Juneau Housing Panel  
Credit Union and Mortgage Lenders

This report is the result of two meetings on obstacles to housing in Juneau. The first meeting was composed mostly of representatives of Credit Union’s serving the Juneau market, and one mortgage lender not affiliated with a financial institution. It wasn’t long into our conversation that we determined that a second meeting, with all mortgage lenders in Juneau, was in order. Therefore, we held a second meeting on January 31st, and invited representatives from other mortgage service providers as well. The individuals attending one or both meetings and their institutions are listed below:

Lauren MacVay, True North and Alaska Credit Union League  
Jeff Vogt, True North  
Bill Peters, True North  
Patty Ray, True North  
Sheri Vidic, True North  
Jamey Young, True North  
Lance Stevens, AK USA  
Michael Thomas, AK USA Mortgage  
Joe Crosson, Denali Alaskan FCU  
Bethany Woods, Residential Mortgage  
Luke Fanning, FNBA  
Nancy Hudson, Alaska Pacific Bank  
Mary Elsner, Tlingit Haida Regional Housing Authority

The issues we discussed covered a broad range of topics, and are broken down below by what we perceived are those large in scope, then hopefully smaller in scope, and in each category we have given you what we felt were priorities. Finally, at the end we added some other suggestions.

I. Large Scope Priorities:

A. Evaluate the City’s culture when it comes to building
The City plays a critical role in the expense of Juneau housing, and in the difficulty of getting it built. Permitting can be confusing, the messaging from various City offices contradictory, and the city culture does not appear to be one conducive to problem solving. Further, the City requirements for residential developments can be a disincentive to build larger housing developments.

1. Strategy – Ombudsman
Consider the creation of an Ombudsman position that will be a resource to those struggling to navigate the permitting and development process. This position
would be an advocate for the people trying to navigate the permitting system, and would be tasked with facilitating development within the parameters defined by City leadership. Finally, this position should not report to the person who supervises the other staff involved in the permitting process.

2. **Strategy – Tax Incentives**
Consider tax alternatives that will help developers mitigate cost of development. Two examples are:

a) **Development assessment** – create a structure that allows the cost of infrastructure development to be rolled into a property assessment on the houses in that development for a defined period of time.

b) **Tax Deferment** – allow developers of multifamily dwellings for lease to defer the increased tax cost of the new building for a defined period, such as ten years. The tax savings will allow them to offset the cost of development over time.

3. **Strategy - Reevaluate Development Criteria**
Reevaluate the development criteria put in place by the city, and the impact they have on housing. An example is the definitions of minor and major subdivisions, and the additional infrastructure costs that come with the latter.

B. **Facilitate the development of Affordable Housing.**
While recognizing that the charter from the Assembly was not limited to “Affordable” Housing, our panel felt initiatives geared towards housing with lower price points were worthy of emphasis. Further, if new land is going to be released for development, at least some of it should be allocated towards development of housing deemed affordable, and in a method that will keep it affordable. The standard for reasonable housing expense, including that held by the secondary mortgage market, is 30% of a borrowers gross monthly earnings. At current market rates, Juneau residents earning 80% of median income (or $60,414) can sustain payment on a $235,000 home. At the median household salary ($75,517) Juneau residents can sustain payment on a $300,000 home and not be considered debt burdened. Keep in mind, when interest rates go up, their buying power will decline further. The average single family home purchase price in 2012 was $288,894, so even at the median household income level, home owners are nearing that 30% mark. Given the cost of land in Juneau, there are very few ways to control that price point.

1. **Strategy – Community Land Trust**
Use the structure of a Community Land Trust, already in place with the Juneau Land Trust, whereby the land is owned or managed by a non-profit Trust. Buyers of the houses buy only the house and pay a low, fixed lease rate to the Trust for the land. Upon resale, the owner of the house only gets a portion of the increase in value, but benefitted from a lower price on purchase and during
ownership of the house gets the income tax deduction benefits not available to renters.

