

# **An Approach to Funding Affordable/Homeless Housing in Anchorage**

There is a recognized need for more innovative options as Anchorage residents consider how best to address the provision of affordable work-force housing and shelter for the increasing numbers of homeless within our community. A conceptual approach is presented in this paper.

## **Anchorage Housing Trust Fund and Housing Fee**

A perennial stumbling block to meeting the housing needs of our lower socio-economic residents is the lack of funding to construct new facilities. It is suggested that Anchorage establish the Anchorage Housing Trust Fund using receipts from a new Housing Fee. In 2017, there were 2,799 single-family and 993 condominium real estate transactions within the Anchorage metropolitan area. The average sales price was \$365,000 for single-family homes and approximately \$211,200 for condos. Multiplying the number of units sold by the average sales price, we arrive at an economic value of \$1,231,158,000 or just over 1.2 billion dollars.

Such a fee would add \$1,569 to the average sales price of a single-family home, \$907 to the average condominium and could be rolled into the mortgage financing loan amount. The initial amount of the surcharge could be based on the projected need. For example, the population of Anchorage in 2017 was 294,356 and according to the 2017 Point in Time Count the number of homeless individuals was 1,263. Thus approximately .43 percent of the overall population was homeless. Estimated revenues raised by a .43 percent Housing Fee would be \$5,322,289.

While a case is made that .43 percent would be appropriate for homeless housing, the proposed housing fee could be greater in order to address the rising concerns about affordable work force housing within the Anchorage Bowl. However, the larger the Housing Fee the higher the probability of increased pushback and public resistance.

In other sectors of our economy it is common practice to levy a surcharge on individual transactions to pay for critical public goods. An example is that of the surcharge on a person's phone bill or the undergrounding fee added to your electric bill if you are a ML&P customer.

The Housing Fee would be collected at the time of mortgage closing and deposited into the Anchorage Housing Trust Fund (AHTF). The Trust would be managed per the investment strategies of the Alaska Permanent Fund Corporation. Revenues collected would be split fifty/fifty with half going to meet current housing needs and to cover administrative expenses. The other half would be deposited into the Housing Trust and invested for prudent growth and long-term sustainability. Once the amount in the Housing Trust Fund reached an accepted capitalization target, distributions (after inflation-proofing) toward the Anchorage communities homeless and affordable housing needs would occur. The Housing Fee would remain in place until the Housing Trust achieves a sustainable level of distributions sufficient to meet the housing needs of the community's lower socio-economic residents. Upon reaching this level (to be determined based on further analysis) the Housing Fee would Sunset and Anchorage's homeless/affordable housing needs would be met entirely from the investment proceeds of the AHTF.

In order to make a substantive difference on unmet demand, one could capitalize an AHTF using projected revenues from the Housing Fee. Below is an example for an initial capitalization of \$25,000,000.

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Illustrative Example for Initial Capitalization of Anchorage Affordable Housing Trust Fund											
Funds Needed	Term	Int. Rate	Debt Service Reserve	Cost of Issuance	Rounding Amount	Total Bonds Issued	Insurance Cost	Gross Monthly Payment	Less Reserve Interest	Net Monthly Payment	Annual Payment
\$25,000,000	20 years	5%	\$2,841,000	\$568,200	\$800	\$28,410,000	\$568,200	\$187,493	\$11,838	\$175,656	\$2,107,872

## Support for Transit Oriented Development

Expenditures from the AHTF would be integrated with other Municipality Plans (i.e. Anchorage Land Use Plan, Metropolitan Transportation Plan, Public Transit Plan, Community Development Plan, etc.) in order to assure the investments support implementation of other Municipal strategic priorities. As such a primary focus would be to direct investments toward the designated Primary Transit Corridors. Easy access to convenient public transit allows for lower income households to minimize transportation expenses and thus make it easier to qualify for home ownership options such as Location Efficient Mortgages.

## Housing Cooperative Model

It is suggested a preference be given to investments that advance the creation of robust mutual support, micro-communities via the development of housing/work cooperative corporations. Establishing a new housing option (Co-Ops) within the Anchorage marketplace would give residents more options to choose from in terms of shelter arrangements. Anchorage will continue to grow. One option for preserving the ability of lower-income residents to age in place is the establishment of housing cooperatives as the residents themselves are in charge of their housing situation. Housing Co-Ops also are an excellent tool to minimize detrimental impacts of gentrification within an improving Anchorage. An Anchorage Urban Housing Cooperative Network entity could serve as a facilitator of these mutual support communities.

## Using Existing Expertize

Funds from the AHTF would be distributed via a competitive process to local Community Housing Development Organizations. AHTF could also be used to support the operational expenses of the Urban Housing Co-Op Network and its facilitating expertize of matching individual residents with the appropriate mutual support group.

## Always Improving

Trust funds could also be used for on-going research and assessment of local homeless/affordable housing investments. Implementation efforts would be tracked using the principles of Total Quality Management such that investments would be continually monitored and those that produce the greatest progress towards performance goals are rewarded.

## The Challenge of Chronic Homeless Individuals

This new mechanism could also address the unique challenges associated with the chronically homeless. For example, one of the housing cooperative options could include on-site professional counseling and treatment

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services. This would allow for robust delivery of supportive services in a smaller, more humane setting where the efficacy of recovery is greater.

### **Community Service and Individual Obligations**

It is suggested a requirement that all recipients comply with Community Service obligations on behalf of the overall Anchorage community. Hours of this community service would be tracked, documented and credited to a Community Service Account. After a minimum number of credits have accrued, the individual residents could receive a Zero-Down Housing Voucher from the Alaska Housing Finance Corporation. In addition, community service participants would also qualify for two years or more of free tuition at the University of Alaska. The Voucher and Education Credits would require statutory changes.

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