36% annually will be offset by mining-related growth projected to occur between 1995 and 1999.
- Between 1995 and 1999, Juneau will need a net increase of 730 housing units to meet the needs of the mining-related population, including 395 multi-family units.
- The greatest influx of mining-related population will occur in 1998 when the AJ is predicted to be in full operation and the Kensington is in its second year of construction. That year, 445 new housing units will be needed, including 185 multi-family units.

- To meet existing pent-up demand and future mining-related demand, by the year 2000, Juneau will need an estimated 1,215 new housing units, including 615 multi-family units.
- A variety of factors will determine the location of future housing development, including land availability, economic development and market preferences. The survey of Juneau households found that two-thirds of Juneau renters are satisfied with the location of their current housing. Due to small sample sizes, it was not possible to identify location preferences among those renters that are not satisfied with their current housing. For purposes of this study, the location of existing and future housing demand has been allocated among service areas according to information in the *Juneau Unified Transportation Plan.*

Vacancy Rates

- Construction of 1,215 additional housing units over the next six years would meet pent-up demand and expected increases in demand, but it would not bring Juneau's housing market to a "healthy" condition. Housing industry professionals indicate that a vacancy rate of 5% is normal and healthy. Juneau's current vacancy rate is less than 1% for all housing types, according to data from the CBJ Community Development Department.
- To become a healthy housing market today, Juneau needs 880 additional housing units, including the number necessary to satisfy pent-up demand (310 units) and the number of units needed to bring the community to 5% vacancy (around 570 units). This total includes 315 multi-family units.
- In 1994, an additional 175 dwelling units would be needed to fulfill the demand for housing due to projected population growth over the year and to maintain a 5% vacancy rate.

Multi-Family Housing Losses

- Over the last six years, Juneau has lost an average of 17 multi-family units each year to conversion to other uses, fire or demolition, or approximately 0.75% of the multi-family housing stock annually. For purposes of predicting future demand for new multi-family housing, it is assumed that this rate of loss will continue.

Demand Forecast Summary

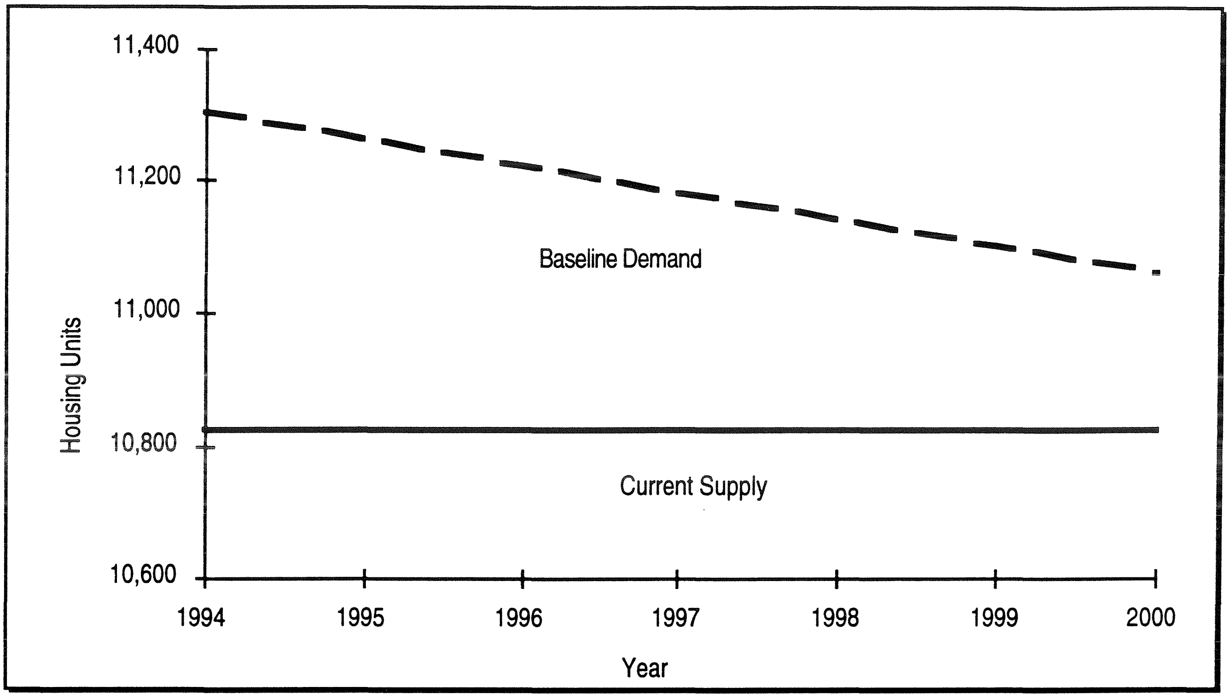
- To be considered a healthy housing market, over the next six years Juneau's housing inventory must expand by a total of approximately 1,800 units. This includes the number of units necessary to satisfy pent-up demand (310 units), the number of units needed to house the mining-related population (735 units), and the number of additional units needed to bring the community to 5% vacancy (around 775 units). This total includes 770 multi-family units. Including approximately 140 multi-family units that may be needed to replace conversions, fire losses and demolitions over the next seven years, construction of new multi-family units would need to total roughly 910 units through the year 2000.

In-Progress or Planned Housing Development

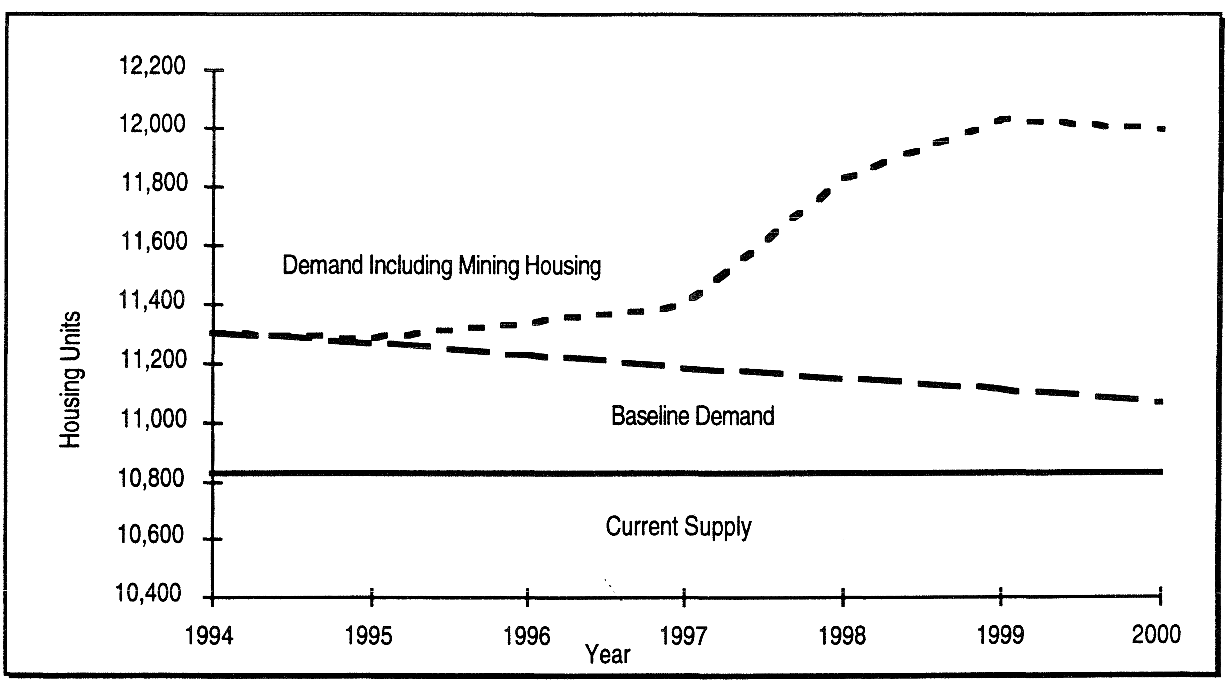
- Construction projects either in progress or planned will satisfy some of the pent-up demand for housing in Juneau. A total of 158 multi-family units are expected to be developed over the next two years, including the 67 unit Senior Citizen Support Services, Inc. project and the 45 unit Alaska Housing Finance Corporation project. A number of other projects could add a total of 46 new multi-family housing units.

- In-progress or planned construction of other types of housing will provide an additional 146 units over the next two years, including the addition of 30 mobile home rental spaces. In total, 304 housing units are currently under construction or planned.

Juneau's Current Supply vs. Projected Baseline (non-Mining Related) Housing Demand, 1994-2000



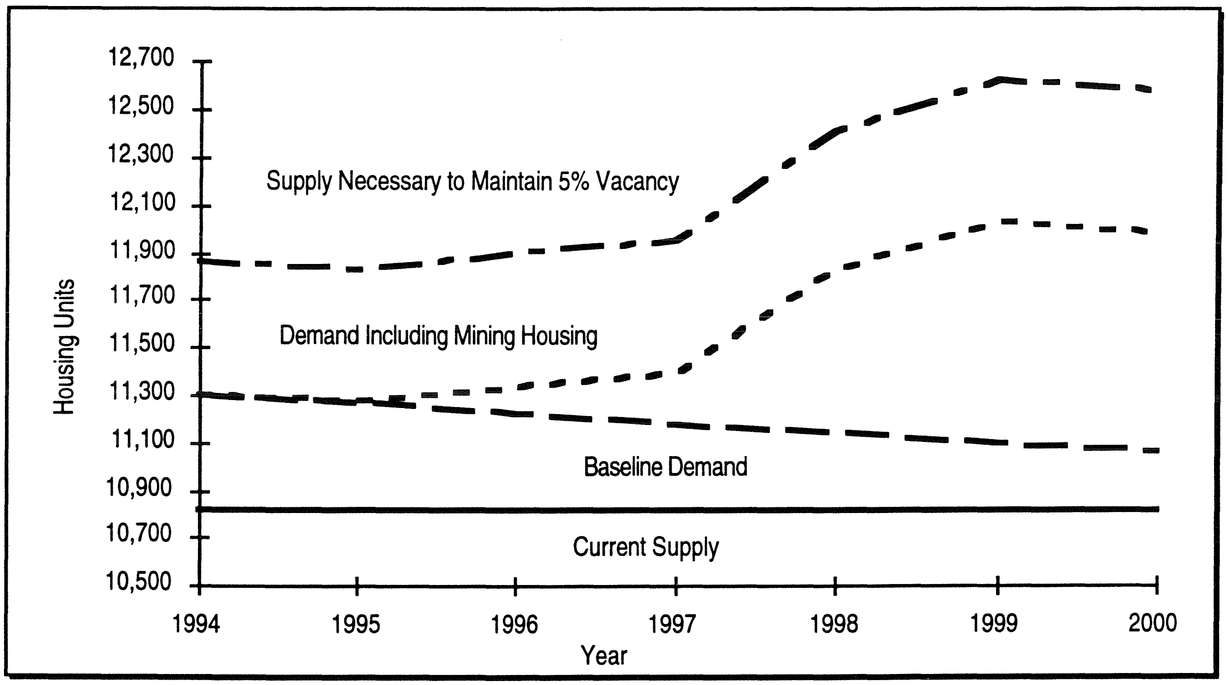
Juneau's Current Supply vs. Projected Mining Demand 1994-2000