2. Strategies – Programs for mobile/manufactured home financing

8% of Juneau’s housing (972 units) in 2012 is mobile/manufactured housing and it is difficult to obtain financing of mobile/manufactured homes in parks. Local financial institutions have difficulty entering the market due to the associated risks. Those that do provide loans on these properties must be cautious with the terms and volume of the loans issued. Consider programs that would provide alternate funding for mobile homes, or guarantee programs that would make it easier for banks and credit unions to lend in the market.

C. Condo Associations lacking investor certification: FHA, VA and AHFC.

There are 43 Condo Associations in Juneau. Presently 4 are approved by FHA, 6 for AHFC, and 13 for VA lending. A summary of investor condo requirements is attached.

It seems fewer and fewer associations are seeking approval because of lack of understanding of impact, lack of ability to qualify, or perhaps due to a stereotype of the kind of borrower who needs those programs. Further, management of a condo association is not an easy task. Management companies do exist, but in our experience the more an association needs those services, the less it is that they’ll be able to find a professional to take them on.

Impacts are that any borrower who needs the down payment assistance from these programs provided by those programs cannot purchase units in those condos. Given housing prices in Juneau and restrictions now in place for conventional financing, many borrowers need those programs. The result is not only that financing is difficult for buyers. Additionally, homeowners can be trapped in their units, even to the extent of foreclosure because they can’t be sold, which is startling given the general demand for housing.

1. Strategy – existing associations

Consider Tax incentives for existing condo associations that renew their association approval with investors, or offer tax offsets for the costs necessary to do so, such as audits and inspections.

2. Strategy – new associations

Establish an incentive, perhaps reduced taxes, for associations that are established with a by-law requirement that the association maintain eligibility with these investors.

3. Strategy – developer assistance

Provide resources or expertise for those seeking or potentially seeking to develop condo associations, to help them navigate the difficult process of creating the association, securing adequate presales, and getting investor approval. It is our experience that the complexities of this process have been a barrier to condo development.
4. **Strategy- education and resources**

Provide a resource to aid in the management of condo associations, helping the owners who cannot obtain help from professional management companies. Further, ensure resources are available to existing condo associations and to those considering the development of new associations about these investors, the impact they have on salability of units, and the requirements they have in place regarding reserves and ownership allocation.

II. **Smaller Scope issues**

They were other issues we discussed that we felt were smaller in scope and perhaps might be some low hanging fruit – more easily addressed and capable have having more immediate impact.

A. **FEMA Flood Map**

The newest FEMA Flood Map was done based on satellite imagery with considerable water reflection. As a result, many Juneau properties are considered in flood areas under this map that aren’t truly at risk. The City has not accepted this FEMA map for this reason, but the issue remains in limbo. The map is out there, and some flood agencies are accessing it, resulting in Juneau home owners and potential purchasers facing huge insurance expenses. There is a process for seeking an exception to the flood designation, and that process is providing some relief, but it takes time and considerable effort. We have seen housing deals fall through and home owners go through significant headache as they navigate this process. Affected Juneau homeowners are seeing this issue increase cost and effect the salability of their homes. A resolution with FEMA of the maps for the Juneau housing would remove on impediment to housing ownership in Juneau.

B. **Accessory Apartments**

The limitation in City code that an accessory apartment can be no more than 600 feet and one bedroom, but the Housing needs assessment shows high demand for 1 and 2 bedroom units (93% of apartment units needed). We believe more people would build or modify housing to offer accessory apartments if the allowable square footage was higher, and 2 bedrooms were included. This would expand available housing, but also help homeowners offset costs of housing and utilities.

1. **Strategy – expand accessory apartment parameters**

We recognize that the Accessory Apartment designation is allowed in most zoning areas, and expanding the allowable size of these apartments has ramifications, but ask that you balance the risk of an overabundance of accessory apartments with the risks currently facing the community from the housing shortage. More apartments in the critical 1 to 2 bedroom range could be built, benefitting the home owner and the renter.
2. Strategy – permitting and fees
Evaluate the permitting and fee structure for those attempting to add an
apartment to a new or existing dwelling as an incentive.

