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Analysis of the
FAIRBANKS, ALASKA
HOUSING MARKET

as of June 1, 1969

A Report by the
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411

September 1969

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Fairbanks, Alaska, as of June 1, 1969

Foreword

This analysis has been prepared for the assistance and guidance of the Federal Housing Administration in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Field Market Analysis Service as thoroughly as possible on the basis of information available on the "as of" date from both local and national sources. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

The prospective demand or occupancy potentials expressed in the analysis are based upon an evaluation of the factors available on the "as of" date. They cannot be construed as forecasts of building activity; rather, they express the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Federal Housing Administration
Field Market Analysis Service
Washington, D. C.

FHA HOUSING MARKET ANALYSIS - FAIRBANKS, ALASKA
AS OF JUNE 1, 1969

The Fairbanks, Alaska, Housing Market Area (HMA) includes the cities of Fairbanks (1960 population, 13,300) and North Pole (615), the unincorporated suburbs of Fairbanks within about a 25-mile radius, and the military reservations of Fort Wainwright and Eielson Air Force Base. The Fairbanks HMA is only a small part of the Fairbanks Election District 19 (as constituted in 1960) and of the more recently established 7,360 square mile Fairbanks North Star Borough; however, it accounts for more than 90 percent of the population and employment of the larger political divisions. Fairbanks lies about 250 miles north of Anchorage and 390 miles south of Prudhoe Bay, the center of current North Slope oil explorations.

The demand for housing created by the recent influx of workers involved in oil explorations and supporting activities has contributed to a critical housing shortage. The housing supply suffered severe losses in the flood of August 1967, and it has been under the stress of continuing high demand among military families and personnel of the expanding University of Alaska. In addition, a growing tourist trade is pre-empting existing apartments for transient accommodations.

Anticipated Housing Demand

An estimated long-term nonmilitary demand for 550 housing units a year over the next two years includes 225 single-family houses, 175 multifamily units, and 150 mobile homes. See table I for price and rent distributions. A temporary demand may be created during the construction of the oil pipeline from Valdez to Prudhoe Bay and as much as 500 additional units could be provided over the two year period in anticipation of absorption by permanent residents in the 1970's. The temporary impact of pipeline construction could exert pressures on the housing market that could cause builders to over-react by building in excess of that which the market could readily absorb in the period following pipeline construction. For this reason, employment and building trends should be closely observed.

Because of the secrecy surrounding present oil company operations, it would be advisable to reappraise the assumptions upon which the projection of housing demands are based after the results of the September auction of oil leases of state-owned land on the North Slope are known and the magnitude and speed of oil development can be more adequately determined.

Occupancy Potential for Subsidized Housing

Federal assistance in financing costs for new housing for low- or moderate-income nonmilitary-connected families may be provided through four different programs administered by FHA--monthly rent-supplement payments, principally in rental projects financed with market-interest-rate mortgages insured under Section 221(d)(3); partial payments for interest for home mortgages insured primarily under Section 235; partial payment for interest for project mortgages insured under Section 236; and below-market-interest-rate financing for project mortgages insured under Section 221(d)(3).

Household eligibility for federal subsidy programs is determined primarily by evidence that household or family income is below established limits. Some families may be alternatively eligible for assistance under more than one of these programs or under other assistance programs using federal or state support. The potentials^{1/} discussed in the following paragraphs reflect estimates adjusted

^{1/} The occupancy potentials referred to in this analysis have been developed to reflect the capacity of the market in view of existing vacancy. The successful attainment of the calculated market for subsidized housing may well depend upon construction in suitable, accessible locations, as well as upon the distribution of rents and sales prices over the complete range attainable for housing under the specified programs.

for any housing provided or under construction under alternative FHA or other programs. It is cautioned that the occupancy potentials discussed from various programs are not additive.

The annual occupancy potentials for subsidized housing in FHA programs discussed below are based on 1969 incomes, on the occupancy of substandard housing, on estimates of the elderly population, on April 1, 1969 income limits, and on available market experience. The occupancy potentials by size of units required are shown in table II. The only federally assisted housing that has been provided for low- or moderate-income families in the Fairbanks area is 75 low-rent public housing units managed by the Alaska State Housing Authority. This authority also administers 55 units of elderly housing built with state funds without federal assistance. No housing has been provided under any of the FHA subsidized programs and absorption rates remain to be tested.

