

**ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY**

**Resolution NO. G22-11**

**A RESOLUTION OF THE BOARD OF THE ALASKA INDUSTRIAL  
DEVELOPMENT AND EXPORT AUTHORITY DECLARING SUPPORT  
FOR AN INCREASE IN THE BASIC ALLOWANCE FOR HOUSING  
PROVIDED BY THE DEPARTMENT OF DEFENSE FOR ALL ENLISTED  
SERVICE MEMBERS STATIONED TO MILITARY HOUSING AREA  
AK405, FAIRBANKS, ALASKA; DIRECTING NOTIFICATION TO THE  
CONGRESSIONAL DELEGATION AND THE SECRETARY OF  
DEFENSE**

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**WHEREAS**, the Alaska Industrial and Development and Export Authority (the “Authority”), a public corporation of the state of Alaska, created under AS 44.88.20 with the statutory purpose of promoting, developing, and advancing the general prosperity and economic welfare of the people of Alaska, to relieve problems of unemployment and to create additional employment;

**WHEREAS**, the Authority strongly supports enhancing Alaska’s contribution to the National Defense as the state now represents the highest concentration of fifth –generation fighters in the world;

**WHEREAS**, the growth of the United States Military personnel and resource mobilization to Eielson Air Force Base (Eielson AFB) since 2016 has created off-base housing needs for more than 2,765 additional residents in the Fairbanks North Star Borough (Fairbanks);

**WHEREAS**, the Authority approved the Eielson Air Force Base Military Facility Zone Land Development project by Resolution G22-02 on January 27, 2022 to undertake certain due diligence actions and activities to potentially finance the development of land and related infrastructure upon which off-base military housing may be constructed to accommodate the scheduled housing needs for Eielson AFB personnel and Fairbanks community; (Project);

**WHEREAS**, the purpose of the Department of Defense Basic Allowance for Housing (BAH) program is to offset private sector housing cost for Service members living off-base, as part of the local community, within a Military Housing Area (MHA);

**WHEREAS**, during the due diligence phase of the Project, the Authority examined the relationship between the current market price for rental housing and the 2022 published BAH rates for each MHA within Alaska (Fairbanks, Ketchikan, Kodiak, Anchorage, Sitka and Juneau) and observed a material and unsubstantiated anomaly in the Fairbanks data;

**WHEREAS**, the Authority has compiled the information and published the analysis in the titled report *Rental and Basic Allowance for Housing Data for Military Housing Area's within Alaska* (the "Report") in May 2022 and subsequently disseminated the Report to Alaska's Congressional Delegation;

**WHEREAS**, the Report definitively illustrates Fairbanks as having one of the highest median adjusted housing rental rates, while conversely the lowest BAH rates among all Alaska MHA's; average BAH rates have increased for every Alaska MHA over the last three years, with the exception of the average BAH rate for Fairbanks which has inexplicably experienced year over year declines since 2019. The disparity between Fairbanks BAH rates and the remaining Alaska MHA's is as high as 26% and averages approximately 16% across enlisted Service members identified as most likely to require off-base housing;

**WHEREAS**, during the May 17, 2022 United States Senate Committee on Appropriations Subcommittee Hearing, *A review of the President's Fiscal Year 2023 funding request and budget justification for the Air Force and Space Force*, Senator Lisa Murkowski (R-Alaska), referenced the Report's analysis to the Honorable Frank Kendall (Secretary of the Air Force), General Charles Q. Brown Jr (Chief of Staff Air Force) and General John W. Raymond (Chief of Space Operations)

and requested their *“commitment to work with our local developers to better understand their data and support the Department of Defense ensuring that the BAH calculations actually reflect the true and very unique market dynamics of living in the North”*

**WHEREAS**, in order to address the off-base housing challenges in Fairbanks, BAH rates must be reviewed and immediately increased to reflect the current rental market conditions within the Fairbanks MHA. Failure to do so will continue to restrict housing development in the community available to military personnel and strain the military’s expanding mission in Alaska.

**NOW THEREFORE, BE IT RESOLVED**, by the Board of Directors of the Alaska Industrial Development and Export Authority does fully endorse an immediate increase in the BAH rates for all enlisted service members stationed in MHA Fairbanks

The Resolution was declared adopted on this 26 day of October, 2022.