C. Evaluate zoning impacts on financing
As mentioned above, financing is very difficult to obtain for mobile homes. Further, how
the city codes lots has an impact on whether they can be financed. In particular, homes,
whether modular or mobile, on lots with a use code of “mobile on lot” are not eligible for
standard secondary market financing. We recommend a review of how and why use
codes are determined, considering the impacts the buyer in terms of property values and
financing.

D. Redevelopment programs
Per the JEDC’s Housing Needs Assessment, much of Juneau’s housing is or soon will
be functionally obsolete. There is considerable deferred maintenance on these older
homes. This not only affects the value of the home, but it can become an obstacle to
sale and financing.

Strategy: Consider designating redevelopment areas where older houses with
similar redevelopment needs are concentrated. For housing within those areas,
establish streamlined permitting packages that are reasonably priced for
homeowners looking to do standard improvements. This will increase safety
and longevity of older houses, and will also remove barriers to financing when
homeowners try to sell.

III. Other Suggestions
A few other suggestions came up in our group that we wanted to submit for your consideration.

A. Development Associations
Consider the creation of a Community Development Association, charged with
facilitating responsible development and redevelopment opportunities in Juneau.

B. Seasonal Worker Housing
Consider projects to house certain employee groups, such as seasonal workers and
hospital employees. Evaluate existing projects, in Juneau and outside, to determine
how well they are working and how Juneau might benefit.

C. AHFC Energy Rebate Program Extension
Lobby AHFC to extend the Energy Rebate program to rental properties, and to extend
the period of time in which the work must be completed. Juneau residents frequently
find it difficult to get the work performed in the time period allowed due to lack of
available contractors.
We thank the Assembly for the opportunity to provide it with our thoughts and suggestions, and Carlton Smith for his guidance in this process. If you have any questions, please do not hesitate to contact us.

Submitted by the Credit Union and Mortgage Lenders Panel

Facilitator and Main Contact:

Lauren MacVay
President/CEO, True North Federal Credit Union
Chair, Alaska Credit Union League

907-523-4720
lmacvay@truenorthfcu.org
## Condominiums

<table>
<thead>
<tr>
<th></th>
<th>FHA</th>
<th>AHFC</th>
<th>VA</th>
<th>CONV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Owner Occupied</strong></td>
<td>50%</td>
<td>No Requirement</td>
<td>No Requirement</td>
<td>51%*</td>
</tr>
<tr>
<td><strong>Budget to Reserves</strong></td>
<td>10%</td>
<td>No Requirement</td>
<td>No Requirement</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Investor</strong></td>
<td>No single entity owns more than 10%</td>
<td>No Requirement</td>
<td>No Requirement</td>
<td>No single entity owns more than 10%</td>
</tr>
<tr>
<td><strong>Annual Review</strong></td>
<td>Recert after 2 years</td>
<td>Recert after 3 years</td>
<td>No Requirement</td>
<td>Loan Level Review</td>
</tr>
<tr>
<td><strong>Delinquency Rate</strong></td>
<td>No more than 15% w/ 60 day delinquency</td>
<td>No Requirement</td>
<td>No Requirement</td>
<td>No more than 15% w/ 30 day delinquency</td>
</tr>
<tr>
<td><strong>Concentration Rate</strong></td>
<td>Max 50%*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fidelity Bond</strong></td>
<td>&gt;= 20 units must cover 3 months annual assessment + all reserve funds</td>
<td></td>
<td></td>
<td>&gt;= 21 units must cover 3 months annual assessment minimum. May require at least total in reserves depending on review type.</td>
</tr>
<tr>
<td><strong>Special Notes</strong></td>
<td>Lenders are not required to conduct a secondary review on AHFC and VA loans. Please keep in mind on AHFC loans if you are going above 80% LTV, MI Companies will conduct their own review. FHA and Straight conventional loans require that lenders conduct a project review.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Established projects may be eligible to be increased to maximum 100% concentration rate if project meets certain criteria.

** All subject to change as investors update guidelines