

HB

431

# HOUSE COMMITTEE REPORT

2/29

(7)

Date referred: 2/3/88

FURTHER REFERRALS:

Finance

DATE: 2/18/88

The Labor & Commerce Committee has considered HB 431

"An Act making an appropriation to the neighborhood business development fund; and providing for an effective date."

### RECOMMENDS:

- replace with CS HB 431 (exc)  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

ADOPTS:  \_\_\_\_\_ letter of intent

### ATTACHES NEW FISCAL NOTE(S):

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Ellis

David Doney

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

W. Korman

[Signature]

[Signature]

P. A. B...

Cliff Davis (no rec.)

David Doney

Chairman's signature

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

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.

" 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.

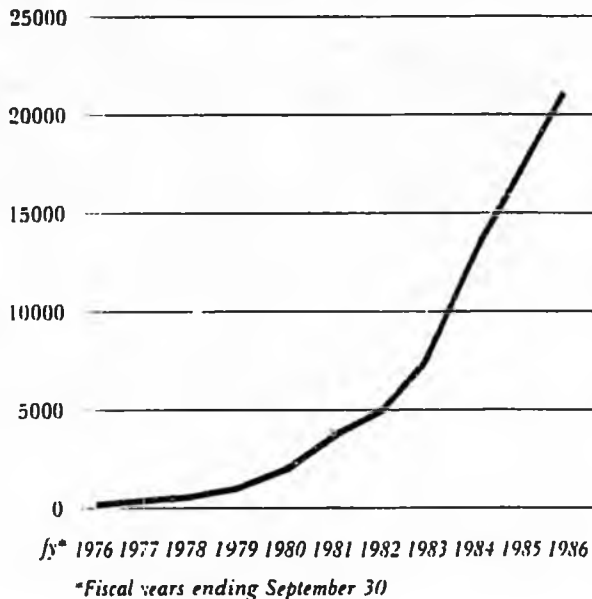
The bill also stipulates that any non-profit that applies for the grant funds from the Department of Commerce and Economic Development must meet the criteria set out in the Neighborhood Reinvestment Corporation.

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

*Cumulative Purchases  
Loan Balances (000's)*



### 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            |
| <b>Total</b>                  | <b>\$30.0</b> |

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.