**ALASKA INDUSTRIAL DEVELOPMENT  
AND EXPORT AUTHORITY**

  
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**Chair**

  
  
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**Secretary**

May 2022



# Rental and Base Allowance for Housing Data Analysis for Military Housing Associations within Alaska



Photo Credit: U.S. Air Force/ Senior Airman Keith Holcomb

# Alaska Industrial Development and Export Authority (AIDEA)

AIDEA was established in 1967 with a mission to work with public and private institutions to promote, develop, and advance the general prosperity and economic welfare of the people of the Alaska. In this capacity, we have been able to direct over \$3.5 billion to economic development in the State of Alaska while also declaring in excess of \$446 million in dividends for appropriation by the Legislature. Under AS 44.88.010(b), the Legislature found that it is in the public's interest and that AIDEA serves a public purpose "... to increase job opportunities and otherwise encourage the economic growth" within the state and Alaska's communities. Through the Project Development Program, under AS 44.88.172(a), AIDEA provides financing to develop, own (in whole or in part), and operate basic installations and facilities within the state, especially those which advance the prosperity of a region. Roads, ports, airports, infrastructure for tourism destination facilities, and other public use facilities are considered eligible "projects" as defined under AS 44.88.900(13) which includes "infrastructure for an area that is designated as a military facility zone under AS 26.30" (AS 44.88.900(13) (I)).

On January 27, 2022, the AIDEA Board approved Resolution G22-02: Eielson AFB Military Facility Zone Land Development, that established the Project as a capital project under AS 44.88.172 with the establishment of a \$150,000 capital budget to initiate due diligence with the North Pole - Fairbanks community for a master planned development of an off-base housing subdivision, with utilities and common space amenities in order to address the critical need to lower the costs and barriers to entry for Fairbanks and North Pole housing contractors/developers and ensure near-term housing availability within the Eielson AFB Military Zone (Fairbanks North Star Borough community) for Eielson personnel and their families. This allows AIDEA staff to select, contract with, and direct the engineers, attorneys, consultants and other professionals assisting AIDEA with the due diligence in preparation of the financing plan. Any financing plan resulting from this due diligence remains subject to the approval of AIDEA's Board.

# Eielson Air Force Base (Eielson AFB)

In 2016, Eielson AFB was chosen to receive the F-35A Lightning II stealth fighter jets, partly because of its proximity to the Arctic, the Korean Peninsula, and the South China Sea. As of January 2022, a total of 49 fighter jets have arrived with 55 total deliveries expected by the end of the year. In March 2021, the Air Force announced plans to increase the size of its existing Air National Guard KC-135 Stratotanker squadron at Eielson AFB by four additional KC-135s for a total of 12 aircraft. This includes an additional 220 active duty personnel that supports the 2019 Department of Defense Arctic Strategy.

The arrival of the F-35As boosted Eielson's population from approximately 3,000 people in 2018 to more than 8,000 today, with family and contractors representing a large portion of that increase. Many of the buildings within Eielson were constructed pre-statehood and require a significant amount of refurbishment. On-base housing is severely constrained as 96% of the Eielson dormitories are full which continue to put additional pressure on availability of adequate housing within the Fairbanks North Star Borough.



Photo Credit: Tim Rockey

# Basic Allowance for Housing Rates

Since 2008, Basic Allowance for Housing (BAH) provides uniformed Service members an equitable allowance for off-base housing that is linked to the market price of rental housing in local markets when government quarters are not provided or available. In general, the amount of BAH a Service member receives is based on their duty location, pay grade and dependency status. The BAH rates are based on the current local median market rent and average household utilities (electricity, heat, and water/sewer) in each Military Housing Association (MHA). The data is collected annually during the summer, when the housing market is most active, and includes apartments, town homes/duplexes and single-family units. The underlying goal with the BAH program is collect and analyze a sufficient amount of data that will support a statistical confidence level of 95% that the median rent is within 10% of the local market. The Department of Defense Travel and Management Office (DTMO) hires a contractor annually to survey housing and utility data from over 300 military housing areas (MHAs) in the United States. The contractor attempts to source data from neighborhoods with an average income that approximately the same as comparable military members.

