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SENATE COMMITTEE REPORT

FURTHER

2/16/89

DATE TURNED INTO OFFICE

4/7/89

Mr. President:

Fin

Committee considered

SSSB 135

establishing the Alaska neighborhood revitalization initiative; efd  
and recommended

- replace with \_\_\_\_\_ CS SSSB 135 (Fix) )  same title
- or adopt \_\_\_\_\_ CS \_\_\_\_\_ )  new title
- attached amendment(s) and  technical title change (HB only)
- \_\_\_\_\_ letter of intent adopted

do pass

do not pass

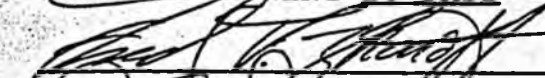
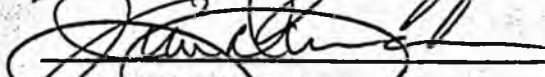
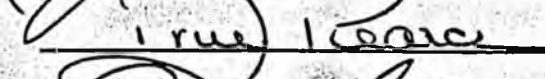
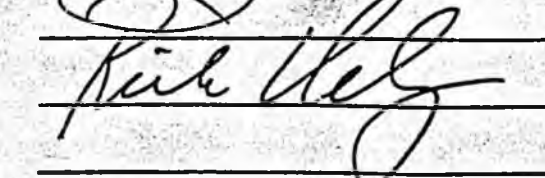
no recommendation

individual recommendations

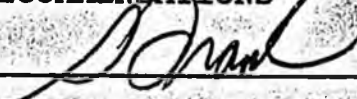
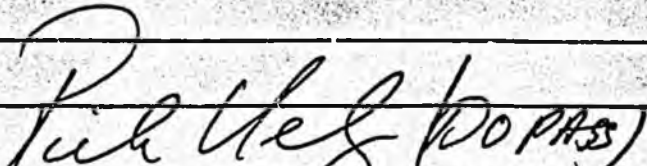
further referral to \_\_\_\_\_

- FISCAL NOTE(S)  zero  fiscal impact  appropriation no FN
- new DCKED  updated  previous
- same as previous fiscal note(s) published \_\_\_\_\_

MEMBERS SIGNING DO PASS

  
  
 I rue /   


OTHER RECOMMENDATIONS

 NO REC  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  


Chairman signature and recommendation

Committee Backup attached

R/O SFC 4-7-89

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: CS3SSB 135 (Fin)  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Neighborhood Revitalization Initiative  
Sponsor: Rodey and Pearce  
Requester: Senate Finance

Agency Affected: Commerce & Economic Dev.  
BRU: Business Development  
Components: \_\_\_\_\_

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This fiscal note assumes passage of an appropriation to the Neighborhood Revitalization and Development Fund and a separate appropriation from the Neighborhood Revitalization and Development Fund to the department of up to \$90.0 for administration of the program. Details of the department's anticipated costs are attached.

Prepared by: Tom Lawson, Acting Director  
Division: Business Development

Phone: 465-2017  
Date: 4-10-89

Approved by Commissioner: Larry Merculieff S.M.  
Agency: Department of Commerce & Economic Development

Phone: 465-2500  
Date: 4/10/89

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

## FISCAL NOTE ANALYSIS

### CSSSSB 135 (FIN) ALASKA NEIGHBORHOOD REVITALIZATION INITIATIVE

#### Assumptions/Program Summary

CSSSSB 135 (Fin) establishes a program which promotes neighborhood revitalization and development through local initiatives of the state's communities with the assistance of financial institutions and the state. The legislation creates a neighborhood revitalization and development fund to be administered by the Department of Commerce and Economic Development. Neighborhood housing services, community revitalization, and economic development projects are eligible. The program requires that any nonprofit organization applying for the grant funds from DCED must meet the criteria of the Neighborhood Reinvestment Corporation.

(The Neighborhood Reinvestment Corporation was established in 1978 by Congress as a public nonprofit corporation to assist communities in revitalizing declining neighborhoods for the benefit of current residents. That goal is achieved primarily through the development and support of Neighborhood Housing Services (NHS) programs, such as Anchorage Neighborhood Housing Services. In 1985, there were 239 NHS's in 137 cities.)

The Finance CS allows administrative costs of up to \$90.0 to be taken out of the Neighborhood Revitalization and Development Fund. Implementation of the program is subject to annual legislative appropriation from the Neighborhood Revitalization and Development Fund.

It is estimated that about 13 communities may be able to participate in the Neighborhood Revitalization and Development Program.