Net Demand for New Housing Units Including Mining-Related Demand
1994-2000

Housing Type	Pent-up Demand	<------------------------ 1994	1995	1996	1997	Additional Demand due to Population Growth 1998	1999	2000	Total ----------->
Single Family	60	65	0	0	0	140	0	0	265
Duplex	0	25	0	0	0	0	0	0	25
Zero Lot Line	10	10	0	<5	0	50	25	0	100
Condominium	60	15	0	<5	0	50	25	0	150
Multi- Family	180	40	5	50	65	185	90	0	615
Mobile Home	0	15	0	10	5	20	10	0	60
Total	**310**	**170**	**5**	**65**	**70**	**445**	**150**	**0**	**1,215**

Juneau's Housing Supply and Demand
Including Mining Housing and Maintenance of 5% Vacancy
1994-2000



New Housing Units Needed
To Maintain 5% Vacancy Rate
(excluding conversions/fire losses)
1994-2000

		<---------------Additional Demand due to Population Growth------------------>							
Housing Type	Housing Deficit[1]	1994	1995	1996	1997	1998	1999	2000	Total
Single Family	270	65	0	0	0	145	0	0	480
Duplex	75	25	0	0	0	0	0	0	100
Zero Lot Line	45	10	0	<5	0	55	25	0	140
Condominium	110	15	0	<5	0	55	25	0	205
Multi- Family	315	40	5	55	70	190	95	0	770
Mobile Home	60	20	0	10	5	20	10	0	125
Total	**875**	**175**	**5**	**70**	**75**	**465**	**155**	**0**	**1,820**

1 Housing deficit includes pent-up demand and the number of units needed to attain a 5% vacancy rate.

Net Demand for Multi-Family Housing
1994-2000

	Housing Deficit[1]	1994	1995	1996	1997	1998	1999	2000	Total
Gross Demand (Units)	315	40	5	55	70	190	95	0	770
Plus: Replacement of Losses	-	20	20	20	20	20	20	20	140
Less: Projects in Progress	-	(31)	(127)	-	-	-	-	-	(158)
Total Net Demand	315	29	(102)	75	90	210	115	20	752

1 Housing deficit includes pent-up demand and the number of units needed to attain a 5% vacancy rate.

I. Juneau's Current Housing Inventory

In this section, Juneau's housing baseline is defined by housing type and service area. As required by the study contract, housing types identified include single family homes, duplex, zero lot line, condominium, multi-family, mobile homes and boats.

Initial baseline information was compiled from the City and Borough of Juneau's *Population Estimate 1993,* produced by the Community Development Department as part of their effort to measure Juneau's population. However, the City's study combined single family, zero lot lines and condos under the single family category. More detailed housing inventory data was provided by the CBJ Community Development office.

The following table presents Juneau's October 1993 housing inventory by housing type and service area. The total number of dwelling units in Juneau in 1993 was 10,821, with over 4,000 in the single family unit category and approximately 2,300 in the multi-family category.

Current Juneau Housing Supply

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi-Family (3 or More Units)	Mobile Home	Boats (Live Aboards)	TOTALS
1	675	380	21	367	927	6	98	2,474
2	197	170	2	181	282	1	6	839
3	44	16	0	0	0	7	0	67
4	568	168	84	114	139	28	34	1,135
5	2,027	532	460	189	859	1,063	6	5,180
6	224	100	84	0	28	57	0	493
7	135	60	90	18	40	2	0	345
8	230	42	0	2	6	8	0	288
Totals	**4,144**	**1,468**	**741**	**871**	**2,281**	**1,172**	**144**	**10,821**

Juneau's service areas are listed below:

Service Area 1	Juneau	Service Area 5	Glacier Valley
Service Area 2	Douglas	Service Area 6	North Douglas
Service Area 3	Rural Roaded	Service Area 7	Salmon Creek
Service Area 4	Auke Bay	Service Area 8	Lynn Canal

II. Juneau's Pent-up Demand for Housing

Local Pent-up Demand

There is pent-up demand in a housing market if residents are constrained from buying or renting by unusual market conditions. One indication that such constraints may exist is the vacancy rate. If vacancy rates are significantly below 5%, pent-up demand likely exists. Pent-up demand can also reveal itself in high average household size (more persons per household). For example, in housing markets with very low vacancy rates, people are often forced to share housing with non-family members, grown children are forced to live with parents, and more households include extended family members.

Recent vacancy rates published by the CBJ indicate an overall vacancy rate of 0.87%. This very low rate strongly suggests that there is pent-up demand for housing in Juneau. To measure pent-up demand in Juneau, a survey of 367 randomly selected Juneau households was conducted. The survey was performed during March 1994. The margin of error for the survey is a maximum of 5%, at the 95% confidence level.

Detailed survey results are presented in the appendix to this report. While analysis of the survey data is a somewhat subjective exercise, in general, the survey clearly identified a high level of pent-up demand for housing among Juneau residents.

In total, about 15% of the households surveyed indicated that there was someone in the household (roommate, grown son or daughter, or other relative) that would move out if additional "affordable" housing were available (suggesting a pent-up demand for 1,600 units). Of course, some of this demand is simply a function of price, rather than realistic availability. Households with pent-up demand were queried about the price, location and type of housing being sought. Some of the responses were clearly unrealistic; $500 for a three bedroom rental, for example, or $40,000 for a three bedroom home. These households were removed from the estimate of pent-up demand.

After making the adjustment for unrealistic demand, firm pent-up demand for rentals totaled 5% of all households (approximately 530 units). Firm pent-up demand for housing to purchase totaled 3% of all households (approximately 320 units).

Pent-up demand levels were refined to reflect actual behavior among locals considering changing their housing situation. Even if another 850 units were available to rent or purchase, much of the reported pent-up demand would not be satisfied because of the location of the new available housing, the size of the new units or other factors. For purposes of this analysis, it was assumed that with the addition of 850 new units, only about one in three of the households with pent-up demand would actually expand into new housing.

Pent-up Demand For Housing in Juneau

	Percent of Juneau Households	Pent-up Demand Number of Units
Pent-up Rental Demand	1.65 %	180
Pent-up Purchase Demand	1.0 %	130
Total	2.6 %	310

Source: McDowell Group estimates based on the Juneau Household Survey 1994.

The pent-up demand was assigned across the city's eight service areas by housing type. Housing units were distributed according to the *Juneau Unified Transportation Plan* model updates provided by the Community Development office. A total of 180 units were spread across service areas in the multi-family unit category. The 130 units demanded by potential buyers was distributed among single family dwelling units, zero lot lines or condominiums.

The following table presents total current demand for housing in Juneau, by service area and housing type, including pent-up demand.

Current Housing Inventory and Pent-up Demand Combined

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family (3 or more units)	Mobile Home	Boats	TOTALS
1	685	380	21	372	957	6	98	2,519
2	202	170	2	186	292	1	6	859
3	44	16	21	21	21	7	0	130
4	578	168	84	114	149	28	34	1,155
5	2,091	532	465	219	929	1,063	6	5,305
6	234	100	84	10	53	57	0	538
7	140	60	30	23	70	2	0	325
8	230	42	0	7	11	8	0	298
Totals	**4,204**	**1,468**	**707**	**952**	**2,482**	**1,172**	**144**	**11,129**

There is a very high degree of uncertainty concerning the level of local pent-up demand for housing in Juneau. In light of survey results, the pent-up demand estimates presented in this analysis should be viewed as conservative estimates. Actual pent-up demand could be significantly higher.

Non-Resident Pent-up Demand

Though not quantified in this study, survey results suggest that pent-up demand for housing in Juneau also exists among non-residents. Nearly a quarter (23%) of Juneau households know of someone that would like to move to Juneau if more affordable housing were available.

The non-resident group considering moving to Juneau consists largely of retired family and friends (65%). One-quarter would be looking for work and students account for most of the remainder.

Because this source of pent-up demand is much less certain than local pent-up demand, it has not been incorporated into this demand analysis. Clearly there is pent-up demand among non-residents but there is insufficient data to draw any quantitative conclusions. In any case, further research may be warranted as this non-resident pent-up demand may represent an important economic development opportunity for Juneau.

III. Current Demand by Unit Size (Number of Bedrooms)

The following table presents the current mix of Juneau housing inventory in terms of number of bedrooms by housing type. This data is based on household survey results.

Juneau's Housing Inventory by Housing Type and Number of Bedrooms

	One Bedroom*	Two Bedrooms	Three Bedrooms	Four+ Bedrooms
Single Family	175	740	2,020	1,190
Duplex	60	535	800	120
Zero-Lot Line	35	225	410	75
Condominium	220	480	175	–
Multi-family	1,015	990	250	45
Mobile Home	45	455	630	–
Total	**1,550**	**3,425**	**4,285**	**1,430**

*Includes efficiency units.
Source: McDowell Group estimates based on the Juneau Household Survey 1994.

With respect to pent-up and future demand, it is useful to consider demand in terms of unit size. In the *Juneau Household Survey*, renters were asked if their current housing was large enough to meet their needs. One-third of all renters indicated their current rental housing did not have an adequate number of bedrooms. Most of these respondents desired either two (36%) or three-bedroom (30%) units. Four-bedroom units were desired by 18% of the renters with inadequate housing.

The key question, for future development of multi-family housing, is what should the mix be in terms of number of bedrooms? Ignoring the issue of affordability, survey results suggest that compared to the current mix, future multi-family construction ought to be weighted more toward two and three-bedroom units rather than one-bedroom units.

Currently, Juneau's multi-family housing stock includes about 44% one-bedroom, 43% two-bedroom, and 11% three-bedroom units. According to survey results, a mix of approximately 30% one-bedroom, 45% two-bedroom and 25% three-bedroom units would more closely match the current demand. Therefore, future multi-family development should be weighted more toward the two and three-bedroom units.

IV. Future Housing Demand in Juneau

In the future, demand for housing will be directly related to changes in Juneau's population. As a part of this study's requirements, population forecasts were taken from the studies *Final Socioeconomic Impact Assessment, Alaska Juneau Gold Mine, February 1993* (FEIS AJ) and the *Final Socioeconomic Impact Assessment, Kensington Gold Project, June 1992* (FEIS Kensington), prepared by Reed Hansen & Associates.

Since the writing of the two FEIS documents, projected start-up dates for construction and operation have changed due to permitting and other delays. Anticipated start-up dates designated by the Community Development Department for purposes of this study are 1995 for AJ construction and 1997 for Kensington construction. Both mines are assumed to be in operation two years after commencement of construction.

The forecast shows baseline (non-mining) population growth of about 1.5% in 1994, then a slow decline thereafter. The following table provides baseline and mining-related population trends through the year 2000.

