

Moving Aids Available to Families Occupying Valdez and the Market for New Construction in Valdez

The following comments and advice are provided in accordance with a request from Dwight Ink, Executive Director, Federal Reconstruction and Development Planning Commission for Alaska, to Bernard Horn, on June 2, 1964.

Moving Aids Available to Valdez Families who Move to the New Townsite

Inasmuch as the entire town of Valdez will be designated as an urban renewal area (Alaska R-22), all households will be eligible for urban renewal relocation payments. These expenses will be borne entirely by the Urban Renewal Administration; there is no sharing of costs by the local community. Households will be eligible to receive up to a maximum of \$200 for actual and demonstrated moving expenses, and funds will be disbursed by the local public agency, the Alaska State Housing Authority. The Urban Renewal Administration will, however, allow the local public agency to establish a realistic schedule of flat payments to families in lieu of individual cost records for each household move. Under such a flat payment schedule, householders can obtain payments for moving even if they utilize their own labor or that of friends and relatives. Business establishments can receive up to \$25,000 moving expenses; here, as well, payments are limited to actual and demonstrated expenditures.

In light of this 100 percent coverage; it is doubtful that there will be need in Valdez to utilize the moving expense loans which SBA can make, or the grants which Red Cross can extend. These aids, however, may possibly be used in other earthquake affected localities, and a brief account of each follows:

SBA Moving Expense Loans: If forced to move as a result of a natural disaster, a household can obtain a loan from SBA for moving expenses. SBA can also make loans for replacement of damaged or destroyed household goods and clothing. In both cases, the financial capability of the family to repay the loan determines whether the loan can be made.

American Red Cross Moving Expense Grants: According to Red Cross officials, once having established financial need, a disaster-affected family is eligible for moving expense payments for movement of household goods from one residence to another. Both owners and tenants are eligible for these grants. The payments can be made either to the moving firm or can be made directly to the affected household.

The Potential Market for New Residential Construction in the New Town of Valdez

The Alaska State Housing Authority has very recently developed an estimate of 1963 family incomes for the 177 families of two or more persons expected

to move to the new townsite. An additional 42 single persons are also expected to move to the new townsite, but no information has been provided for these one-person households. These incomes are as follows:

Estimated Combined 1963 Family Incomes of 177 Primary Families Expected to Move to the New Valdez Townsite

| <u>Monthly Incomes</u> | <u>Distribution of Families</u> | <u>Percent</u> |
|------------------------|---------------------------------|----------------|
| 0 - \$199 | 1 | 0.6 |
| 200- 299 | 8 | 4.5 |
| 300- 399 | 2 | 1.1 |
| 400- 499 | 6 | 3.4 |
| 500- 599 | 45 | 25.4 |
| 600- 699 | 15 | 8.5 |
| 700- 799 | 19 | 10.7 |
| 800- 899 | 35 | 19.8 |
| 900- 999 | 22 | 12.4 |
| 1,000-1,099 | 9 | 5.1 |
| 1,100 and over | 15 | 8.5 |
| | <u>177</u> | <u>100.0</u> |

In estimating the housing market potential among these households, consideration is given to the lowest achievable new construction rentals and sales prices which can be obtained in the area.

Regarding sales housing, FHA-insured detached sales housing was very recently provided by builders operating for profit at prices as low as \$22,000 in the City of Anchorage. According to FHA representatives in Anchorage, new minimum, walk-up type rental construction can be obtained at total development cost of approximately \$18,000 a unit in that locality.

Under the proposed Valdez building program, the City will offer, without cost, improved building lots (with water and sewer at the curb line and paved streets) to families who move from the old town. Even when related to a lower-priced house, these lots would be expected to have a value of, say, \$4,000, particularly when viewed from their "improved" condition (merely requiring utility hookups at the curb line). This would have the

result of reducing anticipated lowest achievable single family home prices to, perhaps, \$18,000 and anticipated total development costs for rental units to, perhaps, \$16,000 (assuming higher densities to be obtained with rental construction).