Section 221(d)(3) BMIR. If federal funds are available, about 90 units of Section 221(d)(3) BMIR housing could be absorbed annually during the next two years.^{1/} A little more than 75 percent of all eligible families also are eligible under the Section 235 and 236 programs.

Rent-Supplement. Under the rent-supplement program there is an annual occupancy potential for approximately 85 units, of which 15 represent occupancy potential by elderly couples or individuals.

Section 235, Sales Housing. Sales housing could be provided for low- to moderate-income families under Section 235. With exception income limits, there is an occupancy potential for about 105 homes annually during the next two years. Under regular income limits the potential would be about 20 percent lower. All of the families eligible for Section 235 housing also are eligible under the Section 236 program and about 90 percent are eligible for Section 221(d)(3) BMIR housing; none are eligible for public housing.

Section 236, Rental Housing. Under Section 236, the annual occupancy potential is estimated at 105 units under exception income limits (about 20 percent lower under regular income limits). About 90 percent of the families and individuals eligible under this program also are eligible under Section 221(d)(3) BMIR. None of the

^{1/} At the present time, funds for allocation are available only from recaptures resulting from reductions, withdrawals, and cancellation of outstanding allocations.

eligible families are eligible for public housing, but some of the small number of elderly eligibles may be. Generally, families and individuals eligible under this program also are eligible for Section 235.

Sales Market

The sales market in the Fairbanks area is tight, as indicated by a reduction in homeowner vacancies from 1.4 percent in April 1967 to 1.0 percent as of June 1, 1969. Even before the impact of oil explorations developed in late 1968, the production of homes in 1968 was almost double that in 1967. The present shortage of houses available for sale is adversely affecting the recruitment of workers to fill new jobs. The greatest demand is for three-bedroom houses selling for about \$38,000 and four-bedroom houses priced at about \$45,000. Most new construction, particularly of higher priced homes, is taking place in the area toward the airport and in the vicinity north of the university. These localities are above the flood plain; the 1967 flood affected practically all of the Fairbanks area then developed. The transfer of properties by present homeowners to upgrade their housing accommodations is impeded by the fact that the cost of repairing flood damages has so added to the amount of their total investment that they can sell only at substantial losses.

The Rental Market

Fairbanks has changed since April 1967, when a previous analysis (unpublished) of the housing market was made, from an area with a substantial excess of rental housing to one of critical shortage. Vacancies dropped from 6.8 percent of all rental units in April 1967 to only 2.7 percent in June 1969. Rents increased in the first five months of 1969--by about 20 percent in most FHA-insured apartments, and by even more in many small, conventionally financed projects. In most cases these rents were justified on the basis of increased operating costs as well as expenses of repair of flood damage. However, the rent increases, along with general rises in other living costs, have been a source of complaint among residents.

Rents for unfurnished apartments (excluding cost of electricity) average \$150 a month for efficiencies, and \$175, \$225, and \$250, respectively, for one-, two-, and three-bedroom units. Furnished apartments generally rent for about \$25 to \$50 more a month.

To accommodate the growing number of tourists, expected to increase in 1969 by about 15 percent over 1968, tour services are leasing a substantial block of downtown efficiency apartments for the summer, placing a further squeeze on available rental units. Conversion of apartments to daily-rate transient accommodations also is taking place in the airport area, where many tenants are oil field workers on rotation.

Economic, Demographic, and Housing Factors

The anticipated annual demand for 550 new, nonsubsidized housing units is based on the projected trends in employment, households, and housing factors summarized below.

Employment Trends. Nonagricultural wage and salary employment in the Fairbanks area has shown persistent gains, averaging 475 workers a year from 1961 through 1968. The increase from 1967 to 1968 was 470 workers, with the largest increases in trade (280 workers), transportation, communications, and public utilities (90 workers), and services (80 workers). All manufacturing categories also rose in employment by 80 workers. Declines were reported in contract construction (down 90 workers from 1967) and mining and miscellaneous (down 50 workers).

Although no data are available for 1969, indicators suggest that local support of oil field operations has caused 1969 employment to accelerate substantially. Air traffic through the Fairbanks airport is reported to have increased by 400 percent since the first of the year, and hotels reported practically full occupancy in the first quarter, usually a slack season.