Personal Services. Staff for the Neighborhood Revitalization and Development Program includes the following two permanent full-time positions:

Program Coordinator-Development Specialist I (Range 18)	\$51.0
Accounting Clerk II (Range 09), 1/2 time	\$15.8

The statewide coordinator will initiate and administer the program. Under the supervision of the program coordinator, the accounting clerk will provide administrative support.

Travel. Costs include travel to communities participating in the program.

Contractual Services. Funds (\$7.0) are needed for office related services, including advertising, phone, postage, copying, printing, etc.

Supplies. Funds will be used to purchase office supplies and training materials. Costs will decrease in future years.

Equipment. Costs will only be for the first year and will include purchase of a computer/word processor terminal and miscellaneous equipment.

Program Summary:

**EXPENDITURES / REVENUES : (Thousands of Dollars)**

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		66.8	66.8	66.8	66.8	66.8
TRAVEL		5.0	7.0	7.0	7.0	7.0
CONTRACTUAL		7.0	7.0	5.0	5.0	5.0
SUPPLIES		3.0	3.0	2.7	2.7	2.7
EQUIPMENT		6.0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>87.8</b>	<b>83.8</b>	<b>81.5</b>	<b>81.5</b>	<b>81.5</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
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**FUNDING: (Thousands of dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER Neighborhood Revitalization						
<b>TOTAL and Development Fund</b>		<b>87.8</b>	<b>83.8</b>	<b>81.5</b>	<b>81.5</b>	<b>81.5</b>

**POSITIONS:**

FULL-TIME		1	1	1	1	1
PART-TIME		1	1	1	1	1
TEMPORARY						

*R/O SFC 4-7-89*

6-0600J  
Chenoweth  
4/6/89

Original sponsors: Rodey and Pearce

1 IN THE SENATE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 135 (*Finance*)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska neighborhood re-  
7 vitalization initiative."

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

9 \* Section 1. PURPOSE. The purpose of AS 44.33.436 - 44.33.438, added  
10 by sec. 2 of this Act, is to promote neighborhood revitalization and devel-  
11 opment through local initiatives of the state's communities with the assis-  
12 tance of financial institutions and the state.

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

14 ARTICLE 6B. NEIGHBORHOOD REVITALIZATION AND DEVELOPMENT PROGRAM.

15 Sec. 44.33.436. NEIGHBORHOOD REVITALIZATION AND DEVELOPMENT  
16 FUND. There is created the neighborhood revitalization and develop-  
17 ment fund, to be administered by the commissioner. The commissioner  
18 shall deposit to the credit of the fund

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

20 (2) appropriations to the fund.

21 Sec. 44.33.437. POWERS AND DUTIES. (a) The commissioner may  
22 use money in the fund

23 (1) to pay the costs of administration of the neighborhood  
24 revitalization and development program, not to exceed \$<sup>4/7/89 90,000</sup>~~100,000~~ (*Zharoff*) during  
25 a fiscal year, if approved by the legislature by appropriation; and

26 (2) to make grants to nonprofit development corporations  
27 that qualify for assistance from the Neighborhood Reinvestment Corpo-  
28 ration organized under 42 U.S.C. 8101-8107 (Neighborhood Reinvestment  
29 Corporation Act), for neighborhood housing services, neighborhood

1 revitalization, and economic development projects in a community.

2 (d) In its administration of the grant program, the department  
3 shall, consistent with the purpose of AS 44.33.436 - 44.33.438 and the  
4 amounts available to make grants under (a)(2) of this section, equi-  
5 tably distribute the grants, giving priority in the award of grants to  
6 projects

7 (1) in communities that have demonstrated significant  
8 community support for the proposed projects;

9 (2) that will generate maximum local employment; and

10 (3) that will have the best potential to attract matching  
11 revenues from other public and private sources.

12 (c) The commissioner shall adopt regulations necessary to carry  
13 out the department's functions under AS 44.33.436 - 44.33.438.

14 (d) The commissioner shall provide for an annual audit of the  
15 grants to nonprofit development corporations made under this section.

16 Sec. 44.33.438. DEFINITIONS. In AS 44.33.436 - 44.33.438

17 (1) "commissioner" means the commissioner of commerce and  
18 economic development;

19 (2) "community" means

20 (A) a municipality; and

21 (B) a place that is not incorporated as a city and in  
22 which 100 or more persons reside as a social unit;

23 (3) "department" means the Department of Commerce and  
24 Economic Development;

25 (4) "fund" means the neighborhood revitalization and devel-  
26 opment fund established in AS 44.33.436.

