

HB

430

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HL+C

2-18-88

1:30 p.m.

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
 Title: An Act relating to the Neighborhood Business Development Program BRU: Business Development
 Sponsor: Labor and Commerce Committee Components: _____
 Requester: Labor and Commerce Committee

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		64.3	64.3	91.0	91.0	91.0
TRAVEL		6.0	6.3	6.6	6.9	7.3
CONTRACTUAL		4.5	4.5	4.0	3.5	3.5
SUPPLIES		.4	.4	.4	.4	.4
EQUIPMENT		10.7	.6	.6	.6	.6
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		85.9	76.1	102.6	102.4	102.8

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of dollars)

GENERAL FUND		85.9	76.1	102.6	102.4	102.8
FEDERAL FUNDS						
OTHER						
TOTAL		85.9	76.1	102.6	102.4	102.8

POSITIONS:

FULLTIME		1.5	1.5	2	2	2
PARTTIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED PAGE

Prepared by: Larry Merculieff, Director *Bonnie J. Bonchick* Phone: 465-2017
 Division: Business Development Date: February 26, 1988

Approved by Commissioner: J. Anthony Smith *J. Anthony Smith* Date: 2/26/88
 Agency: Department of Commerce and Economic Development

- Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

FISCAL NOTE CONTINUATION

ANALYSIS:

HB 430 states that the funds can only be used by communities of over 20,000 population which means only the Municipality of Anchorage, City and Borough of Juneau, City and Borough of Sitka, and City of Fairbanks can qualify.

The management of the fund will require the full time services of a Development Specialist I (Range 18) and the half services of an Accounting Clerk II (Range 9B). These two new positions will design, implement and administer the programs. By the third year, the Accounting Clerk II will be needed full time.

Development Specialist I (Range 18) (Salary and Benefits)	\$49,340
Accounting Clerk II (1/2 time)	<u>14,938</u>
	\$64,278

Administrative travel necessary to administer program will be \$6,000 in FY 89 increasing by 5% (inflation) a year through FY 93.

Contractual costs will be for communication items such as phone, postage, advertising, etc.

Supply costs will be minimal \$400 per year.

Equipment cost will be higher in the first year as two new offices will have to be equipped. This will include new modular units, two computer/word processors, two chairs and miscellaneous. Cost for each office is approximately \$5,500. After first year, equipment cost will be minimal.

5-1743L
Chenoweth
2/17/88

Original sponsor: Labor and Commerce
Committee

1 IN THE HOUSE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR HOUSE BILL NO. 430 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska neighborhood business
7 initiative; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. PURPOSE. The purpose of AS 44.33.431 - 44.33.433, added
10 by sec. 2 of this Act, is to promote a neighborhood business initiative by
11 establishing a program of economic development of commercial neighborhoods
12 in the state's principal cities by financial institutions, relying on local
13 initiative for the specific design of local programs.

14 * Sec. 2. AS 44.33 is amended by adding new sections to read:

15 ARTICLE 6A. NEIGHBORHOOD BUSINESS DEVELOPMENT PROGRAM.

16 Sec. 44.33.431. NEIGHBORHOOD BUSINESS DEVELOPMENT FUND. There
17 is created the neighborhood business development fund, to be adminis-
18 tered by the commissioner. The commissioner shall deposit to the
19 credit of the fund

20 (1) grants and contributions to the fund; and

21 (2) appropriations to the fund.

22 Sec. 44.33.432. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
23 commissioner may use money in the fund to make grants to nonprofit
24 development corporations that qualify for assistance from the Neigh-
25 borhood Reinvestment Corporation organized under 42 U.S.C. 8101-8107
26 (Neighborhood Reinvestment Corporation Act), for purposes of neighbor-
27 hood housing services, community revitalization, and economic develop-
28 ment projects in a city that has more than 20,000 persons.

29 (b) The commissioner may adopt regulations necessary to carry

1 out the department's functions under AS 44.33.431 - 44.33.433.