Juneau's Population Forecast
Including AJ and Kensington Mine-Related Population
1993-2000

Year	CBJ Baseline Population	Mining Population	Total Population
1993	28,791		28,791
1994	29,236	0	29,236
1995	29,689	211	29,900
1996	29,588	696	30,284
1997	29,483	713	30,196
1998	29,374	2,059	31,433
1999	29,266	2,412	31,678
2000	29,157	2,533	31,690

[1] Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Kensington Gold Project,* City and Borough of Juneau, June 1992 and Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Alaska-Juneau Gold Mine*, City and Borough of Juneau, February 1993.

The 1994 increase of 1.54% indicates demand for an additional 172 dwelling units. After 1995, baseline housing demand is expected to begin declining at a rate of about 0.3% annually through the year 2000. However, by 1995, construction of the AJ is assumed to have begun so overall there is a slight net increase in housing demand. Between 1995 and 1999, mining-related development generates substantial demand for housing. The following table provides detailed data on the mining-related demand.

Mining Housing Demand by Housing Type
Alaska Juneau and Kensington Mines[1]
1994-2000

Year	Single Family Unit	Other Owned Units[2]	Multi-Family Unit	Mobile Home	Total
1994	0	0	0	0	0
1995	0	0	15	0	15
1996	15	10	60	15	100
1997	5	<5	75	10	95
1998	150	110	190	25	475
1999	80	55	100	10	245
2000	0	0	0	0	0
Totals	**250**	**180**	**440**	**60**	**930**

[1] Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Kensington Gold Project,* City and Borough of Juneau, June 1992 and Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Alaska-Juneau Gold Mine*, City and Borough of Juneau, February 1993.
[2] Includes condominiums, duplexes and zero lot line structures.

These additional units were distributed each year across service areas and housing types. Allocation was based on the *Juneau Unified Transportation Plan* model. Distribution of mining-related housing is provided in the appendix to this report. Including existing pent-up demand, total demand for housing peaks in 1999 at 12,033 units, approximately 1,200 more than are now in Juneau's housing inventory.

Juneau Housing Demand Forecast
1993-2000

Year	Housing Supply	Net Increase in Demand*	Total Demand
1993	10,821	310	11,129
1994		481	11,300
1995		458	11,277
1996		517	11,336
1997		569	11,388
1998		1,008	11,827
1999		1,214	12,033
2000		1,171	11,990

*1993 figure is pent-up demand.

The following table provides the estimated mix of this demand in terms of housing type and service area.

Housing Demand
1999
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	716	379	31	381	1,025	6	98	2,636
2	213	170	8	192	316	1	6	906
3	44	16	21	21	21	7	0	130
4	624	168	90	120	188	42	34	1,266
5	2,179	531	510	265	1,102	1,095	6	5,687
6	272	100	95	24	109	57	0	656
7	168	60	38	30	145	14	0	455
8	229	42	0	7	11	8	0	297
Totals	**4,446**	**1,464**	**792**	**1,039**	**2,918**	**1,230**	**144**	**12,033**

V. Juneau's Vacancy Rate

By any standard Juneau's current vacancy rate of less than one percent is an unusual market condition. A 1% vacancy suggests that the supply of housing is in some way constrained and that housing costs are higher than an unconstrained market would offer. In order for Juneau to achieve a less constricted housing market, the inventory of available housing would need to increase. To determine what a "healthy" vacancy rate is, a series of interviews were conducted with housing and real estate professionals in Juneau, with the Alaska Housing Finance Corporation and the Anchorage office of Housing and Urban Development. The general consensus was that a healthy vacancy rate is around 5%.

If Juneau is to achieve a 5% vacancy the supply of housing must expand by about 500 units, ignoring pent-up demand and future population growth. Including pent-up demand, future population growth and new units needed to reach a 5% vacancy rate, Juneau requires in 1994 an estimated total of 11,900 housing units and by the year 2000, 12,600 units.

Housing Demand Forecast
and Number of New Units to Reach 5% Vacancy
1993-2000

Year	Housing Supply	Demand Adjusted for Population Growth	Supply Necessary for 5% Vacancy
1993	10,821		
1994		11,300	11,858
1995		11,277	11,826
1996		11,336	11,896
1997		11,388	11,950
1998		11,827	12,411
1999		12,033	12,628
2000		11,990	12,582

VI. Multi-Family Housing Losses

Since 1988, Juneau has lost an average of about 0.75% of its multi-family housing stock annually to fire, demolition or conversion. The rate of loss has been inconsistent, ranging from zero losses in 1989 and 1992, to 56 units lost in 1990 (including 31 units from demolition of the Channel Apartments).

For purposes of forecasting demand for new multi-family housing units in Juneau, it is assumed that the rate of loss for the 1988 to 1993 period will continue through 2000. At an annual loss rate of 0.75%, Juneau would need approximately 20 new units annually over the forecast period to compensate for fire loss, demolition and conversion.

Annual Average Loss Ratios
Loss Due to Fire, Demolition or Conversion
1988 to 1993

Year of Loss	Units Lost	Existing Multi-Family Units	Annual Loss Ratio (%)
1988	25	2,217	1.12
1989	0	2,209	0
1990	56	2,237	2.50
1991	7	2,225	0.31
1992	0	2,215	0
1993	12	2,281	0.53
Total	100		
Average	17	2,231	0.75

VII. Seasonal Demands on Juneau's Housing Inventory

Vacancy rates in Juneau are affected by seasonal population fluctuations. These include the beginning of the legislative session, tourism in the spring and summer and an influx of students attending the University of Alaska Southeast in the fall. It is not certain to what extent each of these groups impacts Juneau's housing situation.

Legislative Session

The session commencing in January brings legislators, aides, lobbyists and occasionally their families for the 120-day session. Though some session employees are Juneau residents, many are not, creating a strain on Juneau's housing market at the beginning of each year.

Neither Legislative Affairs or the CBJ keep track of the numbers migrating to Juneau for session work. Some general calculations based on the legislative population and employment figures for Legislative Affairs Agency provide estimates of session seasonal in-migration.

The legislature-related influx includes 57 legislators and their staffs (average around 3 per legislator). Lobbyists requiring long-term housing could potentially add another 25 or 30 to the total influx to Juneau for the session.

The Legislative Affairs Agency employs 194 workers. About one-third of the agency's staff are year-round locals, and about 130 are from other areas of the state.

Legislative Session In-migration

Legislators	57
Aids/Staff Members	170
Lobbyists	25
Legislative Affairs Staff	130
Total	382

This seasonal population influx would require about 350 units, assuming that some would choose to share housing. Each year, this population finds housing but clearly there is pent-up demand within this group for additional, more conveniently-located, or higher quality housing. However, without further research, it is impossible to estimate this pent-up demand.

Tourism-Related Population

Summer-time tourism industry activity creates significant seasonal housing demand in Juneau. The arrival of non-residents seeking summer employment follows closely the end of the legislative session, resulting in little housing vacancy change between spring and summer.

Though there are no hard numbers available concerning the influx of tourism-related population, interviews with the major tour operators in Juneau revealed some need for housing summer employees. Local tour operators such as Princess, Grayline and Alaska Travel Adventures provide assistance in locating housing to their non-resident employees. For example, they attempt to utilize the same landlords each year. One operator actually purchased a home to house its employees, leasing it during the winter months to other renters. For the most part, operators listen for word-of-mouth referrals and use the newspaper classifieds to locate housing for their non-resident employees

There is no data available concerning the number of people who come to Juneau during the summer to work in the tourism trade. Employment in the tourist-affected retail, service and transportation businesses increases by about 200 jobs between April and June. However, many of these jobs are filled by locals.

Student Population

Every summer the University of Alaska Southeast begins its annual task of finding suitable housing for students. For on-campus housing, students are required to fill out paperwork requesting housing and place a deposit of $100 which pays a portion of their annual housing fees. When student housing is no longer available, students are wait-listed and later notified if a unit becomes available.

There are two groups of students seeking housing: single students and students with families. All of the single students usually are housed. In many cases when the University does not contact the student before the beginning of the term, he/she gives up and opts not to attend the University or resorts to finding housing independently. The wait list for students with families never clears.

The University has been planning on building additional student housing. But, the 1994 legislature adjourned without authorizing appropriations or bonding authority for additional housing.

Juneau's housing market is also affected by returning Juneau residents who have been out of town attending school. Again, there is no data available that quantifies this demand.

Summary of Seasonal Demand

Juneau's vacancy rate is probably at its lowest during the legislative session. Summer housing demand may be somewhat less than the legislature-related demand. Juneau's vacancy rate is probably at its highest during the fall and early winter. Even during these months, however, there is apparently un-met seasonal demand from university students. The City's vacancy estimates are based on surveys done in the fall. Thus, year-round vacancy rates can be assumed to be even lower than the City's estimates. In general, while there are a number of unique seasonal components to Juneau's housing market, the net year-round effect is a very low vacancy rate.

Appendices

Projected Housing Demand based on Population Projections 1994-2000

Current Housing Inventory and Pent-Up Demand Combined

Service Area	Single Family Includes Cabins	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	685	380	21	372	957	6	98	2,519
2	202	170	2	186	292	1	6	859
3	44	16	21	21	21	7	0	130
4	578	168	84	114	149	28	34	1,155
5	2,091	532	465	219	929	1,063	6	5,305
6	234	100	84	10	53	57	0	538
7	140	60	30	23	70	2	0	325
8	230	42	0	7	11	8	0	298
Totals	**4,204**	**1,468**	**707**	**952**	**2,482**	**1,172**	**144**	**11,129**

Housing Demand 1994 Including 1.54% Increase

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	696	386	21	378	972	6	100	2,558
2	205	173	2	189	296	1	6	872
3	45	16	21	21	21	7	0	132
4	587	171	85	116	151	28	35	1,173
5	2,123	540	472	222	943	1,079	6	5,387
6	238	102	85	10	54	58	0	546
7	142	61	30	23	71	2	0	330
8	234	43	0	7	11	8	0	303
Totals	**4,269**	**1,491**	**718**	**967**	**2,520**	**1,190**	**146**	**11,300**

Housing Demand
1995
Including .34% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	693	385	21	376	968	6	99	2,549
2	204	172	2	188	295	1	6	869
3	45	16	21	21	21	7	0	132
4	585	170	85	115	151	28	34	1,169
5	2,116	538	471	222	940	1,076	6	5,368
6	237	101	85	10	54	58	0	544
7	142	61	30	23	71	2	0	329
8	233	43	0	7	11	8	0	302
Totals	**4,254**	**1,486**	**715**	**963**	**2,512**	**1,186**	**146**	**11,262**

Housing Demand
1996
Including .35% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	691	383	21	375	965	6	99	2,540
2	204	171	2	188	294	1	6	866
3	44	16	21	21	21	7	0	131
4	583	169	85	115	150	28	34	1,165
5	2,109	536	469	221	937	1,072	6	5,350
6	236	101	85	10	53	57	0	543
7	141	61	30	23	71	2	0	328
8	232	42	0	7	11	8	0	301
Totals	**4,239**	**1,480**	**713**	**960**	**2,503**	**1,182**	**145**	**11,223**