Civilian salary equals the sum of military basic pay, the average Basic Allowance for Subsistence (BAS), and the average BAH, which includes the tax-equivalent advantage of the untaxed allowances. This process is designed to ensure the data being collected is comparable and representative of appropriate quality housing and excludes housing deemed substandard. Substandard housing includes mobile homes, efficiency apartments, furnished rentals, and income restricted housing, age-restricted facilities, seasonal housing, and housing in high-crime neighborhoods. The utility data within a MHA compares rates, consumption and climatic information and is sourced from the Bureau of the Census annual American Community Survey and local utility providers. Once the housing cost data is compiled, the BAH is determined for each MHA at 95% of the calculated housing cost, which factors in 5% of out-of-pocket expense for each uniformed Service member. During the Fourth Quarter of 2021, the DTMO published the 2022 BAH rates for 339 MHAs within the United States. AIDEA examined the BAH rates (with and without dependents) for each Alaskan MHA under the enlisted ranks of E-04 to E-09 and O-01 to O-04.

## MILITARY HOUSING DATA ANALYSIS

These particular enlisted Service members were identified as typical residents that would require suitable off-base rental housing located within reasonable proximity of Eielson Air Force Base.

The Table below outlines the 2022 BAH rates for each enlisted rank within Ketchikan, Sitka, Juneau, Kodiak Island, Anchorage and Fairbanks.

2022 Alaskan BAH Rates							
Rank	Rate Description	Fairbanks, AK	Ketchikan, AK	Kodiak, AK	Anchorage, AK	Sitka, AK	Juneau, AK
E04	BAH w/o Deps	\$1,203	\$1,377	\$1,380	\$1,383	\$1,455	\$1,509
	BAH w/Deps	\$1,602	\$1,836	\$1,839	\$1,845	\$1,938	\$2,013
E05	BAH w/o Deps	\$1,491	\$1,638	\$1,725	\$1,683	\$1,725	\$1,851
	BAH w/Deps	\$1,986	\$2,184	\$2,298	\$2,244	\$2,298	\$2,466
E06	BAH w/o Deps	\$1,500	\$1,647	\$1,734	\$1,692	\$1,734	\$1,860
	BAH w/Deps	\$2,001	\$2,199	\$2,313	\$2,259	\$2,313	\$2,481
E07	BAH w/o Deps	\$1,575	\$1,725	\$1,809	\$1,788	\$1,779	\$1,866
	BAH w/Deps	\$2,100	\$2,301	\$2,412	\$2,382	\$2,373	\$2,487
E08	BAH w/o Deps	\$1,677	\$1,902	\$1,926	\$1,920	\$2,004	\$2,097
	BAH w/Deps	\$2,235	\$2,442	\$2,550	\$2,547	\$2,469	\$2,514
E09	BAH w/o Deps	\$1,797	\$2,001	\$2,067	\$2,034	\$2,109	\$2,232
	BAH w/Deps	\$2,397	\$2,637	\$2,754	\$2,712	\$2,625	\$2,598
O01	BAH w/o Deps	\$1,497	\$1,644	\$1,731	\$1,689	\$1,731	\$1,857
	BAH w/Deps	\$1,995	\$2,193	\$2,307	\$2,253	\$2,307	\$2,475
O02	BAH w/o Deps	\$1,578	\$1,785	\$1,812	\$1,791	\$1,866	\$1,923
	BAH w/Deps	\$1,998	\$2,196	\$2,310	\$2,256	\$2,310	\$2,478
O03	BAH w/o Deps	\$1,836	\$2,046	\$2,121	\$2,088	\$2,157	\$2,292
	BAH w/Deps	\$2,313	\$2,523	\$2,631	\$2,643	\$2,523	\$2,529
O04	BAH w/o Deps	\$2,103	\$2,307	\$2,418	\$2,391	\$2,376	\$2,478
	BAH w/Deps	\$2,595	\$2,904	\$3,054	\$2,862	\$2,868	\$2,763



## MILITARY HOUSING DATA ANALYSIS

Both sets of BAH rates were compared and analyzed to measure relative variability to Fairbanks. It is important to note that this part of the analysis is only factoring in the relationship of the underlying BAH Rates for each enlisted rank and MHA.

As evidenced in the table below, Fairbanks BAH rates calculated as materially lower than the comparative group of Alaskan MHA.