The following table sets forth a rough calculation of obtainable monthly housing costs under several types of financing which would be available for construction of the new Valdez housing:

| | Estimated Monthly Costs | | | | |
|--|-------------------------|--------------------|--------------------|---|-------|
| Financing Vehicle and Terms | Prin. & Interest | Real Est. Taxes | Util's. | Admin. & Operating Costs (Rental) | Total |
| <u>Sales Housing</u> | | | | | |
| FHA Section 203-b, 220, or 221(d)(2): 5½ Int.; ½ Mortgage Insurance; 35 yrs. | (on \$18,000) \$100 | \$20 ^{1/} | \$50 ^{2/} | 0 | \$170 |
| SBA: 30 yrs; 3% interest* | 76 | " | " | " | 146 |
| <u>Rental Housing</u> | | | | | |
| FHA Section 220 or Section 207: 5½% interest; (on \$16,000) ½ Mortgage Insurance; 40 yrs. | 85 | 16 ^{1/} | 40 ^{3/} | 15 ^{4/} | 156 |
| FHA Section 221 (d)(3): 3 3/8% interest; 40 yrs; no Mortgage Insurance. | 61 | " | " | " | 132 |

*at possible discretion of SBA Administrator, on the basis that, although the new properties are located on urban renewal sites, they represent disaster recovery efforts.

- 1/ Present Valdez tax rate of 18 mills. Based upon appraisal at 2/3 of current market values
- 2/ Average monthly cost of \$30 for heat; \$15 for electricity; and \$5 for water and garbage collection
- 3/ Same as 2/, with exception of reduced heating costs, \$20 instead of \$30, due to smaller size, party walls, etc.
- 4/ Would include management fee, costs of maintenance and repairs, decorating and payments to reserves for replacement of equipment

The survey of Valdez occupancy characteristics showed 128 of the 177 families, or 72 percent, to be homeowners. It is anticipated that most of these families would like to maintain this tenure after moving. On the basis that gross monthly housing expenses would amount to one-fifth of total monthly family income, some 46 percent of Valdez families could afford FHA financing terms and approximately 56 percent could afford SBA 30 year financing terms. On the basis that gross monthly housing expenses would amount to one-fourth of total monthly family income, two-thirds of the families could afford FHA home financing, and almost 90 percent could afford SBA financing on a 30 year basis.

Regarding the rental housing market potential, based on a rent-to-income ratio of 20 percent, some 56 percent of the Valdez primary families could afford FHA Section 220 or 207 financed rental housing, and approximately two-thirds could afford Section 221(d)(3) housing. On the basis of a 25 percent rent-to-income ratio, some two-thirds of the Valdez primary families could afford Section 220 or 207 financed rental housing, and approximately nine-out-of-ten could afford rental housing financed under the below-market-rates of interest provided under Section 221(d)(3) terms.

Regarding the residual families whose incomes are not high enough to afford new construction, their needs can probably be met with a modest program of low rent public housing. The Alaska State Housing Authority, since 1961, has been able to admit families displaced by governmental actions to low rent public housing at incomes ranging from \$5,750 for one person families to \$7,130 for families of eight or more persons in the localities of Anchorage and Fairbanks. The average-size family (four persons) can be admitted at incomes up to \$6,550.

These potential low-rent housing resources, it can be seen, will be able to accommodate ~~an~~ ^{the} comparatively small number of primary families, approximately 20, who are estimated to have monthly incomes of under \$500. In fact, the low-rent resources may be able to serve, under the special admission limits, many of the average and larger-size families whose incomes are in the \$500-\$599 monthly income interval.

The foregoing rough estimates of market potential under various home and rental housing financing schemes suggest that the great bulk of Valdez families can probably be served with new housing resources if these are produced at or near the previously discussed price levels. Economies of project construction should enable these levels to be attained, barring strong inflationary pressures which might result from the earthquake rebuilding program.

It should be pointed out that the foregoing preliminary and crude appraisal of market potential has not considered the problem of down payments required under FHA single family home financing programs. These, however, would be comparatively very small, since up to 97 percent of the first

\$22,500 in value can be covered by mortgage indebtedness. SBA loans would permit 100 percent coverage. It is assumed that urban renewal acquisition of properties will yield sufficient funds to current homeowners to cover required equities in the great bulk of cases. There may, however, be some problems in connection with remaining mortgage indebtedness upon some of the acquired ownership properties, but these, it is hoped, can be resolved in line with realistic and compassionate formulae which will have been developed during the interim period.