A competent projection of future employment in the Fairbanks area can better be made after the September oil lease auction and after the route of the 800-mile pipeline from Prudhoe Bay to Valdez and the location of a proposed oil refinery in the Fairbanks area are announced. Originally scheduled to go into service in 1972, the pipeline may be delayed by conservationist forces until the effects of the pipeline construction and operation on the natural environment can be determined and detrimental effects minimized. During the period of construction, the indirect impact of the pipeline on the Fairbanks economy in forwarding supplies and furnishing services (at least to the northern portion of the line) probably will be greater than any on-site employment in the area. On-site construction workers are expected to number 300-400 workers on each of eight separate spreads, or 100-mile sections.

The number of people required to furnish supplies and equipment to the construction sites and to perform necessary services for the workers at the sites may cause the ratio of off-site to on-site workers to reach as high as three-to-one. Regardless of the locations of the construction sites, Fairbanks will play a leading part in furnishing supplies and services. For example, half of the pipe for the pipeline is to be delivered to Fairbanks for forwarding to the appropriate spreads.

An estimated increase of 900 nonmilitary-connected civilian wage and salary workers a year over the next two years is based on the following assumptions: (1) that oil developments will continue to cause employment gains in transportation, trade, and services, (2) construction employment will show substantial increases, depending on the availability of financing, (3) there will be no substantial change in military strength even if activities in Southeast Asia are curtailed, and (4) the University of Alaska will be able to recruit additional professional staff members to continue its program of expansion. Employment trends are crucial to the demand for housing and should be observed closely.

The full potential for economic growth in the Fairbanks area may not be realized. For example, since February much of the air freight to the North Slope has been routed directly from Anchorage and Kenai, where oil-field suppliers are already well organized, at considerable savings of money and time. Almost one-third of some 1,500 federal employees in agencies canvassed by the Federal Executive Association are under two-year contracts with return rights to point of hire. Because of the rising costs of living, including housing costs, these agencies report that many employees are not renewing their present contracts and that replacements are increasingly more difficult to hire.

Military personnel in the area as of May 1969, almost 5,425 at Fort Wainwright and about 2,850 at Eielson Air Force Base, equaled almost 60 percent of the total number of civilians employed in the HMA. Although military strength at Fort Wainwright has fluctuated since the establishment of the post in 1961, the trend has been generally upward--from 4,200 in 1961 to the 1969 high. Air Force strength is below the 3,000 or more stationed at Eielson from 1962 through 1965; however, after dropping to 2,640 in 1966, personnel has increased each year to the May 1969 level (see table IV). No significant changes in personnel levels at the two military bases are anticipated in the forecast period.

The University of Alaska expects to increase its 1968-1969 employment of about 900 workers, including over 350 professional employees, by about 70 workers for the 1969 fall term. The university has expanded enrollment from fewer than 900 students in the 1959-1960 term to almost 2,250 in the first semester of the 1968-1969 term.

Population and Household Trends. The June 1, 1969 population of the Fairbanks Election District^{1/} is estimated at 48,400, up almost 5,000 persons since the 1960 Census. Population growth, estimated to

^{1/} All demographic and housing statistics in this report represent the Fairbanks Election District (19) as delineated in the 1960 Census. While the housing market area is substantially smaller geographically than the election district, it contained about 93 percent of the 1960 population of the election district, and most growth since 1960 has been within the HMA.

average about 310 persons a year from April 1960 to April 1967, has increased since April 1967 by a total of 2,800, most of which occurred in the past 12 months. The 1969 population estimate includes almost 16,000 military personnel based at Fort Wainwright and Eielson AFB and their dependents. No appreciable change is expected in the military population in the forecast period. On the basis of assumptions made with regard to economic growth, the total population growth rate is estimated to increase to approximately 1,650 persons annually over the next two years (see table V).

The number of households in the Fairbanks Election District is estimated at 12,350 as of June 1, 1969. Gains from April 1960 to April 1967 averaged about 70 a year. Since April 1967, the number of households has increased by about 380 a year. During the two-year forecast period increases of 450 a year are projected (see table V).

Housing Inventory and Residential Construction Trends. An estimate of 13,650 housing units in the Fairbanks Election District as of June 1, 1969, reflects a net increase of 1,050 units since April 1960. An addition of 2,400 new units, including about 350 mobile homes, was offset to some extent by a loss of about 1,350 units, approximately 600 of which resulted from the August 1967 flood. About 100 single-family units and 250 multifamily units were under construction as of June 1, 1969, including 200 multifamily units at Eielson AFB.

Construction of single-family homes increased steadily from 110 in 1960 to 175 in 1966. Following a decline to 125 houses in 1967, construction rose to a peak of 215 homes in 1968. Multifamily unit construction was highest in the earlier part of the 1960's, when a number of such units were built in the area of the university. The trend of privately financed building is shown in table VI.