		Difference in Fairbanks BAH Rates				
Rank	Rate Description	Ketchikan, AK	Kodiak, AK	Anchorage, AK	Sitka, AK	Juneau, AK
<b>E04</b>	BAH w/o Deps	-14.50%	-14.70%	-15.00%	-20.90%	-25.40%
	BAH w/Deps	-14.60%	-14.80%	-15.20%	-21.00%	-25.70%
<b>E05</b>	BAH w/o Deps	-9.90%	-15.70%	-12.90%	-15.70%	-24.10%
	BAH w/Deps	-10.00%	-15.70%	-13.00%	-15.70%	-24.20%
<b>E06</b>	BAH w/o Deps	-9.80%	-15.60%	-12.80%	-15.60%	-24.00%
	BAH w/Deps	-9.90%	-15.60%	-12.90%	-15.60%	-24.00%
<b>E07</b>	BAH w/o Deps	-9.50%	-14.90%	-13.50%	-13.00%	-18.50%
	BAH w/Deps	-9.60%	-14.90%	-13.40%	-13.00%	-18.40%
<b>E08</b>	BAH w/o Deps	-13.40%	-14.80%	-14.50%	-19.50%	-25.00%
	BAH w/Deps	-9.30%	-14.10%	-14.00%	-10.50%	-12.50%
<b>E09</b>	BAH w/o Deps	-11.40%	-15.00%	-13.20%	-17.40%	-24.20%
	BAH w/Deps	-10.00%	-14.90%	-13.10%	-9.50%	-8.40%
<b>O01</b>	BAH w/o Deps	-9.80%	-15.60%	-12.80%	-15.60%	-24.00%
	BAH w/Deps	-9.90%	-15.60%	-12.90%	-15.60%	-24.10%
<b>O02</b>	BAH w/o Deps	-13.10%	-14.80%	-13.50%	-18.30%	-21.90%
	BAH w/Deps	-9.90%	-15.60%	-12.90%	-15.60%	-24.00%
<b>O03</b>	BAH w/o Deps	-11.40%	-15.50%	-13.70%	-17.50%	-24.80%
	BAH w/Deps	-9.10%	-13.70%	-14.30%	-9.10%	-9.30%

AIDEA then analyzed the last 5 years of published BAH rate data (2018-2022) to identify the historical relationship between Fairbanks and the remaining 5 Alaskan MHAs. This historical look back revealed that the large variation in Fairbanks BAH rates in 2022 did not exist in 2019 with variance widening with the rate adjustments made in 2020.

The following Table consolidates the 2022 and 2019 Fairbank BAH Rate calculation differences and identifies the minimum, maximum and median difference levels for each period.

Consolidated Difference in Fairbanks BAH Rates			
Rank	Rate Description	2022	2019
<b>Minimum</b>	BAH w/o Deps	-9.50%	5.60%
	BAH with Deps	-6.50%	6.30%
<b>Maximum</b>	BAH w/o Deps	-25.40%	-17.50%
	BAH with Deps	-25.70%	-17.60%
<b>Median</b>	BAH w/o Deps	-18.10%	-5.40%
	BAH with Deps	-13.70%	-4.70%

