



Alaska Housing Finance Corporation (AHFC) develops and manages a host of state and federal grant programs to facilitate solutions for Alaskan's affordable and supportive housing needs. The two primary drivers for developing affordable rental housing in the state are the Greater Opportunities for Affordable Living (GOAL) program and the Teacher Housing, Health and Public Safety (THHP) program. Over the past three years, these two programs collectively made *\$51.1M per year* available in grants and Low-Income Housing Tax Credits for rental housing developments.

Synopsis of Process Conversions: Pilot (09/2009-01/2010) – Full Implementation (06/2010-06/2011)

AHFC has comprehensively transformed its process to solicit, evaluate and award subsidies to rental development proposals across the state. Applications for funding, their review and programmatic recordkeeping have migrated from a paper-based system to an online platform utilizing the Ariba Sourcing module. Simultaneously, the evaluation criteria for rental proposals was converted from subjectively evaluated review factors to a revamped and 100% objective rating system (i.e. *if X, then Y points*) that integrated multiple data sources available to AHFC.

These management innovations have delivered the following solutions to AHFC and its partners:

- Improvements in application review times by 45% in THHP and 69% in GOAL;
- Clear and measurable policy objectives to score and track applicant proposals;
- Eliminated on- and off-site storage burden from 100+ application binders per year;
- An expedient web-based system to access and manage applicant / program files;
- Reduced audit and appeal exposure through system controls and objective scoring;
- Programmatic model already replicated in six of AHFC's non-rental grant programs.

Rental Programs prior to Conversion

Prior to the conversion, all rental development proposals were submitted via hardcopy to AHFC's headquarters in Anchorage and time-stamped by reception staff. Out-of-town and rural applicants faced a logistical delivery disadvantage to their in-town counterparts. Upon receipt, AHFC would review the application materials and then distribute review packets to qualified volunteers for scoring. Reviewers were then tasked with subjectively evaluating and scoring 20+ lbs of printed rental proposals. In the six years prior to the conversions, average review times for the GOAL and THHP programs (due-date to award announcement) were 113 and 114.5 days, respectively. Hard copy application and review materials were then initially stored at AHFC and eventually archived off-site. When audits and / or other issues required information included in old applications or program files, paper files had to be recalled, reviewed, and eventually re-archived.

HFA: Alaska Housing Finance Corporation
Entry: Conversion of Rental Programs

Given the subjective evaluation component of the review process, few consistently measurable performance targets for project underwriting and community impact could be directly correlated to the rating criteria. In the absence of clearly stated benchmarks and objective criteria, managing consistent and effective incentives for project deal terms, cost controls and appropriate responses to community needs and policy objectives was inherently challenging.

Developing the Process Conversion Framework

AHFC's goal for the rental development programs was to migrate to an online application system and establish a 100% objective rating criteria. Steps to realize this goal began in 2009 when AHFC's procurement department entered into a contract with Ariba to use the company's online Sourcing application. *Although Ariba Sourcing was primarily designed for contracts, purchasing and professional services solicitations, AHFC staff stepped outside the box to evaluate its potential cross-functional application to grant and rental program solicitations.* Throughout 2009, AHFC received training from Ariba on system features, setting up project folders, and administration. In January 2010, AHFC finished a pilot solicitation using Ariba Sourcing for the GOAL competition.

During the same period, an objective rating criteria was developed for the GOAL program. After receipt and analysis of a statewide review of rental properties and markets in May of 2009, AHFC deployed objective rating measures to rank rental development proposals. Objective underwriting targets, market conditions and community data were introduced and collectively comprised 45% of the total scoring. Underwriting criteria were set based on reported, observed, and incentive worthy development practices using Alaskan and national development standards. Criteria for market conditions and community data categories were collectively set using available data points annually updated through AHFC rental surveys, State Department of Labor and Workforce Development reports, census data, and ESRI. Offsetting point categories were established in the criteria to enable rural projects and those serving special needs populations to remain competitive.

After a successful pilot solicitation using the Ariba Sourcing system and a 100% objective rating system, AHFC's internal audit department formally audited the solicitation from May to July of 2010. The full audit of program and solicitation files was conducted from a desktop using internet access and resulted in no findings or concerns. Following the audit results, AHFC grant program managers were formally trained on Ariba Sourcing and began utilizing it in earnest that summer. In summer 2010, the THHP program converted to 100% objective rating criteria, leveraging the GOAL rating criteria, and adopted mandatory electronic application submissions.

Rental Programs after the Conversion

Logistically: All applicants now have the same system access to apply for rental program funds, regardless of their proximity to AHFC's corporate headquarters. When application materials are submitted, a clear, unequivocal, and auditable record is retained in the system regarding "who put what, where, and when." Additionally, solicitation related correspondence between AHFC staff and the applicants can now be sent and automatically be archived through the system. While applicants retain access to applications after the deadlines, their access converts to view only.

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Since the conversions, average review times across the GOAL and THHP programs are 34 and 62 days, respectively. In the six years preceding the conversions, average review times across the GOAL and THHP programs were 113 and 114.5 days, respectively. In Alaska's short building season, these review time improvements provide funded applicants an invaluable head start to complete their final designs, mobilize construction crews, and finalize equity partner negotiations.

Programmatically – Online Application: In 12 competitive grant funding rounds held using the Ariba Sourcing application, no appeals have been filed related to the system or its functionality. All applicant and programmatic records are now stored electronically in Ariba Sourcing and are easily downloadable for timely dissemination and external review. When non-program AHFC staff (i.e. mortgage, audit, etc.) request applicant or program records held in Ariba Sourcing, they can be granted direct viewing access to Ariba Sourcing. Since Ariba Sourcing maintains all records in its active systems without an expiration date, the only archiving needs which remain are for a handful of program documents requiring original retention.

Programmatically – Objective Rating Criteria: Since the development of, and conversion to, a 100% objective rating criteria, AHFC has been able to directly map point incentives to outcomes. In May 2011, AHFC used these observed data relationships to further enhance its objective criteria for the GOAL program. Through its careful due-diligence and integration of available data sources when developing and implementing the objective criteria for the GOAL and THHP programs, AHFC has been able to concurrently avoid incentives that concentrate poverty or redline distressed communities while ensuring full statewide access to its rental program resources. Post conversion GOAL and THHP allocations have maintained a diverse geographic distribution of resources.

On AHFC's recent GOAL Program changes, seasoned developer Greg Dunfield wrote that AHFC's *"scoring changes over the last few years have been a great improvement to get at the essence of the policy goals in a way that can realistically be accomplished with housing tax credit proposals."*

Implications from Rental Programs Conversion

Since implementing the online and objective application process for rental programs, other grant programs managed by AHFC have followed suit. The online application and review process has been used for two (2) homeless programs, two (2) HOME programs, the Senior Access program, the Special Needs Housing Grant program, and to solicit tenant data for LIHTC projects mandated by the Housing and Economic Recovery Act's (HERA) LIHTC Tenant Data collection requirement.

User feedback across all of the solicitations using the Ariba Sourcing application has been overwhelmingly positive. Since Ariba Sourcing was already under contract through AHFC's procurement division, Rental Program and Grants staff were able to leverage an already existing system without incurring additional administrative costs to their programs.