As shown in table VII, vacant units available for sale or rent were down significantly in June 1969. The homeowner vacancy rate was 1.0 percent, as compared with 1.6 percent in April 1960 and 1.4 percent in April 1967. The June 1969 rental vacancy rate of 2.7 percent compares with 3.6 percent in April 1960 and 6.8 percent in April 1967.

The housing inventory includes 1,425 family units at Fort Wainwright, of which almost 50 were vacant for repairs or awaiting assignment as of June 1, 1969. Eielson AFB has 965 family units and 150 trailer spaces. Over 1,400 military families--about equally divided between army and air force--live off post. All military families are required to live in quarters approved by their respective services.

Table I

Estimated Annual Demand for New Single-family Housing
Fairbanks, Alaska, Housing Market Area
June 1, 1969 to June 1, 1971

<u>Sales price</u>	<u>Number of units</u>	<u>Percent of total</u>
Under \$30,000	25	11
\$30,000 - 34,999	30	13
35,000 - 39,999	55	25
40,000 - 44,999	45	20
45,000 - 49,999	30	13
50,000 - 54,999	20	9
55,000 and over	<u>20</u>	<u>9</u>
Total	225	100

Estimated Annual Demand for New Multifamily Housing
Fairbanks, Alaska, Housing Market Area
June 1, 1969 to June 1, 1971

<u>Gross Monthly rent^{a/}</u>	<u>Efficiency</u>	<u>One bedroom</u>	<u>Two bedrooms</u>	<u>Three bedrooms</u>
\$170 - \$184	15	-	-	-
185 - 199	10	-	-	-
200 - 214	-	25	-	-
215 - 229	-	20	-	-
230 - 244	-	15	25	-
245 - 259	-	-	20	-
260 - 274	-	-	15	-
275 - 289	-	-	10	10
290 and over	-	-	-	<u>10</u>
Total	<u>25</u>	<u>60</u>	<u>70</u>	<u>20</u>

a/ Gross rent is shelter rent plus cost of utilities.

Table II

Estimated Annual Occupancy Potential for Subsidized Housing
Fairbanks, Alaska, Housing Market Area
June 1, 1969 to June 1, 1971

A. Privately Financed Subsidized Sales Housing Section 235

<u>Eligible family size</u>	<u>Number of units^{a/}</u>
Four persons or less	65
Five persons or more	<u>40</u>
Total	105

B. Privately Financed Subsidized Rental Housing

<u>Unit size</u>	<u>Rent-Supplement</u>		<u>Section 236</u>
	<u>Families</u>	<u>Elderly</u>	<u>Number of units^{b/}</u>
Efficiency	-	10	5
One bedroom	10	5	15
Two bedrooms	25	-	45
Three bedrooms	20	-	30
Four or more bedrooms	<u>15</u>	<u>-</u>	<u>10</u>
Total	70	15	105

^{a/} All of the families eligible for Section 235 housing also are eligible for the Section 236 program. About 90 percent are eligible for Section 221(d)(3) BMIR housing, but none is eligible for low-rent public housing. The estimates are based upon the exception income limits established by legislative authority; under regular income limits the potential would be about 20 percent lower.

^{b/} All the efficiency units and a small part of the one-bedroom units may be expected to be absorbed by elderly couples or individuals.

Table III

Civilian Workforce and Employment by Industry
Fairbanks, Alaska, Election District^{a/}
Annual averages, 1965-1968

<u>Industry</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>
Civilian workforce	<u>14,237</u>	<u>14,367</u>	<u>14,454</u>	<u>15,026</u>
Total unemployment	1,073	1,024	1,027	1,121
Percent of workforce	7.5	7.1	7.1	7.5
Total employment	<u>13,164</u>	<u>13,343</u>	<u>13,427</u>	<u>13,905</u>
Nonag. wage and salary workers	<u>11,508</u>	<u>11,788</u>	<u>11,926</u>	<u>12,394</u>
Contract construction	1,229	1,183	958	868
Manufacturing	224	208	194	273
Transportation, comm., and util.	1,037	1,068	1,109	1,197
Trade	1,664	1,723	1,824	2,105
Finance, ins., and real est.	386	401	424	458
Services	1,391	1,299	1,413	1,493
Mining and miscellaneous	154	152	150	99
Government	5,423	5,754	5,854	5,901
Other employment	1,656	1,555	1,501	1,511

^{a/} The Fairbanks Election District constitutes the labor market area, as defined by the Alaska Employment Security Division; employment in the housing market area represents about 95 percent to 97 percent of the civilian employment in the labor market area.