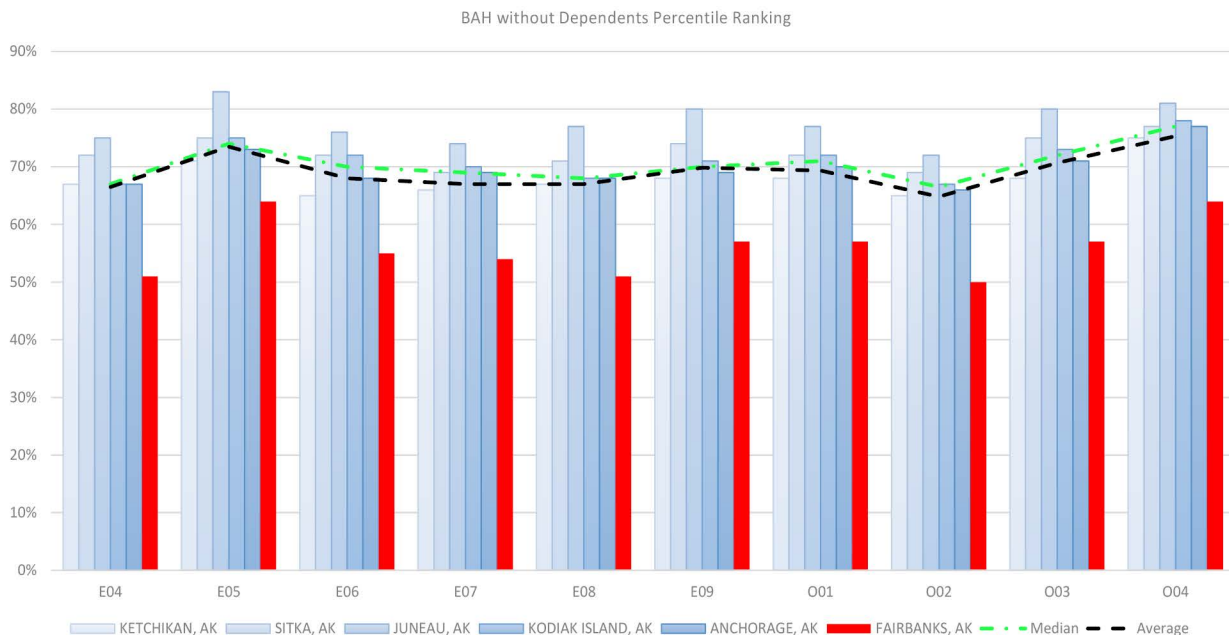
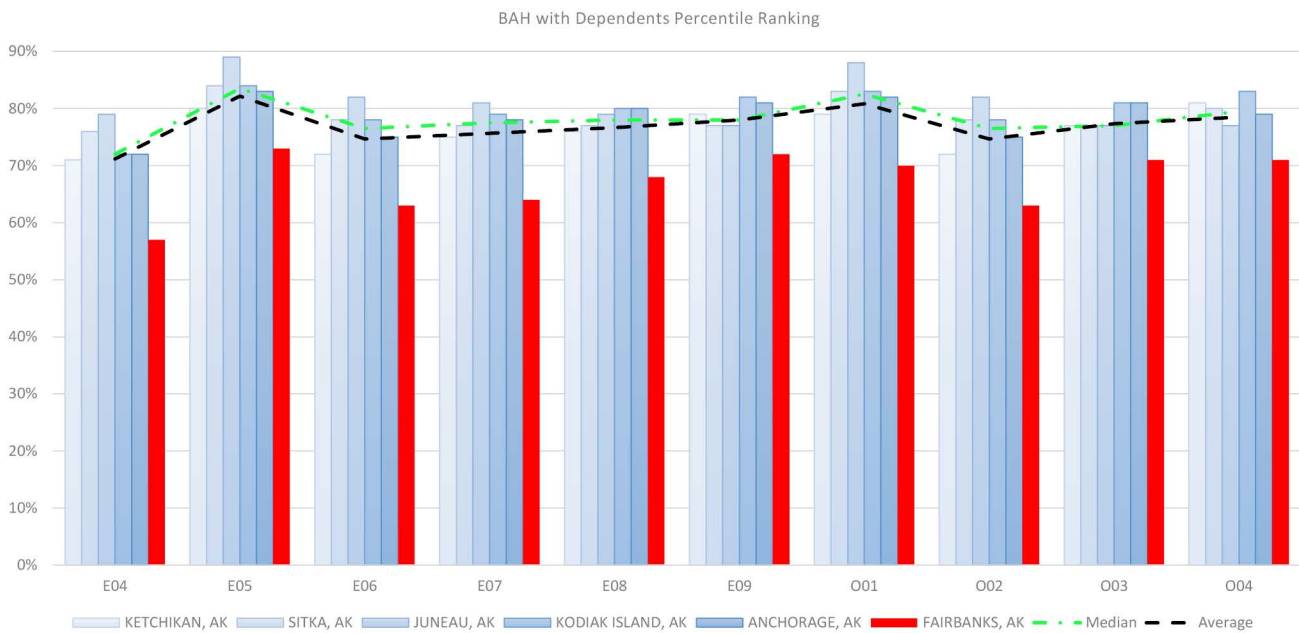
The following Table isolates the total average rate adjustment for Fairbanks and the 5 remaining Alaskan MHAs for each year for the period from 2020 to 2022. The reduction applied to Fairbanks BAH rates is inversely correlated and wildly contrarian to the adjustments applied to the other Alaskan MHAs.

