

Painting the Portrait of Affordable Housing Rental Housing

Alaska Housing Finance Corporation
Rental Housing: Encouraging New Construction

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Alaska is a big state with a small town character. Neighbors helping neighbors is foundational to the Alaska way of life: it is the true canvas of our community. As the needs of our neighbors have evolved, newly constructed affordable housing has never been more important than it is today. Like pictures in an art gallery, affordable housing development in Alaska tells an inspirational, and aspirational story, one with unique colors, interpretations, and challenges. While comprised of similar materials, the painters, paint, tools, and canvases of each new creation have evolved, improving the state's capacity and ability to best serve residents in need.

The Painter

In 2011, the State of Alaska passed legislation which allowed Alaska Housing Finance Corporation to establish a subsidiary to further the mission of providing Alaskans access to safe, quality, affordable housing through the acquisition, development, management, or operation of affordable housing.

The Alaska Corporation for Affordable Housing was created as a non-profit organization, with the ability to access resources such as loans, grants, and private funding that are not available to AHFC. ACAH utilizes these resources to develop or acquire properties to increase affordable housing opportunities and bridge the gap that would be more challenging for private developers to fill. This innovative approach helps to diversify housing supply types through a combination of tax incentives, grants, and subsidies encouraging private sector investments in affordable housing development addressing Alaska's unique needs.

For more than a decade, ACAH has been effectively employing partnerships. Their first endeavor set the stage for community engagement collaborating with a local tribal entity, Cook Inlet Housing Authority, to bring 88 units of housing to Anchorage, Alaska. Through continued partnerships, ACAH has helped develop more than 200 units of affordable housing throughout the state. These successful partnerships laid the groundwork for subsequent projects offering a new, progressive way of thinking about affordable housing.

The Evolution of the Artform

Much like how an artist selects their medium, conceptualization is critical for a successful development. Over time, mediums and artistic styles have changed: from Leonardo da Vinci in the Renaissance era to Andy Warhol in the era of pop art. This is an expression of how the relationship between resources and partnerships have changed in affordable housing development.

AHFC, ACAH and their partners have long-term commitments to meeting Alaska's housing needs. These partnerships represent a balance of public and private entities that coalesce to provide newly constructed affordable housing units that would otherwise not exist. While future developments may not specifically involve all of the same entities, the framework presented easily allows for substitutions, making it replicable.

This framework was implemented in ACAH's latest development in Fairbanks, Alaska. The Fairbanks North Star Borough is the second largest populated area within the state and its economy is supported largely by the neighboring military bases. The ever-changing requirements of the military along with the lack of affordable housing for long-time local residents presented this community as a natural choice to demonstrate how effective partnerships can respond to their housing needs.

“Our Fairbanks development differs from privately developed projects by using and leveraging resources unique to the production of affordable housing in a public/private partnership. Affordability is emphasized, and project financial stability is greatly increased, with sponsor-based rental assistance provided to all households demonstrating the need.”

– Michel Chevalier, Principal/North Star Management, LLC

The Fairbanks development highlighted the following public/private partnerships

- **Alaska Housing Finance Corporation** – *State Housing Finance Agency/Funding Partner/Sponsor Based Rental Assistance*
- **Alaska Corporation for Affordable Housing** – *Non-profit Subsidiary of HFA/Developer*
- **Swell, LLC** – *Development Consultant* - Leading housing developers in Alaska, developed over 1,250 units of housing across the entire state of Alaska
- **North Star Management, LLC** – *Property Manager* - Currently manages over 900 residential rental units, most of which are Rural Development and LIHTC financed projects
- **Rasmuson Foundation** - *Funding Partner* - The largest private funder in Alaska whose mission is to promote a better life for Alaskans
- **Weidner Apartment Homes** – *Funding Partner* - an Alaskan housing provider and national landlord recognized the importance of ACAH’s mission and complemented it through a generous financial contribution
- **Enterprise** – *Tax Credit Investor* – From 1982 to 2013, has invested, loaned or granted \$43.8M to projects in the state of Alaska
- **First National Bank Alaska** – *Lender* – Alaskan bank for over 100 years
- **Eide Bailly LLP** - *Accountant* – Certified public accounting firm since 1917

The Paint

In order for a development to be successful, it needs to effectively use resources for not only construction, but also operations. ACAH is positioned to utilize federal funding from AHFC’s Public Housing department through HUD’s Moving to Work plan. AHFC was able to secure ongoing HUD approval to fund further development projects by ACAH and support them with sponsor-based rental assistance as a continued activity. This action supports up to a \$15M investment and up to 60 units of sponsor-based rental assistance. The sponsor-based rental assistance allows for the development to be operationally sustainable and less administratively burdensome for the property management team.