Source: Alaska Department of Labor, Employment Security Division.

Table IV

Military and Civilian Personnel
Eielson Air Force Base and Fort Wainwright
June 1960-May 1969

<u>Year</u> ^{a/}	<u>Eielson Air Force Base</u>			<u>Fort Wainwright</u> ^{b/}	
	<u>Air Force</u>	<u>Army</u>	<u>Civilian</u>	<u>Army</u> ^{c/}	<u>Civilian</u>
1960	1,826	2,004	439	2,183	175
1961	2,646	348	428	4,198	678
1962	3,082	320	418	4,897	730
1963	3,187	385	385	4,791	748
1964	3,306	355	395	5,179	766
1965	3,036	344	383	4,844	748
1966	2,640	378	389	4,316	753
1967	2,771	386	542	5,301	780
1968	2,802	-	525	5,233	789
1969	2,862	-	510	5,422	582

a/ Figures are as of June each year, except 1969, for which May data are shown.

b/ Activated as Army post January 1961; 1960 figures represent army personnel at former Ladd AFB.

c/ Military figures for Fort Wainwright generally exceed permanent party strength because they include transients.

Source: Department of Defense.

Table V

Population and Household Trends
Fairbanks, Alaska, Election District
April 1960 to June 1971

<u>Component</u>	April 1, <u>1960</u>	April 1, <u>1967</u>	June 1, <u>1969</u>	June 1, <u>1971</u>	<u>Average annual change</u>		
					<u>1960-1967</u>	<u>1967-1969</u>	<u>1969-1971</u>
Population, total	<u>43,412</u>	<u>45,600</u>	<u>48,400</u>	<u>51,700</u>	<u>310</u>	<u>1,290</u>	<u>1,650</u>
In households	<u>36,755</u>	<u>38,170</u>	<u>40,800</u>	<u>43,700</u>	<u>200</u>	<u>1,215</u>	<u>1,450</u>
Nonhouseholds	<u>6,657</u>	<u>7,430</u>	<u>7,600</u>	<u>8,000</u>	<u>110</u>	<u>75</u>	<u>200</u>
Households	11,056	11,525	12,350	13,250	70	380	450

Sources: 1960 Censuses of Population and Housing; 1967, 1969, and 1971 estimated by Housing Market Analysts.

Table VI

Privately-Financed Housing Units Started
Fairbanks, Alaska, Election District
1960-1969

<u>Year</u>	<u>Single- family</u>	<u>Two- or more family^{a/}</u>	<u>Total</u>
1960	110	30	140
1961	115	115	230
1962	120	85	205
1963	130	90	220
1964	150	70	220
1965	160	45	205
1966	175	15	190
1967	125	45	170
1968	215	60	275
1969 (4 mos)	45	20	65
Total	1,345	575	1,920

a/ Excludes 480 federally financed units at Eielson AFB.

Sources: Building permits issued by City of Fairbanks, tax exemption certificates issued by North Star Borough since 1964, and estimates by The Housing Market Analyst.

Table VII

Housing Inventory, Tenure, and Vacancy Trends
Fairbanks, Alaska, Election District
April 1, 1960 - June 1, 1969

<u>Components</u>	<u>April 1, 1960</u>	<u>April 1, 1967</u>	<u>June 1, 1969</u>
Total housing units	<u>12,598</u>	<u>13,275</u>	<u>13,650</u>
Occupied units	<u>11,056</u>	<u>11,525</u>	<u>12,350</u>
Owner-occupied	4,310	4,925	5,100
Percent owner-occupied	39.0	42.7	41.3
Renter occupied	6,746	6,600	7,250
Percent renter-occupied	61.0	57.3	58.7
Vacant units	<u>1,542</u>	<u>1,750</u>	<u>1,300</u>
Available for sale or rent	<u>322</u>	<u>550</u>	250
Available for sale	69	70	50
Homeowner vacancy rate	1.6	1.4	1.0
Available for rent	253	480	200
Rental vacancy rate	3.6	6.8	2.7
Other vacancies	1,220	1,200	1,050

Sources: 1960 Census of Housing; 1967 and 1969 estimated by Housing Market Analysts.

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