This is even more peculiar when the applied adjustments are compared with the rental market data for the same period. This is discussed in greater detail **under the Fairbanks North Star Borough Single Family Home and Apartment Rental Analysis** found on page 9 of this document.

Average BAH Rate Adjustments from 2020 to 2022			
Year	Rate Description	Fairbanks, AK	5 Alaska MHAs
<b>2020</b>	BAH w/o Deps	<b>-3.50%</b>	1.30%
	BAH with Deps	<b>-3.60%</b>	1.20%
<b>2021</b>	BAH w/o Deps	<b>-1.50%</b>	3.50%
	BAH with Deps	<b>-1.20%</b>	3.40%
<b>2022</b>	BAH w/o Deps	<b>1.30%</b>	3.20%
	BAH with Deps	<b>1.20%</b>	3.00%

## MILITARY HOUSING DATA ANALYSIS

Lastly, all 339 published BAH Rates (with and without dependents) were categorized by enlisted rank and assigned a percentile ranking. The higher the BAH rate within the group directly corresponds to the relative higher percentile ranking it receives. In the two graphs below, the bars with gradient shades of blue represent the percentile ranking of the 5 other Alaskan MHAs (Ketchikan, Sitka, Juneau, Kodiak Island and Anchorage) BAH Rates with red bar representing Fairbanks respective percentile. The two dotted lines that overlay the graphs represent the average and median percentile rankings of the Alaskan MHA group, excluding Fairbanks. The graphs show that the 5 Alaskan MHA's, not including Fairbanks, are highly correlated to one another and fall universally within the 70% to 80% decile far exceeding the 50% to 60% decile rankings for Fairbanks.



# Fairbanks North Star Borough Single-Family Home and Apartment Rental Analysis

Rental data for single family homes and apartments was sourced from the Alaska Department of Labor and Workforce Development- Research and Analysis Division (ADLWD), which includes surveyed data from the Alaska Housing Finance Corporation (AHFC). The ADLWD is responsible for the annual publication of multiple economic data reports for Alaska, including The Rental Market Report which was last published September 2021. The DLWD partners with the AHFC each to spring to survey Alaska landlords in selected areas. In order to align with DTMO's annual BAH rate process, AIDEA's analysis utilized adjusted median rent vs contract median rent for a more apples to apples comparison between MHAs. Adjusted median rent is the contract median rent (amount paid to landlord), plus the cost of all utilities. Because utility types and cost vary by area, adjusted median rent allows for a more comparable data set for the analysis.



Photo Credit: Staff Sgt. Sean Martin

## MILITARY HOUSING DATA ANALYSIS

AIDEA assessed the median adjusted rent data for single family homes and apartments for the periods of 2019, 2020, and 2021 to compare the relationship between the rental data and the previously discussed BAH rates for the Alaskan MHAs. Total change in rental rates for this three year period is summarized in the Tables below and indicates that Fairbanks BAH rates dislocated and inexplicably moved counter intuitively to the underlying market rental data.

Cumulative Change in Apartment Rents from 2019 to 2021			
<b>City/Borough</b>	<b>3 Bedroom</b> <i>Total % Change</i>	<b>2 Bedroom</b> <i>Total % Change</i>	<b>1 Bedroom</b> <i>Total % Change</i>
<b>Fairbanks North Star Borough</b>	<b>1.23%</b>	<b>4.82%</b>	<b>6.04%</b>
Ketchikan Gateway Borough	1.92%	2.40%	5.40%
Kodiak Island Borough	-4.23%	-0.44%	-0.10%
Municipality of Anchorage	3.74%	1.05%	4.39%
City and Borough of Sitka	19.37%	5.11%	0.65%
City and Borough of Juneau	2.66%	-2.37%	0.87%