2 (c) The commissioner shall provide for an annual audit of the
3 grants to nonprofit development corporations made under (b) of this
4 section.

5 Sec. 44.33.433. DEFINITIONS. In AS 44.33.431 - 44.33.433

6 (1) "commissioner" means the commissioner of commerce and
7 economic development;

8 (2) "department" means the Department of Commerce and
9 Economic Development;

10 (3) "fund" means the neighborhood business development fund
11 established in AS 44.33.431.

12 * Sec. 3. AS 44.33.020 is amended by adding a new paragraph to read:

13 (30) administer the neighborhood business development pro-
14 gram under AS 44.33.431 - 44.33.433.

15 * Sec. 4. This Act takes effect July 1, 1988.



January 29, 1988

Representative Dave Donley
Alaska State House of Representatives
Pouch V
Juneau, AK 99811

ATTN: Mark Begich

Dear Representative Donley:

At your request, I am enclosing the annual report of the Neighborhood Reinvestment Corporation and some material describing the breadth of program services developed within local corporations as part of the Neighborhood Housing Services of America (NHS) network.

Also enclosed is a copy of the Community Development Amendments of 1978 which originally chartered Neighborhood Reinvestment by Congress and provides for annual appropriation to support the corporation. At the request of a local government, Neighborhood Reinvestment will conduct an assessment of a community with that community and provide assistance in developing local public and private partnerships that are necessary to set up a Neighborhood Housing Services Corporation. Once established, the corporations are independent local non profits, chartered by state and local incorporation requirements, but are provided ongoing network assistance and occasional program development capital to test new programs within the local community as required.

Typically the local Neighborhood Housing Services Corporation operating under a public private partnership board administers a loan fund for housing and economic development type of activities. The national track record for leveraging capabilities is quite high and on the average has provided a ratio of 32:1 in private to public dollars. The secondary market support comes from our network consortium of NHS, which purchases loans made by the local NHS to continue to replenish needed loan fund dollars.

Anchorage Neighborhood Housing Services is currently one of small handful of Neighborhood Housing Services Corporations which is providing Commercial Development loans which I described to you previously. If the city of Fairbanks is interested in creating a local non profit corporation modeled after the NHS, my suggestion is that they seek assistance through Neighborhood Reinvestment in developing that corporation. Anchorage Neighborhood Housing Services would be happy to assist both Neighborhood Reinvestment and Fairbanks in that effort, but it is paramount in my mind that it be a locally controlled private non profit. In establishing public private partnerships, local control is essential, as is an adequate resource base of funds to do the work at hand. If the state legislature were to provide additional capital for commercial revitalization, ANHS most certainly could utilize those funds because we have some significant projects that need funding and will help to stabilize the economy, as I am sure could a Fairbanks NHS.

Anchorage Neighborhood Housing Services, Inc.

3700 Woodiana Park Drive, Suite 500, Anchorage, Alaska 99517. (907) 243-1558

**TITLE VI—NEIGHBORHOOD REINVESTMENT
CORPORATION**

Neighborhood
Reinvestment
Corporation Act.

SHORT TITLE

SEC. 601. This title may be cited as the "Neighborhood Reinvestment Corporation Act". 42 USC 8101
note.

FINDINGS AND PURPOSE

SEC. 602. (a) The Congress finds that— 42 USC 8101.

(1) the neighborhood housing services demonstration of the Urban Reinvestment Task Force has proven its worth as a successful program to revitalize older urban neighborhoods by mobilizing public, private, and community resources at the neighborhood level; and

(2) the demand for neighborhood housing services programs in cities throughout the United States warrants the creation of a public corporation to institutionalize and expand the neighborhood housing services program and other programs of the present Urban Reinvestment Task Force.

(b) The purpose of this title is to establish a public corporation which will continue the joint efforts of the Federal financial supervisory agencies and the Department of Housing and Urban Development to promote reinvestment in older neighborhoods by local financial institutions working cooperatively with community people and local government, and which will continue the nonbureaucratic approach of the Urban Reinvestment Task Force, relying largely on local initiative for the specific design of local programs.