Housing Demand
1997
Including .36% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	688	382	21	374	962	6	98	2,531
2	203	171	2	187	293	1	6	863
3	44	16	21	21	21	7	0	131
4	581	169	84	115	150	28	34	1,161
5	2,101	535	467	220	933	1,068	6	5,330
6	235	100	84	10	53	57	0	541
7	141	60	30	23	70	2	0	327
8	231	42	0	7	11	8	0	299
Totals	**4,224**	**1,475**	**710**	**957**	**2,494**	**1,178**	**145**	**11,182**

Housing Demand
1998
Including .36% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	686	380	21	372	958	6	98	2,522
2	202	170	2	186	292	1	6	860
3	44	16	21	21	21	7	0	130
4	579	168	84	114	149	28	34	1,156
5	2,093	533	466	219	930	1,064	6	5,311
6	234	100	84	10	53	57	0	539
7	140	60	30	23	70	2	0	325
8	230	42	0	7	11	8	0	298
Totals	**4,209**	**1,470**	**708**	**953**	**2,485**	**1,173**	**144**	**11,142**

Housing Demand
1999
Including .36% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	683	379	21	371	955	6	98	2,513
2	202	170	2	186	291	1	6	857
3	44	16	21	21	21	7	0	130
4	577	168	84	114	149	28	34	1,152
5	2,086	531	464	218	927	1,060	6	5,292
6	233	100	84	10	53	57	0	537
7	140	60	30	23	70	2	0	324
8	229	42	0	7	11	8	0	297
Totals	**4,194**	**1,464**	**705**	**950**	**2,476**	**1,169**	**144**	**11,102**

Housing Demand
2000
Including .36% decrease

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	681	378	21	370	951	6	97	2,504
2	201	169	2	185	290	1	6	854
3	44	16	21	21	21	7	0	129
4	575	167	83	113	148	28	34	1,148
5	2,078	529	462	218	923	1,057	6	5,273
6	233	99	83	10	53	57	0	535
7	139	60	30	23	70	2	0	323
8	229	42	0	7	11	8	0	296
Totals	**4,179**	**1,459**	**703**	**946**	**2,467**	**1,165**	**143**	**11,062**

Projected Housing Demand Including Additional Mining Housing 1994-2000

Housing Demand 1994 Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	696	386	21	378	972	6	100	2,558
2	205	173	2	189	296	1	6	872
3	45	16	21	21	21	7	0	132
4	587	171	85	116	151	28	35	1,173
5	2,123	540	472	222	943	1,079	6	5,387
6	238	102	85	10	54	58	0	546
7	142	61	30	23	71	2	0	330
8	234	43	0	7	11	8	0	303
Totals	**4,269**	**1,491**	**718**	**967**	**2,520**	**1,190**	**146**	**11,300**

Housing Demand 1995 Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	693	385	21	376	970	6	99	2,551
2	204	172	2	188	296	1	6	870
3	45	16	21	21	21	7	0	132
4	585	170	85	115	154	28	34	1,172
5	2,116	538	471	222	945	1,076	6	5,373
6	237	101	85	10	56	58	0	546
7	142	61	30	23	73	2	0	331
8	233	43	0	7	11	8	0	302
Totals	**4,254**	**1,486**	**715**	**963**	**2,527**	**1,186**	**146**	**11,277**

Housing Demand 1996 Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	693	383	22	375	977	6	99	2,555
2	205	171	2	189	298	1	6	872
3	44	16	21	21	21	7	0	131
4	586	169	86	115	158	31	34	1,180
5	2,114	536	471	224	966	1,080	6	5,397
6	238	101	85	11	63	57	0	556
7	143	61	31	23	83	5	0	346
8	232	42	0	7	11	8	0	301
Totals	**4,254**	**1,480**	**718**	**965**	**2,578**	**1,196**	**145**	**11,336**

Housing Demand
1997
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	691	382	22	374	986	6	98	2,559
2	204	171	2	188	301	1	6	873
3	44	16	21	21	21	7	0	131
4	585	169	85	115	164	33	34	1,184
5	2,108	535	470	224	992	1,082	6	5,417
6	238	100	84	12	72	57	0	565
7	143	60	31	23	95	7	0	359
8	231	42	0	7	11	8	0	299
Totals	**4,244**	**1,475**	**716**	**964**	**2,643**	**1,202**	**145**	**11,388**

Housing Demand
1998
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	709	380	28	379	1,013	6	98	2,614
2	210	170	6	190	311	1	6	895
3	44	16	21	21	21	7	0	130
4	612	168	88	118	180	39	34	1,239
5	2,157	533	498	251	1,066	1,092	6	5,603
6	261	100	91	20	96	57	0	625
7	159	60	36	28	128	11	0	422
8	230	42	0	7	11	8	0	298
Totals	**4,383**	**1,470**	**768**	**1,015**	**2,826**	**1,221**	**144**	**11,827**

Housing Demand
1999
Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	716	379	31	381	1,025	6	98	2,636
2	213	170	8	192	316	1	6	906
3	44	16	21	21	21	7	0	130
4	624	168	90	120	188	42	34	1,266
5	2,179	531	510	265	1,102	1,095	6	5,687
6	272	100	95	24	109	57	0	656
7	168	60	38	30	145	14	0	455
8	229	42	0	7	11	8	0	297
Totals	**4,446**	**1,464**	**792**	**1,039**	**2,918**	**1,230**	**144**	**12,033**

Housing Demand 2000

Including Mining Units

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	714	378	31	380	1,022	6	97	2,627
2	213	169	8	191	315	1	6	902
3	44	16	21	21	21	7	0	129
4	622	167	89	119	188	42	34	1,261
5	2,171	529	508	264	1,098	1,091	6	5,667
6	271	99	94	24	108	57	0	654
7	167	60	38	30	145	14	0	453
8	229	42	0	7	11	8	0	296
Totals	**4,430**	**1,459**	**789**	**1,036**	**2,907**	**1,225**	**143**	**11,990**

Projected Housing Demand Including Supply Necessary to Maintain 5% Vacancy Rate, 1994-2000

Housing Demand 1994

Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	723	406	21	383	992	6	100	2,631
2	215	178	5	192	304	1	6	901
3	45	16	21	21	21	7	0	132
4	619	171	92	116	158	43	35	1,234
5	2,202	578	484	249	993	1,114	6	5,626
6	271	107	90	17	70	58	0	614
7	166	66	40	26	93	13	0	405
8	241	43	0	10	15	8	0	317
Totals	**4,482**	**1,566**	**754**	**1,015**	**2,646**	**1,250**	**146**	**11,858**

Housing Demand 1995

Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	720	405	21	381	991	6	99	2,624
2	214	177	5	191	304	1	6	898
3	45	16	21	21	21	7	0	132
4	617	171	91	115	161	42	34	1,232
5	2,195	576	482	248	995	1,109	6	5,612
6	270	106	90	17	72	58	0	614
7	166	66	40	26	95	13	0	406
8	233	43	0	10	15	8	0	308
Totals	**4,460**	**1,560**	**751**	**1,011**	**2,653**	**1,245**	**146**	**11,826**

Housing Demand
1996
Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	720	404	22	380	998	6	99	2,628
2	214	177	5	192	306	1	6	901
3	44	16	21	21	21	7	0	131
4	618	170	92	115	166	46	34	1,241
5	2,193	574	482	251	1,017	1,114	6	5,637
6	272	106	90	18	80	57	0	623
7	167	66	41	26	105	16	0	421
8	239	42	0	10	15	8	0	315
Totals	**4,467**	**1,554**	**754**	**1,013**	**2,707**	**1,256**	**145**	**11,896**

Housing Demand
1997
Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	718	402	22	379	1,007	6	98	2,632
2	214	176	5	191	309	1	6	902
3	44	16	21	21	21	7	0	131
4	617	169	92	115	171	47	34	1,245
5	2,187	572	482	251	1,045	1,116	6	5,658
6	272	106	90	19	89	57	0	632
7	167	65	41	26	118	18	0	436
8	238	42	0	10	15	8	0	313
Totals	**4,456**	**1,549**	**752**	**1,012**	**2,774**	**1,262**	**145**	**11,950**

Housing Demand
1998
Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	737	401	28	385	1,036	6	98	2,690
2	220	175	9	193	319	1	6	925
3	44	16	21	21	21	7	0	130
4	645	169	95	118	188	54	34	1,302
5	2,239	570	510	280	1,122	1,127	6	5,853
6	296	105	97	28	114	57	0	696
7	184	65	46	31	152	23	0	501
8	238	42	0	10	15	8	0	313
Totals	**4,602**	**1,544**	**806**	**1,066**	**2,967**	**1,282**	**144**	**12,411**

Housing Demand
1999
Attaining 5% Vacancy

Service Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	744	399	31	386	1,049	6	98	2,713
2	223	175	12	195	324	1	6	936
3	44	16	21	21	21	7	0	130
4	658	168	97	120	197	57	34	1,330
5	2,261	568	522	294	1,160	1,131	6	5,942
6	307	105	101	32	127	57	0	728
7	193	65	49	33	171	26	0	536
8	237	42	0	10	15	8	0	312
Totals	**4,668**	**1,537**	**832**	**1,091**	**3,064**	**1,292**	**144**	**12,628**

Housing Demand
2000
Attaining 5% Vacancy

Svc Area	Single Family	Duplex	Zero Lot	Condo	Multi Family	Mobile Home	Boats	TOTALS
1	742	398	31	385	1,045	6	97	2,704
2	223	174	11	194	323	1	6	933
3	44	16	21	21	21	7	0	129
4	656	167	96	119	196	56	34	1,325
5	2,253	566	520	293	1,156	1,126	6	5,920
6	306	105	100	32	126	57	0	726
7	192	65	48	33	170	26	0	534
8	236	42	0	10	15	8	0	311
Totals	**4,652**	**1,532**	**828**	**1,088**	**3,052**	**1,286**	**143**	**12,582**

Juneau Household Survey Topline Results

1. How many persons, including yourself, live in your household on a permanent year round basis?

Mean 2.9 People

14%	One	19%	Four	–%	Don't Know/Not Sure
36	Two	8	Five	1	Refused
17	Three	5	Six or more		

2. Which age category are you in?

Mean 43.5 Years of age

7%	Under 25	10%	55–64 Years
22	25–34 Years	10	65 years and over
29	35–44 Years	–	Don't Know/Not Sure
21	45–54 Years	1	Refusal

3. Are there persons who live with you who travel for extended periods, attend school, or work outside of Juneau? (How many?)