The Fairbanks development was the first project under this activity and utilized \$13M in MTW funding to create 58 housing units. This funding represents almost 50% of the total development cost, reducing the need for permanent construction financing through a lender and simplifying the capital stack.

In an effort to provide continual benefits from expended resources, ACAH has hired a development consultant rather than hiring a third-party developer. This allows ACAH to act as their own developer, keeping the developer fee in-house to be invested back into future projects. It also brings development knowledge to the organization that would otherwise stay with a third-party developer. This methodology could be easily replicated by other housing development entities to stretch the use of resources and continue to facilitate new construction projects.

To continually encourage new construction from the private sector, ACAH utilizes 4% Low Income Housing Tax Credit deals, as opposed to competing for 9% deals. This allows ACAH to take advantage of investor contributions, while not posing a risk of the organization competing with developers in the

private sector. This financial support, together with the generosity of the Rasmuson Foundation and Weidner Apartment Homes, made this development possible. All 58 units are supported by sponsor-based rental assistance and serve households whose income is at or below 60% of the area median income.

The Canvas

Canvas selection is different for each piece of art: size, material, etc. A true artist can see the beauty in even the most challenging circumstances. Development sites are no different. In this instance, Fairbanks lacks the availability of larger tracts within the city that are suitable for development. This illustrated the need to develop on two lots that were not adjacent, known as a scattered site development, revealing the beauty of the opportunity to serve both seniors and family households. While a scattered site approach is complex in nature, there was a sense of balance through the simplification of processes that would have otherwise had to be duplicated. It further allowed an operational scale that was more supportive than if each site was developed separately.

The Fairbanks market, like most in Alaska, presented many other significant barriers to the production and operation of affordable housing with:

- High development costs
- High operating costs
- Increasing rents that are widening the affordability gap
- Continued obstacles to long-term affordability – i.e. properties transitioning away from affordable to market rate

Analyses of each Alaskan community, similar to the items listed above, equates to the creative process of canvas selection before the proposed artwork is created.

- ***Dimensions*** - Geographic constraints and number of units to create
- ***Easel*** - Data to support the need
- ***How long will it take to paint*** – Schedule of development
- ***Paint colors*** – Financial resources
- ***How much paint*** - Flow of funds
- ***What paint brushes and tools to use*** - Partnerships