ESTABLISHMENT OF CORPORATION

SEC. 603. (a) There is established a National Neighborhood Reinvestment Corporation (hereinafter referred to as the "corporation") which shall be a body corporate and shall possess the powers, and shall be subject to the direction and limitations specified herein. 42 USC 8102.

(b) The corporation shall implement and expand the demonstration activities carried out by the Urban Reinvestment Task Force. Duties.

(c) The corporation shall maintain its principal office in the District of Columbia or at such other place the corporation may from time to time prescribe. Offices.

(d) The corporation, including its franchise, activities, assets, and income, shall be exempt from all taxation now or hereafter imposed by the United States, by any territory, dependency, or possession thereof, or by any State, county, municipality, or local governing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

BOARD OF DIRECTORS; ESTABLISHMENT

SEC. 604. (a) The corporation shall be under the direction of a board of directors made up of the following members: Membership.
42 USC 8103.

- (1) the Chairman of the Federal Home Loan Bank Board;
- (2) the Secretary of Housing and Urban Development;
- (3) a member of the Board of Governors of the Federal Reserve System, to be designated by the Chairman of the Board of Governors of the Federal Reserve System;

(4) the Chairman of the Federal Deposit Insurance Corporation;

(5) the Comptroller of the Currency; and

(6) the Administrator of the National Credit Union Administration.

Chairman.

(b) The Board shall elect from among its members a chairman who shall serve for a term of two years, except that the Chairman of the Federal Home Loan Bank Board shall serve as Chairman of the Board of Directors for the first such two-year term.

Compensation and expenses.

(c) Each director of the corporation shall serve ex officio during the period he holds the office to which he is appointed by the President.

(d) The directors of the corporation, as full-time officers of the United States, shall serve without additional compensation but shall be reimbursed for travel, subsistence, and other necessary expenses incurred in the performance of their duties as directors of the corporation.

(e) The directors of the corporation shall adopt such bylaws, policies, and administrative provisions as are necessary to the functioning of the corporation and consistent with the provisions of this title.

Quorum.

(f) The presence of a majority of the board members shall constitute a quorum.

(g) The corporation shall be subject to the provisions of section 552 of title 5, United States Code.

(h) All meetings of the board of directors will be conducted in accordance with the provisions of section 552b of title 5, United States Code.

OFFICERS AND EMPLOYEES

42 USC 8104.

Sec. 605. (a) The board shall have power to select, employ, and fix the compensation and benefits of such officers, employees, attorneys, and agents as shall be necessary for the performance of its duties under this title, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, classification, and General Schedule pay rates, except that no officer, employee, attorney, or agent of the corporation may be paid compensation at a rate in excess of the highest rate provided for GS-18 of the General Schedule under section 5332 of title 5, United States Code.

(b) The directors of the corporation shall appoint an executive director who shall serve as chief executive officer of the corporation.

(c) The executive director of the corporation, subject to approval by the board, may appoint and remove such employees of the corporation as he determines necessary to carry out the purposes of the corporation.

(d) No political test or political qualification shall be used in selecting, appointing, promoting, or taking any other personnel action with respect to any officer, agent, or employee of the corporation or of any recipient, or in selecting or monitoring any grantee, contractor, or person or entity receiving financial assistance under this title.

(e) Officers and employees of the corporation shall not be considered officers or employees of the United States, and the corporation shall not be considered a department, agency, or instrumentality of the Federal Government. The corporation shall be subject to administrative and cost standards issued by the Office of Management and Budget similar to standards applicable to non-profit grantees and educational institutions.

POWERS AND DUTIES

Sec. 606. (a) (1) The corporation shall continue the work of the Urban Reinvestment Task Force in establishing neighborhood housing services programs in neighborhoods throughout the United States, supervising their progress, and providing them with grants and technical assistance. For the purpose of this paragraph, a neighborhood housing services program may involve a partnership of neighborhood residents and representatives of local governmental and financial institutions, organized as a State-chartered non-profit corporation, working to bring about reinvestment in one or more neighborhoods through a program of systematic housing inspections, increased public investment, increased private lending, increased resident investment, and a revolving loan fund to make loans available at flexible rates and terms to homeowners not meeting private lending criteria.