27 \* Sec. 3. AS 44.33.520 is amended by adding a new paragraph to read:

28 (31) administer the neighborhood revitalization and develop-  
29 ment program under AS 44.33.436 - 44.33.438.

Original sponsors: Rodey and Pearce

1 IN THE SENATE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 135 ( )

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

20 (2) appropriations to the fund.

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22 use money in the fund

23 (1) to pay the costs of administration of the neighborhood  
24 revitalization and development program, not to exceed \$100,000 during  
25 a fiscal year, if approved by the legislature by appropriation; and

26 (2) to make grants to

27 (A) nonprofit development corporations that qualify  
28 for assistance from the Neighborhood Reinvestment Corporation  
29 organized under 42 U.S.C. 8101-8107 (Neighborhood Reinvestment

1 Corporation Act), for neighborhood housing services, neighborhood  
2 revitalization, and economic development projects in a community;  
3 and

4 (B) persons and organizations that qualify for assis-  
5 tance under (b) of this section.

6 (b) The department shall administer grants for a community-based  
7 Alaska Main Street Program that provide technical assistance and  
8 training to accomplish community and economic revitalization and de-  
9 velopment of older business districts and neighborhoods. The program  
10 must use techniques developed by the National Trust for Historic  
11 Preservation that are designed to stimulate business reinvestment,  
12 restore building facades, retain existing small businesses, strengthen  
13 the local tax base, create employment opportunities, promote new  
14 commercial opportunities in the business district, and help to stimu-  
15 late a renewed sense of community pride.

16 (c) In its administration of the grant program, the department  
17 shall, consistent with the purpose of AS 44.33.436 - 44.33.438 and the  
18 amounts available to make grants under AS 44.33.437(a)(2), equitably  
19 distribute the grants, giving priority in the award of grants to  
20 projects

21 (1) in communities that have demonstrated significant  
22 community support for the proposed projects;

23 (2) that will generate maximum local employment; and

24 (3) that will have the best potential to attract matching  
25 revenues from other public and private sources.

26 (d) The commissioner shall adopt regulations necessary to carry  
27 out the department's functions under AS 44.33.436 - 44.33.438.

28 (e) The commissioner shall provide for an annual audit of the  
29 grants to nonprofit development corporations made under this section.

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2           (1) "commissioner" means the commissioner of commerce and  
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6                 (B) a place that is not incorporated as a city and in  
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13           (31) administer the neighborhood revitalization and develop-  
14 ment program under AS 44.33.436 - 44.33.438.

Patrick M. Rodey  
Senator

# Alaska State Legislature



Senate

3111 C. St., Suite 510  
Anchorage, Alaska 99503  
(907) 561-7618

During Session:  
P.O. Box V  
Juneau, Alaska 99811  
(907) 465-3793

DATE : March 20, 1989

MAR 21 1989

TO : Senator John Binkley, Co-Chair  
Senator Rick Uehling, Co-Chair  
Senate Finance Committee

FROM : Senator Patrick M. Rodey

RE : Senate Bill 135 and Senate Bill 152 regarding neighborhood revitalization initiative and issuance of government obligation bonds

I respectfully request that the above-mentioned bills be scheduled for a hearing before the Senate Finance Committee on Wednesday, March 29th.

Ms. Cynthia Parker with the Neighborhood Housing Services in Anchorage and a representative of the Neighborhood Reinvestment Corporation (located in California) would be available to testify on the proposals.

Attached is some background information, as well as a brief summary prepared by Representative Donley's Office addressing these proposals. Representative Donley has introduced identical legislation in the House, and sponsored similar legislation last session.

Attachment

# HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



February 6, 1989

## MEMORANDUM

To: Members, House Labor and Commerce Committee

From: Representative Dave Donley, Chair  
House Labor and Commerce Committee

Re: Proposed Committee Legislation - "Neighborhood Development Bonds"

Attached are two bill drafts creating the Alaska Neighborhood Revitalization and Development program (enabling) and authorizing the issuance of G.O. Bonds (appropriation) in the amount of \$11,000,000 to pay for the program.

The Neighborhood Revitalization Initiative and the companion bond bill creates a statewide program modeled after Anchorage Neighborhood Housing Services to leverage state money with secondary financial markets, both public and private, to redevelop commercial business zones. This program could provide as much as a ten to one match for every dollar the state puts in.