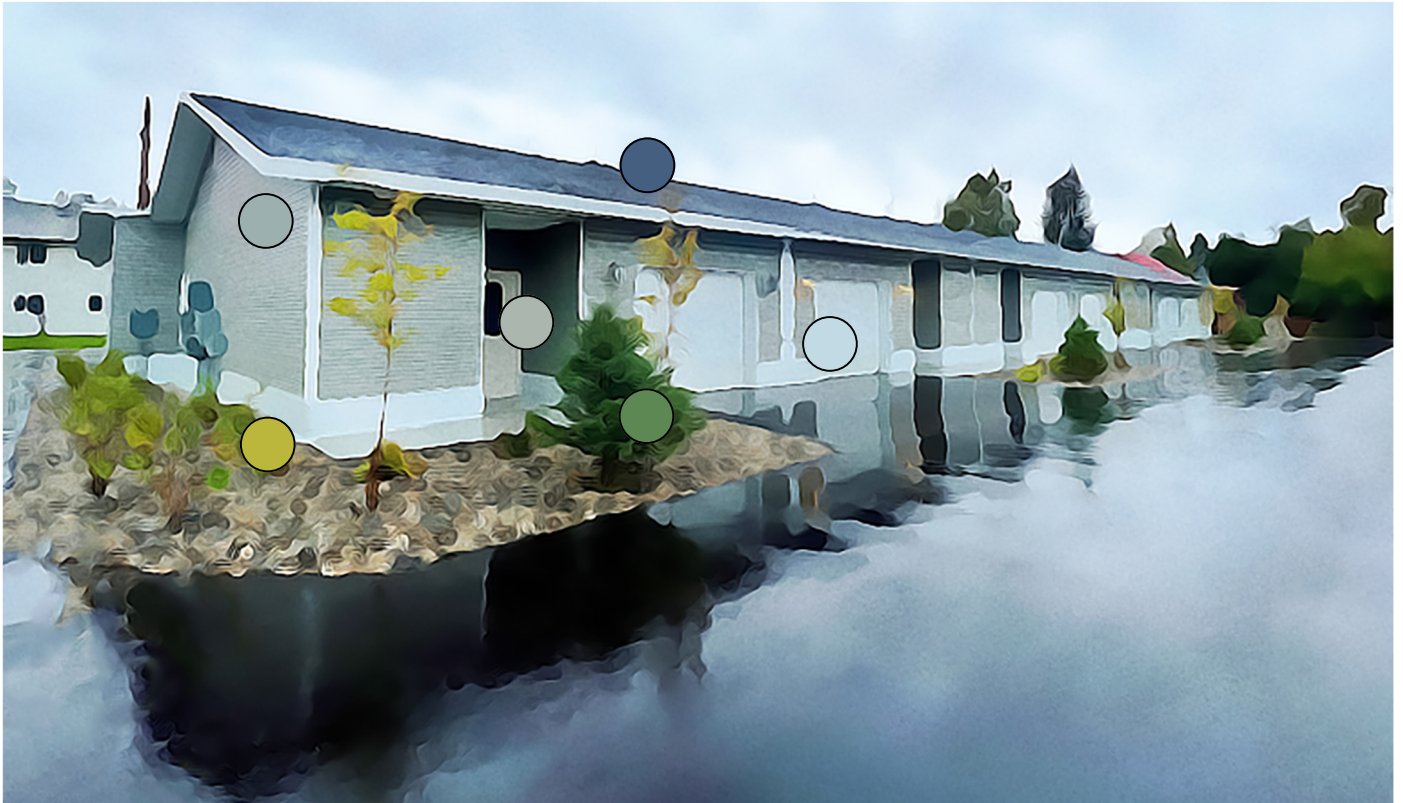
Pièce de Résistance

This innovative framework pulls together our Alaskan neighbors to demonstrate an effective use of resources to develop strong, inclusive communities benefiting some of our most vulnerable residents. It has been successful in responding to an important state housing need for the low-income seniors and households in Fairbanks, which was evident as the 18 senior units became available on Aug. 23, 2023, and were fully occupied by Aug. 31, 2023. They remain fully occupied to this day with a waitlist. No advertising beyond a simple flyer and Facebook post were necessary, demonstrating that not only did the need exist but that this development is assisting in achieving the objective of providing more affordable housing in the community.

This innovative structure balances the utilization of effective partnerships and available resources to provide needed housing for our Alaskan neighbors. By using it as a framework, it allows for substitutions of different partnerships and resources to achieve housing goals in our communities. It is the basis for replication that is already being utilized for pre-development of another project in a more rural community.

The Meadows

This paint-by-numbers artistic representation reflects the explicable framework that was used for ACAH's development in Fairbanks, Alaska: The Meadows. The beautiful building seen here is one of the buildings currently occupied by low-income seniors. While the colors of the next painting may have slight variations, and the painting itself will be of a different structure, it provides a visual depiction of how this innovative concept can be easily replicated.



- Alaska Housing Finance Corporation
- Alaska Corporation for Affordable Housing
- Enterprise
- Rasmuson Foundation
- Weidner Apartment Homes
- First National Bank Alaska

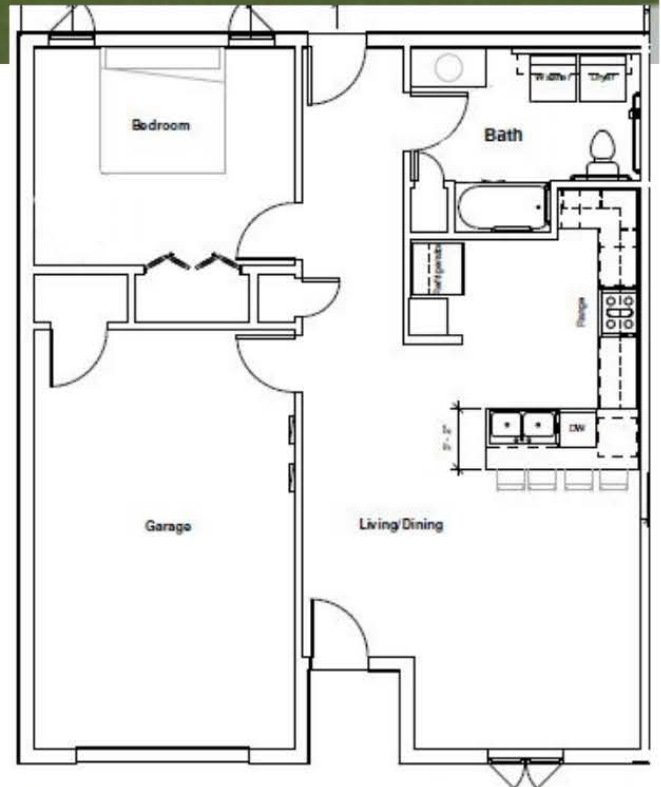


COMING SOON!

THE MEADOWS

LOCATED BETWEEN 9TH AVENUE
AND DENALI WAY

- 18 ADA Compliant Units
- 1 Bedroom, 1 Bathroom, 1 Car Garage
- Age and income restrictions apply



Floorplan shown is approximate, not all layouts are identical.

SUMMER 2023

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