Cumulative Change in Single Family Home Rents from 2019 to 2021			
<b>City/Borough</b>	<b>3 Bedroom</b> <i>Total % Change</i>	<b>2 Bedroom</b> <i>Total % Change</i>	<b>1 Bedroom</b> <i>Total % Change</i>
<b>Fairbanks North Star Borough</b>	<b>0.57%</b>	<b>5.09%</b>	<b>2.88%</b>
Ketchikan Gateway Borough	9.13%	19.74%	3.57%
Kodiak Island Borough	-2.75%	4.31%	6.27%
Municipality of Anchorage	4.72%	-2.62%	1.50%
City and Borough of Sitka	12.54%	8.65%	6.24%
City and Borough of Juneau	1.03%	-13.59%	0.96%

## MILITARY HOUSING DATA ANALYSIS

AIDEA analyzed the 2021 rental data for 3 bedroom homes and 2 bedroom apartments as these particular units were identified as having the highest demand from incoming service members. The Table below compares the average rental rate difference between Fairbanks and the remaining 5 Alaskan MHAs. The average calculated difference of the median adjusted rent for the 5 Alaskan MHA prove to be marginally lower than the median adjusted rent for Fairbanks. This does not support the previously discussed difference in the 2022 BAH Rates which shows Fairbanks having a substantially lower rate defined by a median difference of -18.1% and -13.7% (with and without dependents) to the same group.

Apartment Median Adjusted Rent and Ranking				
	3 Bedroom House		2 Bedroom Apartment	
City/Borough	Median Adjusted Rent	Rent Difference to Fairbanks	Median Adjusted Rent	Rent Difference to Fairbanks
<b>Fairbanks North Star Borough</b>	<b>\$1,943</b>		<b>\$1,326</b>	
Ketchikan Gateway Borough	\$1,589	-18.20%	\$1,279	-3.50%
Kodiak Island Borough	\$1,907	-1.90%	\$1,365	2.90%
Municipality of Anchorage	\$2,106	8.40%	\$1,251	-5.70%
City and Borough of Sitka	\$2,082	7.20%	\$1,357	2.30%
City and Borough of Juneau	\$1,967	1.20%	\$1,320	-0.50%
<b>Average</b>	<b>\$1,930</b>	<b>-0.70%</b>	<b>\$1,314</b>	<b>-0.90%</b>

# Fairbanks North Star Borough BAH Rate Adjustment Exercise

AIDEA then performed an adjustment exercise to correlate Fairbanks BAH Rates with median rental market analysis. Factoring in the de minimis average difference calculated with the 2021 median adjusted rents, AIDEA modified Fairbanks BAH rates by using the 95% statistical confidence level (+ of 2 standard deviation) of the BAH Rates for the 5 other Alaskan MHAs. This adjustment calculation method is commensurate with the underlying goal of DTMO BAH program that aims at obtaining a statistical confidence level of 95% when determining BAH rates for each underlying MHA.

Rank	Rate Description	Current BAH Rate	Total Adjustment (%)	Monthly Adjustment (\$)	Adjusted BAH Rate
E04	BAH w/o Deps	\$1,203	18%	\$218	\$1,421
	BAH w/Depos	\$1,602	18%	\$292	\$1,894
E05	BAH w/o Deps	\$1,491	16%	\$233	\$1,724
	BAH w/Depos	\$1,986	16%	\$312	\$2,298
E06	BAH w/o Deps	\$1,500	16%	\$233	\$1,733
	BAH w/Depos	\$2,001	16%	\$312	\$2,313
E07	BAH w/o Deps	\$1,575	14%	\$218	\$1,793
	BAH w/Depos	\$2,100	14%	\$291	\$2,391
E08	BAH w/o Deps	\$1,677	17%	\$293	\$1,970
	BAH w/Depos	\$2,235	12%	\$269	\$2,504
E09	BAH w/o Deps	\$1,797	16%	\$292	\$2,089
	BAH w/Depos	\$2,397	11%	\$268	\$2,665
O01	BAH w/o Deps	\$1,497	16%	\$233	\$1,730
	BAH w/Depos	\$1,995	16%	\$312	\$2,307
O02	BAH w/o Deps	\$1,578	16%	\$257	\$1,835
	BAH w/Depos	\$1,998	16%	\$312	\$2,310
O03	BAH w/o Deps	\$1,836	17%	\$305	\$2,141
	BAH w/Depos	\$2,313	11%	\$257	\$2,570
O04	BAH w/o Deps	\$2,103	14%	\$291	\$2,394
	BAH w/Depos	\$2,595	11%	\$295	\$2,890