Mean 0.2 People

9%	One	–%	Four	1%	Refused
2	Two	86	None		
1	Three	–	Don't Know/Not Sure		

4. What type of home do you live in here in Juneau?

50%	Single Family House	8%	Mobile Home/Trailer in Park
5	Condominium	1	Mobile Home/Trailer on Private Lot
1	Townhouse	1	Boat or House boat
5	Zero Lot Line	2	Other
8	Duplex	–	Not Sure/Don't Know
19	Apartment/multi family	1	Refused

5. Which area of the borough do you live in?

37%	Mendenhall Valley	3%	Salmon Creek
7	Back Loop/Auke Bay	4	No. Douglas
3	14 Mile or beyond	9	Douglas
2	Airport Area	5	West Juneau
10	Lemon Creek	16	Juneau
3	Switzer	1	Thane
1	Not Sure/No Answer		

6. How many years have you lived in your current home?

Mean 6.9 Years

24%	1-2 years	10%	11-15 years	19%	Less than one year
18	3-5 years	5	16-20 years	1	Don't Know/Not Sure
17	6-10 years	7	Over 20 years		

7. Could you please tell me the number of bedrooms your home has?

Mean 2.6 Rooms

14%	One	13%	Four	–%	Don't Know/Not Sure
27	Two	2	Five	2	Refused
40	Three	1	Six or More		

8. Are you satisfied with the quality and condition of you current housing?

73%	Yes	1%	Refused
26	No		

9. Why are you not satisfied with your current housing?

36%	Small	1%	Location inconvenient for busses
22	Expensive	1	Too many people in household
3	No Pets	5	No Garage/No Parking
38	House in disrepair/rundown	2	Have No House
3	Don't Like Trailers	18	Other
3	Loud and Noisy Here	8	Refused

10. Do you own or rent your home in Juneau?

62%	Own	2%	Refused
36	Rent		

Renters Only (Questions 11 through 16)

11. Is your current housing adequate in terms of number of bedrooms?

75%	Yes
25	No

12. How many bedrooms do you need?

Mean 2.9 Rooms

3%	One	18%	Four
36	Two	9	Five
30	Three	3	Refused

13. Would you prefer to rent somewhere else in town?

30%	Yes	2%	Don't Know/Not Sure
68	No		

14. (If answered yes to question 13) Where in Juneau would you prefer to live?

38%	Mendenhall Valley	–%	Salmon Creek
3	Back Loop/Auke Bay	5	No. Douglas
8	14 Mile or beyond	10	Douglas
3	Airport Area	3	West Juneau
3	Lemon Creek	21	Juneau
–	Switzer	3	Thane
5	Not Sure/No Answer		

15. What style of rental housing do you prefer?

12%	Duplex	2%	Hall Entry	55%	Single Family Housing
8	Townhouse	8	Apartment in House	14	Don't Know/Not Sure
2	Separate Outside Entry	3	Four-plex/more units	2	Refused

16. Are you or others in your household in the process of buying or building a home in Juneau?

5%	Buying	–%	Don't Know/Not Sure
4	Building	1	Refused
89	No		

17. Is there anyone in your household who would move out if more affordable housing were available? Who in the household would move?

68%	Nobody would move	3%	Grown child	1%	Refused
26	Self	10	Other household member		
2	Roommate	1	Don't Know/Not Sure		

18. Can you describe what type of housing, cost and location they are looking for?

28%	Buy	10%	Don't Know/Not Sure
56	Rent	10	Refused

Specific responses to this questions follow of topline survey results.

19. Do you have non-resident friends or family who would move to Juneau if more affordable housing were available?

23%	Yes	3%	Don't Know/Not Sure
73	No	1	Refused

20. Can you describe what type of housing, cost and location they are looking for?

34%	Buy	31%	Don't Know/Not Sure
41	Rent	1	Refused

Specific responses to this questions follow of topline survey results.

21. How would you describe the friends/family awaiting affordable housing?, a student?, retired person living outside Juneau?

65%	Retired Relative/Friend	6%	Cannot Find Affordable Housing
5	Student	4	Don't Know/Not Sure
25	Looking for work in Juneau	6	Refused

22. Could you please stop me when I come to the category best describing your total monthly household rental or mortgage payment . . . . .

Mean $755

6%	Under $300	8%	$700 - $800	3%	$1,401 - $1,600
6	$300 - $400	8	$801 - $900	4	Over $1,600
5	$401 - $500	11	$901 - $1,00	8	None
9	$501 - $600	9	$1,001 - $1,200	1	Don't Know/Not Sure
9	$601 - $700	10	$1,201 - $1,400	4	Refused

23. What is your average total monthly expense for heat (electric or oil), electricity, water and sewer?

Mean $229

14%	Under $100	5%	$351 - $400	1%	$651 - $700
12	$101 - $150	–	$401 - $450	–	$751 - $800
19	$151 - $200	3	$451 - $500	1	Over $901
4	$201 - $250	–	$501 - $550	7	Don't Know/Not Sure
14	$251 - $300	1	$551 - $600	9	Refused
9	$301 - $350	–	$601 - $650		

24. For my last question, could you please stop me when I come to the category which best describes your total combined annual household income (for all household members) for 1993 before taxes.

Mean $52.4

5%	Under $10,000	6%	$35,000 - $40,000	6%	$60,000 – $70,000
5	$10,000 – $15,000	2	$40,000 - $45,000	9	$70,000 – $80,000
3	$15,000 - $20,000	9	$45,000 - $50,000	16	$80,000 or over
4	$20,000 - $25,000	5	$50,000 - $55,000	4	Don't Know/Not Sure
6	$25,000 – $30,000	5	$55,000 – $60,000	10	Refused
6	$30,000 - $35,000				

25. Gender::

44%	Male	56%	Female

Responses to Survey Questions 18 and 20

18. Can you describe what type of housing, cost and location they are looking for?

Buy	Rent	# of Bedrooms	Location
Buy/Rent			
125,000	1,000	2	Lena Loop
130,000	900	3	Valley
want to buy no $$	800-1,200	2-3	Don't know
<100,000	600-700	2	anywhere
Buy			
100,000	0	3	Juneau
want to build	0	2	Downtown
80-90,000	0	3	downtown
125-150,000	0	5	14 Mile or beyond
100,000	0	3	14 Mile or beyond
110-130,000	0	3	14 Mile or beyond
15,000	0	2	14 Mile or beyond
90-100,000	0	3	Salmon Creek
90-100,000	0	2	Auke Bay
70-80,000	0	3	Auke Bay
80,000	0	3	Valley
40,000	0	3-4	Valley
100-150,000	0	4	Valley
150-200,000	0	4	Valley
150,000	0	3	Valley
100,000	0	3	Valley
<100,000	0	2	Valley
100,000	0	3	Valley
?	0	2-3	Valley/14 Mile or beyond
180,000	0	3	14 mile or beyond/Valley
100-150,000	0	?	Don't know
120,000	0	?	Don't know
130-160,000	0	3	anywhere
>150,000	0	2-3	anywhere
150,175,000	0	?	?
Rent			
0	600	2	Juneau
0	350-400	1	Downtown
0	600	2	Downtown
0	800	2	Downtown
0	400	1	Downtown
0	600	4	Juneau
0	600	1	Downtown
0	Low	1	Downtown
0	600	2	Douglas
0	700-825	?	Douglas
0	<600	1	Douglas
0	<1,000	2	Douglas
0	550	2	Douglas
0	200-300	2	Douglas
0	500	1	Douglas
0	750-900	3	Auke Bay
0	<600	1 studio	Auke Bay
0	1,100	3	Auke Bay
0	200-300	2	Valley or Downtown

Buy	Rent	# of Bedrooms	Location
Q. 18 Continued			
Rent			
0	550-600	2	Downtown/Valley
0	500	2	Douglas/Downtown
0	600	3	Douglas/Valley
0	700-800	3	Valley/Douglas
0	1,200	4	Valley
0	<925	3	Valley
0	500-800	2	Valley
0	500-700	1	Valley
0	800	2	Valley
0	600	2	Valley
0	Low	1-2	Valley
0	<700	1	Valley
0	Low	1	Valley
0	<400	1	Valley
0	<800	2-3	Valley
0	Low	2	Valley
0	150	1	Valley
0	600-700	2	Valley
?	600-700	2-3	Valley
0	1,100-1,200	3	Valley
0	800	2	Valley
0	300-500	2	Valley
0	200-300	2	North Douglas
0	1,500	2-3	14 Mile or beyond
0	600-900	1	14 Mile or beyond
0	<1,000	2-3	Lemon Creek
0	500	2	Lemon Creek
0	500	1	Lemon Creek
0	<400	1	Lemon Creek/Valley
0	500	1-2	Switzer/Lemon Crieek
0	600	1-2	Downtown/W. Juneau/Douglas
0	low	3	anywhere
0	500	3	anywhere
0	600-800	2	anywhere
0	Low	1	anywhere
0	500-600	2	anywhere
0	?	1	anywhere
0	500-600	1	anywhere
0	575-625	2	anywhere
0	<900	2	anywhere
0	<600	3	anywhere
0	750	?	Don't Know
0	700	?	Don't know
0	<1,000	2	Don't Know
0	500	1	Doesn't matter
0	500	0	0

20. Can you describe what type of housing, cost and location they are looking for?

Buy	Rent	# of Bedrooms	Location
Buy/Rent			
<150,000	600-800	1-2	Downtown
100,000	500-700	2	Valley
110-130,000	1,200	3-4	14 Mile or beyond
750	750	2	Douglas
100,000 or less	900	3	anywhere
Buy			
80-90,000	0	3-4	Downtown
300,000	0	3	Auke Bay
100,000	0	3	Valley
100,000	0	4	Valley
80,000	0	3	Valley
Not sure	0	4	Valley
100-130,000	0	3	Valley
120,000	0	2-3	Valley
130-160,000	0	3	Salmon Creek
130-150,000	0	3-4	Salmon Creek/Valley
100-150,000	0	3	14 Mile or beyond/Salmon creek
180,000	0	3	14 Mile or beyond/Valley
150,000	0	3	Back Loop/AukeBay
40-50,000	0	3-4	anywhere
80-100,000	0	3	anywhere
100-125,000	0	0	0
Rent			
0	Low	1	Downtown
0	350-400	1	downtown
0	300-500	1	Juneau
0	600-900	3	Downtown
0	750-900	3	Auke Bay
0	1,100	3	Auke Bay
?	0	2	Auke Bay
0	600-700	2	Valley
0	<800	2	Valley
0	900-1,000	3	Valley
0	600	2	Valley
0	600-800	1-2	Valley
0	500-800	3-4	Valley
0	200-300	2	Valley or Downtown
0	500	1	Downtown/Douglas
0	500-600	1-2	Salmon creek
0	500-600	1	Lemon Creek
?	?	5	Lemon Creek
0	800-1,000	2	anywhere
0	400-600	3	anywhere
0	600	2-3	anywhere
0	<900	2-3	anywhere
0	575-625	2	anywhere
0	500	1	anywhere
0	?	3-4	anywhere
0	600	2-3	anywhere
0	600-700	2-3	anywhere

Buy	Rent	# of Bedrooms	Location
Q. 20 Continued			
Rent			
0	400-500	1	anywhere
0	Low	1	Waterfront
?	0	3	Don't Know
0	1,000 or under	3	Don't know
0	700	4	Convenient?
?	?	3	??
0	?	3	?

Juneau Community Profile

Volume IV of the

Juneau Multi-Family Housing Program Feasibility Study

Prepared for:

City and Borough of Juneau

Prepared by:

McDowell Group

Juneau • Ketchikan

in association with

Thomas P. King & Associates/Milton B. Barker

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This profile of Juneau, Alaska provides general information about the community and a brief overview of local demographic and economic conditions. Several other reports, available through the City and Borough of Juneau, provide much more detailed data on the local economy and population. These include the *Juneau Trends* series of publications and the *Comprehensive Community Assessment*. Interested readers are urged to review these documents to learn more about Juneau.