Housing services programs, continuation. 42 USC 8105.

(2) The corporation shall continue the work of the Urban Reinvestment Task Force in identifying, monitoring, evaluating, and providing grants and technical assistance to selected neighborhood preservation projects which show promise as mechanisms for reversing neighborhood decline and improving the quality of neighborhood life.

Preservation projects.

(3) The corporation shall experimentally replicate neighborhood preservation projects which have demonstrated success, and after creating reliable developmental processes, bring the new programs to neighborhoods throughout the United States which in the judgment of the corporation can benefit therefrom, by providing assistance in organizing programs, providing grants in partial support of program costs, and providing technical assistance to ongoing programs.

(4) The corporation shall continue the work of the Urban Reinvestment Task Force in supporting Neighborhood Housing Services of America, a nonprofit corporation established to provide services to local neighborhood housing services programs, with support which may include technical assistance and grants to expand its national loan purchase pool and may contract with it for services which it can perform more efficiently or effectively than the corporation.

(5) The corporation shall, in making and providing the foregoing grants and technical and other assistance, determine the reporting and management restrictions or requirements with which the recipients of such grants or other assistance must comply. In making such determinations, the corporation shall assure that recipients of grants and other assistance make available to the corporation such information as may be necessary to determine compliance with applicable Federal laws.

(b) To carry out the foregoing purposes and engage in the foregoing activities, the corporation is authorized—

(1) to adopt, alter, and use a corporate seal;

(2) to have succession until dissolved by Act of Congress;

(3) to make and perform contracts, agreements, and commitments;

(4) to sue and be sued, complain and defend, in any State, Federal, or other court;

(5) to determine its necessary expenditures and the manner in which the same shall be incurred, allowed, and paid, and appoint, employ, and fix and provide for the compensation of consultants, without regard to any other law, except as provided in section 608(d);

(6) to settle, adjust, and compromise, and with or without compensation or benefit to the corporation to release or waive in whole

or in part, in advance or otherwise, any claim, demand, or right of, by, or against the corporation;

(7) to invest such funds of the corporation in such investments as the board of directors may prescribe;

(8) to acquire, take, hold, and own, and to deal with and dispose of any property; and

(9) to exercise all other powers that are necessary and proper to carry out the purposes of this title.

Contracts and grants.

(c) (1) The corporation may contract with the Office of Neighborhood Reinvestment of the Federal home loan banks for all staff, services, facilities, and equipment now or in the future furnished by the Office of Neighborhood Reinvestment to the Urban Reinvestment Task Force, including receiving the services of the Director of the Office of Neighborhood Reinvestment as the corporation's executive director.

(2) The corporation shall have the power to award contracts and grants to—

(A) neighborhood housing services corporations and other non-profit corporations engaged in neighborhood preservation activities; and

(B) local governmental bodies.

Services and facilities.

(3) The Secretary of Housing and Urban Development, the Federal Home Loan Bank Board and the Federal home loan banks, the Board of Governors of the Federal Reserve System and the Federal Reserve banks, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency, the National Credit Union Administration or any other department, agency, or other instrumentality of the Federal Government are authorized to provide services and facilities, with or without reimbursement, necessary to achieve the objectives and to carry out the purposes of this title.

(d) (1) The corporation shall have no power to issue any shares of stocks, or to declare or pay any dividends.

(2) No part of the income or assets of the corporation shall inure to the benefit of any director, officer, or employee, except as reasonable compensation for services or reimbursement for expenses.

(3) The corporation may not contribute to or otherwise support any political party or candidate for elective public office.

REPORTS AND AUDITS

SEC. 607. (a) The corporation shall publish an annual report which shall be transmitted by the corporation to the President and the Congress.

(b) The accounts of the corporation shall be audited annually. Such audits shall be conducted in accordance with generally accepted auditing standards by independent certified public accountants who are certified by a regulatory authority of the jurisdiction in which the audit is undertaken.

(c) In addition to the annual audit, the financial transactions of the corporation for any fiscal year during which Federal funds are available to finance any portion of its operations may be audited by the General Accounting Office in accordance with such rules and regulations as may be prescribed by the Comptroller General of the United States. The financial transactions of the corporation shall be audited by the General Accounting Office at least once during each three years.

(d) For any fiscal year during which Federal funds are available to finance any portion of the corporation's grants or contracts, the General Accounting Office, in accordance with such rules and regulations as may be prescribed by the Comptroller General of the United States, may audit the grantees or contractors of the corporation.

Transmittal to President and Congress.
42 USC 8106.

(e) The corporation shall conduct or require each grantee or contractor to provide for an annual financial audit. The report of each such audit shall be maintained for a period of at least five years at the principal office of the corporation.

AUTHORIZATION

SEC. 608. (a) There are authorized to be appropriated to the corporation to carry out this title not to exceed \$12,500,000 for fiscal year 1979.

Appropriation authorization.
42 USC 8107.

(b) Funds appropriated pursuant to this section shall remain available until expended.

(c) Non-Federal funds received by the corporation, and funds received by any recipient from a source other than the corporation, shall be accounted for and reported as receipts and disbursements separate and distinct from Federal funds.

(d) The corporation shall prepare annually a business-type budget which shall be submitted to the Office of Management and Budget, under such rules and regulations as the President may establish as to the date of submission, the form and content, the classifications of data, and the manner in which such budget program shall be prepared and presented. The budget of the corporation as modified, amended, or revised by the President shall be transmitted to the Congress as a part of the annual budget required by the Budget and Accounting Act, 1921. Amendments to the annual budget program may be submitted from time to time.

Annual budget submittal.

Transmittal to Congress.

31 USC 1.

HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1980

PUBLIC LAW 96-399—OCT. 8, 1980

94 STAT. 1645

NEIGHBORHOOD REINVESTMENT CORPORATION

SEC. 315 Title VI of the Housing and Community Development Amendments of 1978 is amended—

- (1) by striking out "National" in section 603(a);
- (2) by striking out "supervising" in the first sentence of section 603(a)(1) and inserting in lieu thereof the word "monitoring"; and
- (3) by striking out "and not to exceed \$12,000,000 for fiscal year 1980" in section 603(a) and inserting in lieu thereof the following: "not to exceed \$12,000,000 for fiscal year 1980, and not to exceed \$13,426,000 for fiscal year 1981"

42 USC 8102

42 USC 8105

42 USC 8107

GARN-ST GERMAIN DEPOSITORY
INSTITUTIONS ACT OF 1982.

96 STAT. 1544

PUBLIC LAW 97-320—OCT. 15, 1982

NEIGHBORHOOD REINVESTMENT CORPORATION

42 USC 8103 SEC. 710. (a) Section 604 of the Neighborhood Reinvestment Corporation Act (Public Law 95-557) is amended—

(1) by redesignating subsections (f), (g), and (h) as subsections (g), (h), and (i), respectively, and by inserting after subsection (e) the following:

"(f) A director who is necessarily absent from a meeting of the board, or of a committee of the board, may participate in such meeting through a duly designated representative who is serving, pursuant to appointment by the President of the United States, by and with the advice and consent of the Senate, in the same department, agency, corporation, or instrumentality as the absent director, or in the case of the Comptroller of the Currency, through a duly designated Deputy Comptroller."; and

(2) by inserting in section 604(g), as redesignated, after "members" a comma and the words "or their representatives as provided in subsection (f)."

42 USC 8105

(b) Section 606(c)(3) of such Act is amended by inserting "funds," after "provide".