Location

In the area known as the Alaskan Panhandle, Juneau is located in the Alexander Archipelago, a network of Pacific islands and waterways extending some 350 miles along the western edge of North America. Juneau is accessible by air or sea. Its latitudinal geographic position is approximately the same as Aberdeen, Scotland, Stockholm, Sweden and Leningrad, Russia.

Juneau is bordered on the north and east by the Coast Range mountains and the Juneau Ice Field, a 300-square mile expanse of snow and ice. To the south and west is the complex chain of densely forested and rugged islands of the Alexander Archipelago. Juneau lies within the boundaries of the largest national forest, the 18 million acre Tongass National Forest.

Climate

The coldest month in Juneau is most often January, the warmest usually is July. Temperature extremes are a result of the air flow from Canada. During the summer maximum (June 21) there is 18:18 hours of daylight; during the winter maximum (December 21) there is 6:21 hours of daylight. The average tidal range is 13.8'.

Juneau Area Climate Data

Juneau:

Temperature: Summer 47° to 63°, Winter 25° to 35°
Extremes: -10° to 87°
Precipitation: 91" includes 94" snow

Auke Bay:

Temperature: Summer 46° to 65°, Winter 15° to 37°
Extremes: -15° to 84°
Precipitation: 58" includes 104" snow

Source: Juneau Economic Development Council, *Comprehensive Community Inventory*, VII.A. 10/91.

Community Services

The City and Borough of Juneau offers a full range of public services, many of which are augmented by the services of the State and Federal Government. These include police, fire, health and human services, library, transit, parks and recreation, public works, and economic development and planning. Other services are offered through the private sector, such as refuse collection, electrical system, and telephone system.

Additionally, Juneau has branches of most Alaska banks and credit unions, one daily newspaper, radio and television stations and a cable television company. There are a number of health care options and services, numerous recreational facilities and opportunities, such as Eaglecrest Ski Area and Augustus Brown swimming pool, and a wide variety of cultural events ranging from the Alaska Folk Festival to Perseverance Theater.

Historical Summary of Juneau's Development

The first human inhabitants of the Juneau area were people of the Tlingit Auk and Taku tribes. The Tlingit people migrated down the Taku, Stikine and other river valleys from interior Canada. The earliest white settlers were European and Russian fur traders arriving in the late 1700s.

Prospectors Joseph Juneau and Richard Harris explored the area in 1880, finding gold. Almost overnight the town of Harrisburg –later renamed Juneau – was born. Over the next two decades Juneau became the hub of mining activity from Berners Bay to Windham Bay, a 120-mile-long mineralized area known as the Juneau Gold Belt. Two local mines, the Treadwell (located on Douglas Island) and the Alaska-Juneau Mine, recovered $130 million in gold, making them two of the largest gold mines in the world.

The Alaska-Juneau Mine closed in 1944 because of labor shortages and increasing costs. Eventually, the seafood industry and growing state government took up the slack. As the capital city of Alaska, Juneau benefited from increasing levels of government spending and employment particularly during the Depression years and later during World War II.

Statehood in 1959 and discovery of oil in Prudhoe Bay ten years later dramatically changed Juneau. State government increased Juneau's population and became its largest basic industry.

Alaska's economy experienced a serious recession in the mid-1980s, triggered by falling oil prices and declining state revenues. The economy peaked in 1985, and bottomed out in 1987. State government employment, population, and real estate values all fell dramatically during this period. However, state government employment has since recovered to all-time high levels.

Today state government is still Juneau's primary employer. However, private industry has increased in importance relative to government and recent growth in the mining and visitor industries bode well the for local economy.

Population

Increasing government employment pushed Juneau's population from around 9,700 in 1960, 13,500 in 1970, 19,500 in 1980 and to 26,751 in 1990. The City and Borough of Juneau (CBJ) estimates the population at 28,791 in 1993. Table 1 is a population projection, starting with the 1993 population estimate, from the *Final Socioeconomic Impact Assessment for the Alaska-Juneau Gold Mine* (February 1993).

Juneau's Population Forecast
Including AJ and Kensington Mine-Related Population
1994-2000

Year	CBJ Baseline Population	Mining Population	Total Population
1993	28,791		28,791
1994	29,236	0	29,236
1995	29,689	211	29,900
1996	29,588	696	30,284
1997	29,483	713	30,196
1998	29,374	2,059	31,433
1999	29,266	2,412	31,678
2000	29,157	2,533	31,690

[1] Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Kensington Gold Project*, City and Borough of Juneau, June 1992 and
Reed Hansen & Associates, *Final Socioeconomic Impact Assessment, Alaska-Juneau Gold Mine*, City and Borough of Juneau, February 1993.

Juneau has a highly educated population, with almost 90% of the residents being high school graduates or higher. A significant portion of the population (31%) have bachelor's degree or higher.

More than 50% of the population are between the ages of 20 and 50 years, with the median age being between 30 and 34 years. Just over one-third of the population of Juneau was born in Alaska.

In 1989, the Bureau of Census reported that the median household income for Juneau was $47,924. The median family income was $54,088 and the per capita income was $19,920. Approximately 4% of families were reported as living below the poverty level.

Education

The Juneau-Douglas School District has five elementary schools, two middle/junior high schools and one high school. A new middle/junior high school is currently being built and is scheduled to open with the start of the 1994-95 school year. Juneau has a number of private school programs available as well as the primary campus for the University of Alaska Southeast.

Enrollment in the Juneau-Douglas School District during the 1988-1989 school year was 4,603 (First Attendance Report). By 1993-94, the First Attendance Report showed an enrollment of 5,392 pupils in the Juneau-Douglas School District, and annual rate of increase of about 3.5%. Currently, 50% of the total student enrollment are elementary level; 24% are in junior high/middle school. Private school enrollment (K through 12) for 1993-94 was 235.

The University of Alaska Southeast, located north of the city of Juneau next to Auke Lake, had a Fall 1989 enrollment of 2,768 for total credit hours of 13,315. The majority of these students were part-time students. There was a total enrollment of 2,444 with total credit hours of 13,632 in Fall 1993.

Basic Industry

Government

As Alaska's capital, government is Juneau's largest basic industry. Administrative staff of most state agencies, plus the Office of the Governor and those of the Legislative Branch have their bases in Juneau. Juneau also serves as a regional center for Southeast Alaska and is home to the University of Alaska Southeast.

The federal government has its Alaska headquarters for the U.S. Forest Service, the U.S. Coast Guard, the Bureau of Indian Affairs and the National Marine Fisheries Service in Juneau. Federal government employs approximately 1,100 workers in Juneau.

Though not classified as a basic industry, the unified City and Borough of Juneau (CBJ) has a significant economic impact with over 1,300 employees. The CBJ has an eight member elected assembly, an elected mayor and salaried professional manager with support staff. Local government includes the hospital, public schools, fire protection, law enforcement, public transit, public utilities, and other public services.

Table 2 shows the strength of government as Juneau's largest basic industry. Between 1989 and 1992, government sector employment accounted for 50% of the employment in Juneau and, according to Table 4, more than 60% of the wages and salaries paid.

Despite current attempts to move the legislature and/or the capital, there are strong indications that Juneau will remain the capital of Alaska . A proposition has been placed on the 1994 general election ballot to move the capital to Anchorage. However, Juneau and a statewide citizens group have begun efforts to keep the legislature in Juneau. As a result, also on the ballot is a proposition requiring voter approval of the cost of any such move (which is likely to significantly dampen enthusiasm for a move).

Wage and Salary Employment, Juneau Labor Area by Industry 1989-1992

(Number of Employees)

Industry	1989 Total	1990 Total	1991 Total	1992 Total
Private Employment				
Mining	112	75	84	75
Construction	345	414	518	548
Manufacturing	319	148	199	268
Transportation-Communication-Utilities	857	911	880	957
Wholesale Trade	211	197	217	197
Retail Trade	1,993	2,042	2,199	2,268
Finance, Insurance & Real Estate	535	496	558	584
Services	2,152	2,333	2,279	2,357
Agriculture, Forestry, Fisheries & Non-classifieds	*	*	*	*
Government Employment				
Federal Government	1,092	1,148	1,039	1,095
State Government	4,411	4,534	4,518	4,530
Local Government	1,397	1,508	1,521	1,567
Total Non-Agricultural Employment	13,504	13,837	14,081	14,518
Private Sector Employment	6,605	6,646	7,003	7,327
Government Sector Employment	6,899	7,191	7,078	7,191

Wage and Salary Employment, Juneau Labor Area by Industry
Third Quarter, 1992 - 1993

(Average Number of Employees Per Month)

Industry	3rd Quarter - 1992	3rd Quarter - 1993
Private Employment		
Mining	65	95
Construction	706	919
Manufacturing	327	324
Transportation-Communication-Utilities	1,107	1,016
Wholesale Trade	206	201
Retail Trade	2,501	2,443
Finance, Insurance & Real Estate	611	640
Services	2,444	2,576
Agriculture, Forestry , Fisheries & Non-classifieds	*	103
Government Employment		
Federal Government	1,146	986
State Government	4,475	4,261
Local Government	1,255	1,291
Total Non-Agricultural Employment	14,943	14,866
Private Sector Employment	8,067	8,328
Government Sector Employment	6,876	6,538

* Data non-disclosable
Source: Alaska Department of Labor

Wages and Salaries Paid in the Juneau Labor Area by Industry 1989 - 1992

(In Thousands of Dollars)

Industry	1989 Total	1990 Total	1991 Total	1992 Total
Private Employment				
Mining	$4,419	$2,858	$4,114	$4,052
Construction	11,361	13,919	16,679	19,716
Manufacturing	11,394	3,037	4,370	7,959
Transportation-Communication-Utilities	22,987	25,118	25,297	28,062
Wholesale Trade	6,017	6,325	6,548	6,379
Retail Trade	29,162	31,755	34,619	36,431
Finance, Insurance & Real Estate	15,684	15,163	16,341	17,199
Services	34,349	39,170	42,413	46,497
Agriculture, Forestry, Fisheries & Non-classifieds	*	*	*	*
Government Employment				
Federal Government	40,471	45,501	43,394	49,412
State Government	159,097	168,804	179,430	185,493
Local Government	44,052	47,863	50,869	54,026
Total Non-Agricultural Employment	379,366	400,168	426,542	456,804
Private Sector Employment	135,747	138,000	151,858	167,873
Government Sector Employment	$243,619	$262,168	$273,684	$288,931

Wages and Salaries Paid in the Juneau Labor Area by Industry Third Quarter 1992 - 1993

(In Thousands of Dollars)

Industry	3rd Quarter - 1992	3rd Quarter - 1993
Private Employment		
Mining	$ 831	$1,089
Construction	7,015	9,002
Manufacturing	2,449	2,169
Transportation-Communication-Utilities	8,055	7,607
Wholesale Trade	1,607	1,642
Retail Trade	9,767	10,185
Finance, Insurance & Real Estate	4,036	4,765
Services	11,893	13,173
Agriculture, Forestry, Fisheries & Non-classifieds	*	499
Government Employment		
Federal Government	12,504	12,514
State Government	47,996	44,686
Local Government	10,117	10,695
Total Non-Agricultural Employment	$116,779	$117,952
Private Sector Employment	46,162	50,057
Government Sector Employment	$70,617	$67,895

* Data non-disclosable
Source: Alaska Department of Labor

Private Sector Industries

While Juneau's economy is primarily based on government, the private sector is playing an increasingly important role. Tourism, seafood and mining are all important local industries

Juneau has the second largest number of commercial fishing permit holders in Southeast Alaska. While local processing activity is small compared to other Southeast communities, Juneau's seafood processing industry is growing.