" AN ACT RELATING TO THE NEIGHBORHOOD BUSINESS DEVELOPMENT PROGRAM "

HB 430 and the companion appropriation bill HB 431 is a program modeled after an existing loan program run by a non-profit corporation within Anchorage. The concept of the program is to leverage state money with the secondary financial markets, which include over \$30 million from national insurance companies. Some national insurance companies have made such "social investments" funds available for community service and public relation purposes. The purpose of this program is to redevelop commercial business zones.

The objectives of the program is:

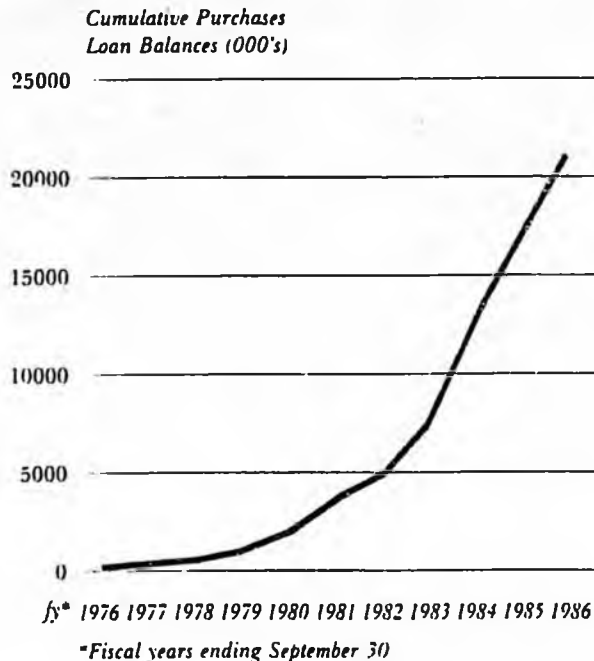
- Create new short term and long term jobs.
- Create an incentive mechanism for attracting new businesses to an area.
- Help make existing businesses more viable, attractive, and stable.
- Leverage business loans made with conventional financing.
- Create a business climate that better services the community.

The bill also stipulates that any non-profit that applies for the grant funds from the Department of Commerce and Economic Development must meet the criteria set out in the Neighborhood Reinvestment Corporation.

The purpose of this bill is to offer an opportunity to develop a "true" public/private partnership in communities.

■ Adding Strength through Private Sector Support

NHS Secondary Market Loan Purchases For the years 1976 to 1986



NHSA Secondary Market, 1986

Note Purchase Agreements (in millions)

Prudential	\$12.5
Metropolitan	5.0
Aetna	4.0
Allstate	4.0
Equitable	3.0
Mutual Benefit Life	1.0
Employers Insurance of Wausau	.5
Total	\$30.0

By leveraging social investments, NHSA has been able to purchase more than \$21 million in loans from 112 NHSs.

Affordable financing for home purchase and repair is essential to neighborhood revitalization. Because many residents in NHS neighborhoods cannot afford the cost of major home repairs under traditional loan repayment terms or do not meet conventional credit criteria, each NHS maintains a revolving loan fund to provide loans at interest rates and terms that meet these borrowers' ability to repay.

Neighborhood Housing Services of America (NHSA), a national corporation created in 1974, provides support to the NHS network and Neighborhood Reinvestment by operating a secondary market to keep NHS loan funds capitalized so that local NHSs will continue to have the resources they need to solve neighborhood problems.

NHSA buys loans from local NHSs and then sells collateralized securities, backed by pools of these NHS loans, to social investors. Initially, NHSA used its own funds to purchase NHS loans. In 1978, the Ford Foundation and Neighborhood Reinvestment contributed loan-fund working capital and the Equitable Life Assurance Society of the United States agreed to invest \$1 million in NHSA notes backed by NHS loans, thus introducing private-sector funds into the process and creating a true secondary market.

The secondary market quickly proved to be both a major resource for the NHS network and a sound and satisfying social investment (participating investors agree to "give up" the difference between the rate of return on their notes with NHSA and the market rate). Currently, seven major insurance companies have active note participation agreements with NHSA totaling \$30 million dollars.