Tourism is Juneau's largest private basic industry. Visitors from outside Alaska spent $53 million in Juneau during the summer of 1993. Visitors to Juneau arrive by cruise ship, airline or via the Alaska Marine Highway System. During 1993, cruise ships made over 427 stops in Juneau, bringing a total of 314,065 passengers and 138,659 crew members. The outlook for the tourism industry in Juneau is for employment growth of around 3% to 5% per year.

When Greens Creek Mine closed in 1993, Juneau lost 200 jobs in the private sector. However, two major mining projects, the Kensington Mine and the Alaska-Juneau Mine, continue to move through the permitting and development stages. As seen in the population projection data, the construction and operation of these projects would result in overall population growth while the baseline economy is likely to be declining.

Juneau's role as a regional service and supply center is rapidly growing. In 1993, Juneau added Costco to its list of major businesses, which already included Fred Meyers, Lamont's, Payless, and J. C. Penney's. The entry of Mapco in early 1994 increased competition in local retail gasoline sales. Kmart had their grand opening in April 1994 and is expected to be followed by a Carr's supermarket in 1995.

A strong positive effect of the development of these service industries has been an upswing in the construction industry as well as other support industries. Expansion of the service and retail sectors is expected to moderate and over the long term follow more closely trends in Juneau's basic economy.

Other indicators suggest a growing economy in recent years. The number of private sector employers has increased from 798 in 1989 to 834 in 1992. Reported gross business sales in 1989 were $603 million. By 1992, the CBJ reported gross business sales of $764 million.

Transportation

The Alaska Marine Highway System has experienced a steady flow of traffic into and out of Juneau. In 1989, 69,229 passengers came into Juneau via the ferry system, while in 1992, more than 73,000 passengers arrived this way.

Since 1989, Juneau International Airport has experienced a variety of changes, reflective of the factors affecting the entire airline industry. In 1989, there were three airlines in Juneau; 3,999 departing flights, carrying 176,429 passengers, 1,805 tons of mail and 1,437 tons of air freight. Since that time there have been two to three major airlines serving Juneau. In 1992, Alaska Airlines was joined by Delta and Mark Air for varying periods of time. There were a total of 4,943 departing flights: 231,505 passengers, 1,816 tons of mail and 5,067 tons of air freight. In 1993, Delta again offered limited service and gives every indication of continuing to do so. Mark Air has returned to Juneau in 1994 and appears to be working towards uninterrupted service. In addition, Juneau is served by a number of smaller airlines offering service to Juneau's outlying communities and Canada.

Other Information

The following tables provide further information about the economic and demographic nature of Juneau, Alaska.

Average Annual Unemployment Rate
Juneau 1989-1993

1989	1990	1991	1992	1993
5.0%	5.1%	6.3%	7.1%	6.2%

Juneau Assessed Real Property Valuation
As of July 31, 1989 - 1993
(In Thousands of Dollars)

	1989	1990	1991	1992	1993
Type of Real Property					
Commercial	$280,485	$256,074	$247,050	$243,179	$272,638
Industrial	27,527	26,014	44,494	44,051	18,906
Apartment	34,158	42,489	36,116	38,411	43,546
Trailer Courts	9,030	9,257	9,325	8,147	10,846
Total Business	351,200	333,834	336,985	333,788	345,936
Residential	581,176	630,254	689,308	761,944	770,494
* Other				578	46,555
Vacan Land	85,001	87,870	94,167	103,6100	87,949
Total	$1,017,376	$1,051,958	$1,120,460	$1,199,920	$1,250,933
By Area					
1. Juneau	$275,875	$275,620	$275,366	$292,699	$296,883
2. Douglas	51,073	50,304	51,749	55,080	60,819
3. Rural (on/off road)	30,264	22,048	23,279	23,763	24,700
4. Auke Bay	122,917	130,504	139,742	150,209	156,170
5. Glacier Valley	401,047	438,334	483,270	523,818	548,685
6. North Douglas	48,201	48,898	53,436	56,545	61,411
7. Salmon Creek	52,624	49,873	55,240	58,199	60,986
8. Lynn Canal	35,375	35,785	38,378	39,608	41,281
Total	$1,017,376	$1,051,366	$1,120,460	$1,199,920	$1,250,933

* Other: boat houses, mining related properties, non-exempt utilities property
Source: Annual Reports on Assessment and Taxation and Certified Assessment Roll, Assessor's Office, City and Borough of Juneau

Deeds of Trust Recorded in the Juneau Recording District 1989 - 1992

	1989	1990	1991	1992
Total Deeds of Trust	963	888	1,043	1,371
Total Amount (In thousands of dollars)	$104,202	$258,275*	$135,540	$128,549

*In 1990 a single deed of trust was recorded in the amount of $104,000,000 causing the large increase in dollar amount for that reporting period.
Source: Motznik Computer Services. Derived from State Office Records, complies by the McDowell Group.

New Housing Units Authorized by Building Permits in Juneau 1989 - 1993

Type of Dwelling	1989	1990	1991	1992	1993*
Single Family	30	32	40	73	66
2-4 Family Units	0	2	1	4	4
5 or More Units	0	2	7	12	0
Mobile Homes	10	22	46	19	9
Total Housing Units	40	58	94	108	79

*Totals for first three quarters only.
Source: City and Borough of Juneau Building Division and the Alaska Department of Commerce and Economic Development.

Average Residential Unit Sale Price, 1989 - 1992

	1989	1990	1991	1992
Single Family				
(Mendenhall Valley SA #5)				
Number of Sales	96	96	93	130
Total Sales	$9,396,688	$11,107,358	$11,255,265	$16,081,213
Total Square Feet	149,920	144,288	278,943	353,976
Average Price	$97,882	$115,701	$121,024	$123,701
Average Size	1,562	1,503	1,575	1,573
Price Per Square Foot	$62.66	$76.98	$76.84	$78.64
Single Family				
(All Other Areas)				
Number of Sales	52	59	63	57
Total Sales	$6,321,100	$8,257,142	$7,639,249	$7,916,698
Total Square Feet	89,844	102,424	160,092	190,287
Average Price	$121,560	$139,951	$121,257	$138,889
Average Size	1,728	1,736	1,554	1,572
Price Per Square Foot	$70.35	$80.62	$81.18	$104.35
Total Single Family Housing				
Number of Sales	148	155	156	187
Average Price	$106,201	$124,932	$121,118	$127,796
Average Size	1,620	1,592	1,567	1,573
Price Per Square Foot	$65.56	$78.47	$77.29	$85.25
Condominium				
Number of Sales	79	43	52	52
Total Sales	$3,711,800	$3,178,480	$3,871,112	$4,249,947
Total Square Feet	71,987	44,247	49,440	*
Average Price	$46,985	$73,918	$74,444	$81,729
Average Size	911	1,029	950	*
Price Per Square Foot	$51.58	$71.83	$78.36	*
Zero-Lot Line				
Number of Sales	69	56	51	52
Total Sales	$4,755,388	$4,853,432	$4,837,436	$5,249,466
Total Square Feet	90,316	47,626	119,912	103,325
Average Price	$68,918	$86,668	$96,364	$100,951
Average Size	1,309	1,322	1,332	1,291
Price Per Square Foot	$52.65	$65.56	$72.34	$78.20

Juneau Housing and Land Inventory

Volume V of the

Juneau Multi-Family Housing Program Feasibility Study

Prepared for:

The City and Borough of Juneau

Prepared by:

Thomas P. King & Associates
Juneau, Alaska

in association with

Milton B. Barker/McDowell Group

July, 1994

Juneau Housing and Land Inventory

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Juneau Housing and Land Inventory

Introduction

A major component of the Juneau Multi-Family Housing Program Feasibility Study is to inventory existing housing units and vacant land in the Juneau area. The housing inventory is provided by type of housing and location. Vacancy rates and the persons per unit by type and location also are provided. A separate, detailed inventory of multi-family properties with 5 or more units is included.

The information in this report is an accumulation of data from the City Assessors Office, the City Community Development Department and from independent investigation by the Thomas P. King & Associates. The report consists of the following information:

1. types of units;
2. location of types of units by service area;
3. persons per household;
4. vacancy rates;
5. inventory of vacant land;
6. inventory of multi-family buildings with five or more units;
7. trends of loss by fire, demolition, or conversion; and,
8. in-progress or planned construction of new housing.

I. Housing Inventory

In this section, Juneau's existing housing inventory is defined by type and location. Housing types are categorized as single family homes, duplex, zero lot line, condominium, mobile homes and live-aboard boats.

Housing units by type and location are based on Community Development Department data. Information on vacancy rates and persons per household is from *Population Estimate 1993*, prepared by the Community Development Department. Three or more units in a building are considered as multi-family.

Table 1 summarizes the existing housing inventory. Tables 2 and 3 contain vacancy rates and persons per household respectively.

TABLE 1
Housing Units By Type And Location

Service Area	Single-Family	Duplex	Zero Lot Line	Condominium	Multi-Family (3 or more units)	Mobile Home	Live-Aboard Boats	Total
1	675	380	21	367	927	6	98	2,474
2	197	170	2	181	282	1	6	839
3	44	16	0	0	0	7	0	67
4	568	168	84	114	139	28	34	1,135
5	2,071	532	460	189	859	1,063	6	5,180
6	224	100	84	0	28	57	0	493
7	135	60	90	18	40	2	0	345
8	230	42	0	2	6	8	0	288
Total	4,144	1,468	741	871	2,281	1,172	144	10,821

Key to Service Areas

Service Area 1	Juneau	Service Area 5	Glacier Valley
Service Area 2	Douglas	Service Area 6	North Douglas
Service Area 3	Rural Roaded	Service Area 7	Salmon Creek
Service Area 4	Auke Bay	Service Area 8	Lynn Canal

TABLE 2

Vacancy Rates

Service Area	Single-Family	Duplex	Zero Lot Line	Condominium	Multi-Family (3 or more units)	Mobile Home	Live-Aboard Boat	Average
1	0.00%	0.00%	0.00%	0.00%	0.93%	0.45%	0.00%	0.36%
2	0.00	0.00	0.00	0.00	0.93	0.45	0.00	0.36
3	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.49
4	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.15
5	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.06
6	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.01
7	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.16
8	1.32	1.32	1.32	1.32	0.78	0.45	0.00	1.39
Average	0.96%	0.96%	0.96%	0.96%	0.86%	0.45%	0.00%	0.87%

Notes:

1. Vacancy rates for single-family, duplexes, zero-lot-lines, and condominiums were estimated on a consolidated basis. Single-family and multi-family rates were each consolidated for service areas 1 and 2 and separately consolidated for all other service areas. Mobile home and boat rates were estimated on an area-wide basis.
2. The averages by type or service area are weighted by the number of units in Table 1.

Key to Service Areas

Service Area 1	Juneau	Service Area 5	Glacier Valley
Service Area 2	Douglas	Service Area 6	North Douglas
Service Area 3	Rural Roaded	Service Area 7	Salmon Creek
Service Area 4	Auke Bay	Service Area 8	Lynn Canal

TABLE 3

Persons per Household

Service Area	Single-Family	Duplex	Zero Lot Line	Condominium	Multi-Family (3 or more units)	Mobile Home	Live-Aboard Boat	Average
1	2.39	2.39	2.39	2.39	1.73	2.87	1.95	2.13
2	2.42	2.42	2.42	2.42	2.15	2.87	1.95	2.33
3	2.81	2.81	2.81	2.81	2.00	2.87	1.95	2.82
4	2.81	2.81	2.81	2.81	2.00	2.87	1.95	2.67
5	3.01	3.01	3.01	3.01	2.41	2.87	1.95	2.88
6	2.81	2.81	2.81	2.81	2.00	2.87	1.95	2.76
7	3.01	3.01	3.01	3.01	2.41	2.87	1.95	2.94
8	2.81	2.81	2.81	2.81	2.00	2.87	1.95	2.79
Average	2.79	2.79	2.79	2.79	2.07	2.87	1.95	2.64

Notes:

1. Persons per household for single-family, duplexes, zero-lot-lines, and condominiums were estimated on a consolidated basis. Single-family and multi-family figures were each consolidated for service areas 1 and 2 and separately consolidated for all other service areas. Mobile home and boat figures were estimated on an area-wide basis.
2. The averages by type or service area are weighted by the number of units in Table 1.

Key to Service Areas

Service Area 1	Juneau	Service Area 5	Glacier Valley
Service Area 2	Douglas	Service Area 6	North Douglas
Service Area 3	Rural Roaded	Service Area 7	Salmon Creek
Service Area 4	Auke Bay	Service Area 8	Lynn Canal

II. Land Inventory

A review of the Use Code Report prepared by the City Assessors Office indicates a large number of vacant land parcels in the City and Borough of Juneau. A large percentage have sites that would be suitable for most development allowed by zoning.

The Community Development Department, as part of its *Juneau Wetlands Management Plan*, conducted an inventory of developed and undeveloped land by zoning classifications. This study also indicated a large amount of vacant land that could be developed for housing use.

The Plan's total of vacant developable acres in districts zoned purely for residential purposes was 1,946 acres in 1988. This total does not include wetlands, steep slopes, or inaccessible property. Table 4 summarizes the results of the Plan inventory. The D-1 through D-5 zoning classes are for single-family and duplex residential use. The D-10 through D-18 districts are for multi-family.

TABLE 4
Vacant and Developable Acres

Zone Class	Developed Acres	Vacant Acres	Developable Acres
D-1	1,242	2,246	650
D-3	340	663	203
D-5	3,376	1,453	475
D-10	54	86	51
D-15	338	970	508
D-18	244	129	59
Total	5,594	5,547	1,946

Source: *Juneau Wetlands Management Plan*, Department of Community Development, City and Borough of Juneau, May 1989.

The *Juneau Wetlands Management Plan* inventory has not been updated since it was prepared on August 15, 1988. If acreage available in 1988 were developed at the maximum density allowed by zoning, an estimated 12,826 dwelling units could be constructed. Permits for only 388 new housing units have been issued between 1987 and the fourth quarter of 1993. Most residential development since 1987 has occured in the D-3 and D-5 zoned areas. Development has been primarily single-family homes with almost no multi-family development.

An estimated current capacity for an additional 12,400 units is over eight times the 1,500 units of net housing demand through the year 2000 forecasted in the *Juneau Housing Demand Forecast*, a companion volume to this report. The potential new construction is also more than the current stock of dwelling units in Juneau.

Table 5 shows the number of publicly and privately owned vacant parcels by zoning class. This information is from the City Assessor's records. The MU zoning class is for mixed use, which includes residential development.

TABLE 5
Publicly and Privately Owned Vacant Parcels

Zone Class	Private	Public	Total Parcels
D-1	517	101	618
D-3	150	23	173
D-5	523	86	609
D-10	47	10	57
D-15	63	8	71
D-18	215	19	234
MU	46	24	70
Total Parcels	1,561	271	1,832

The above numbers represent the total parcels. Undersized parcels may not be developable as a single parcel. The number of potential units on private or public land will depend on the size and zoning class of the parcels.

III. Multi-Family Housing Inventory

92.9 percent of existing multi-family properties having five or more units were examined to produce the multi-family inventory contained in Table 6. The inventory accounts for 93 properties totaling 1,535 housing units, out of 102 existing multi-family properties totaling 1,652 units.

TABLE 6
Multi-Family Housing Inventory

Service Area	Efficiency	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Unknown	Total Units
1	435	136	167	21	0	5	764
2	57	3	42	71	8	3	184
4	13	1	27	0	33	0	74
5	131	3	218	63	20	49	484
6	0	0	0	0	0	5	5
7	3	1	16	4	0	0	24
8	0	0	0	0	0	0	0
Total Units	640	144	472	162	65	62	1,535

Table 7 provides information on the character of the multi-family housing stock. The age, size, and number of bedrooms of multi-family buildings were determined from the City Assessors records. Each property was inspected to determine its condition. Management was contacted to determine rents and vacancies.

Many of the units in the downtown area are older and in fair to average condition. Many buildings were constructed during the 1930's, 1940's and 1950's. About 30 units are considered to be in poor condition and are expected to be torn down. The buildings in the Valley area are typically newer, with most constructed in the 1970's and 1980's. This is also true for buildings in the Douglas area. These are typically in average to good condition.

Another source of information for market rents is AHFC. Their 1994 Home Program uses the following as fair market rents for Juneau:

- efficiency $572
- 1 bedroom 695
- 2 bedrooms 890
- 3 bedrooms 1,057
- 4 bedrooms $1,184.

TABLE 7
Character of Multi-Family Housing Stock

Service Area	Number of Bedrooms	Number of Units	Typical Size (square feet)	Typical Rent	Typical Vacancy	Typical Age (years)	Typical Condition
1	0	136	475	$500	0%	45	average
	1	435	550	700	0	45	average
	2	167	783	850	0	45	average
	3	21	1,000	900	0	45	average
	4	0	1,200				
	Unknown	5					
2	0	3	450	575	0	9	good
	1	57	600	650	0	15	average
	2	42	830	850	0	10	good
	3	71	1,200	920	0	20	good
	4	8	1,200	Section 8			
	Unknown	3					
4	0	1	450	400	0	40	average
	1	13	600	775	0	40	average
	2	27	830	950	0	9	good
	3	0	1,000	0	0	0	
	4	33	1,200	1,100	0	9	good
5	0	3	450	500	0	22	average
	1	131	600	650	0	15	average
	2	218	830	850	0	15	average
	3	63	1,000	700	0	20	average
	4	20	1,200	$740	0	20	average
	Unknown	49					
6	Unknown	5					
7	0	1	450	Section 8	0	NA	NA
	1	3	600	Section 8	0	NA	NA
	2	16	830	Section 8	0	NA	NA
	3	4	1,000	Section 8	0	NA	NA
	4	0	1,200	Section 8	0%	NA	NA

IV. Multi-Family Losses By Fire, Demolition, Or Conversion

Table 8 indicates the number of multi-family units lost to fire, demolition, or conversion to other uses for the years 1988 through 1993. Information on losses and the number of multi-family units for various years was provided by the Community Development Department. Fire losses were were confirmed from records of the Juneau District of the city Fire Department. Table 9 provides the detail of such losses on which Table 8 is based.

TABLE 8
Multi-Family Housing Losses
1988 - 1993

	Service Area 1			Service Area 2			Service Area 5		
Year of Loss	Units Lost	Existing Multi-Family Units	Annual Loss Ratio	Units Lost	Existing Multi-Family Units	Annual Loss Ratio	Units Lost	Existing Multi-Family Units	Annual Loss Ratio
1988	25	971		0	287		0	799	
1989	0	947		0	287		0	813	
1990	43	923		13	287		0	812	
1991	5	921		0	280		2	809	
1992	0	915		0	280		0	812	
1993	12	927		0	282		0	859	
Total	85			13			2		
Average	14	934	1.52%	2	284	0.76%	0	817	0.04%

Sources:

1. Units Lost from Table 9.
2. Existing Multi-Family Units from Community Development Department, City and Borough of Juneau.

TABLE 9
Detail of Multi-Family Housing Losses
1988 - 1993

Year	Multi-Family Property	Units Lost	Parcel	Reason for Loss
1988	Gross Apartments	22	1CC70A030030	closed due to plumbing problems
	Guildford	3	1C070I010050	demolition
	Rocovich Apartments	10	1C040A260050	conversion to Juneau Alliance for Mentally Ill (JAMI) group home for persons who would otherwise independently seek rental apartments; units not rented to JAMI participants are available for rental to the public
	Total excluding JAMI	25		
1990	Gross Apartments	2	1CC70A030030	closed due to plumbing problems
	Soriano	10	1C070B0Q0010	demolition
	Perseverance Theater	4	2D040T040040	conversion
	Klein	9	2D040T040030	fire
	Channel Apartments	31	1C060K680010	demolition for ADEC building
	Total	56		
1991	Milnes Apartments	5	1C070A140070	fire
	Gastineau Human Services	2	5B1201050200	conversion to group home for offenders who would otherwise be incarcerated
	Total	7		
1993	Knight Apartments	9	1C060B010030	demolition for Senior Citizens Support Services project
	Calhoun Avenue 3-plex	3	1C060B010020	demolition for Senior Citizens Support Services project
	Total	12		

Source: Community Development and Assessor's Office, City and Borough of Juneau

V. Current Additions To The Housing Stock

Table 10 summarizes the current additions being made to Juneau's housing stock. These are units that are either under construction or planned for construction. These units are not included in the existing housing inventories contained in this report.

The records of the Community Development Department and the Assessors Office were reviewed to determine housing units planned or in-progress. Newspaper reports and interviews with developers were also used in arriving at the estimated units.

TABLE 10
Housing Units Planned or Under Construction

	Number of Bedrooms				
Multi-Family Projects	0	1	2	3+	Total Units
Senior Citizen Support Services, Inc.	21	30	16		67
Alaska Housing Finance Corporation		13	22	10	45
Housing First	6	6	3		15
Gruening Park			8	8	16
Mad-Tiff Construction	NA	NA	NA	NA	15
Total Multi-Family Units	27	49	49	18	158

Other Housing	Type	Units
Tlingit-Haida Housing Authority		
	single-family lease-purchase	30
	duplex rentals	20
Park Place Townhomes	single-family attached	16
Building permits under review	miscellaneous	50
Mobile home rental spaces		30
Total Other Units		146
Total Multi-Family and Other Housing Units		304