The purpose of the Alaska Neighborhood Revitalization Initiative is to provide an opportunity to develop a public/private partnership in communities to:

- Create new short term and long term jobs.
- Create an incentive 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 serves the Community

These drafts are modeled after HB 430 and 431, introduced last year by the House Labor and Commerce Committee. The significant difference is that the bond authorization replaces and substitutes for the direct \$2.7 million appropriation contained in the original HB 431. In addition, the new enabling legislation (last year's HB 430) is amended to speak directly to G.O. bonds as an additional funding source for capital improvements.

I would like to introduce these bills as Committee legislation as soon as possible. We will be taking them up tomorrow at 3:30 p.m. Please call me, Veronica Slajer, or Ginger Baim at 4954 if you have any questions or need additional information.

BACKGROUND MATERIAL PROVIDED BY SPONSOR

The Neighborhood Reinvestment Corporation  
1987 Annual Report



## CHAPTER 1 The Power of Partnerships

Since the mid-1970s, the national NeighborWorks network—the nation's largest and most successful system for neighborhood revitalization—has generated more than \$4.9 billion in cumulative reinvestment in previously declining neighborhoods.

In any scenario, \$4.9 billion represents a huge investment. Who is willing to make such an investment in declining neighborhoods, and why? The answer lies in the network's neighborhood-based partnerships, of which the most widely known is the Neighborhood Housing Services (NHS) approach. (Most network organizations also use "NHS" in their corporate names.) Founded on the principle of a three-way partnership between residents, local business and local government, NeighborWorks organizations create the environment necessary for reinvestment.

### *Introducing 'NeighborWorks'*

In 1987, the Neighborhood Reinvestment Corporation's national public service advertising campaign introduced a new name—*NeighborWorks*—to represent the services and educational programs of the nation's largest system for neighborhood revitalization.

NeighborWorks unites all the network's organizations under one umbrella term in order to build visibility and recognition, and to set the stage for more effective fund-raising.

The "national NeighborWorks network" includes Neighborhood Reinvestment, Neighborhood Housing Services of America (NHTA), and the more than 100 affiliated, local public/private partnerships, including Neighborhood Housing Services (NHSs), Apartment Improvement Programs (AIPs), and Mutual Housing Associations.

In 1987, the nonprofit Advertising Council tested NeighborWorks public awareness ads in five cities.

*Residents* and property owners again feel confident about fixing up their homes: \$1.9 billion in new mortgages in NeighborWorks neighborhoods. *Local governments* improve public services and make capital improvements: \$734 million in sidewalks, drainage systems, streets and other physical improvements. *Local businesses*, recognizing that strong neighborhoods undergird strong cities, invest their charitable dollars in a concept that works: some 3,000 businesses and local governments channel \$24 million annually to NeighborWorks organizations.

In addition to the investment of hard dollars, the partnership fosters a resurgence of neighborhood pride and involvement. "When everyone pitches in, everyone gains," says Sophia Jeffery, president of the Springfield, Massachusetts, NHS board of directors and chairperson of the National NHS Advisory Council.

Indeed, in 239 neighborhoods across the U.S., NHS symbolizes the spirit of cooperation and voluntarism. "When asked why NHS works, I give a three-part answer," says William Nodine, chairman of the Clearwater, Florida, NHS board of trustees and chairman of Pioneer Savings Bank. "Local residents. Local business. Local government. All work together to get the job done."

### *The Partnership Advantage*

On the local level, NeighborWorks organizations work through formal public/private partnerships. Each is locally initiated and locally funded. Residents, the "first among equals," work together with local business and government representatives to chart a path to revitalization. Each of the three key partners add significantly to the effort.

*Residents.* In each neighborhood partnership organization, residents take the lead. Residents hold the majority of seats on the board of directors and are represented on all committees. They determine the goals and standards for their neighborhoods, fix up their properties, and promote their neighborhoods as good places to live.

*Business.* Business leaders from banks, thrift institutions, insurance companies and other, non-financial corporations supply loans.

Banks, savings-and-loans, and other lenders made a total of \$302 million in conventional loans in NeighborWorks neighborhoods. Public loans totaled another \$51 million in reinvestment, while property owners used on-hand resources to reinvest an additional \$127 million.



property coverage, management expertise, operating contributions, or any combination of these.

**Local government.** A crucial member of the partnership is the local government. The local government usually provides the funds to develop a new NeighborWorks organization; targets necessary capital improvements as well as loans, grants and special programs to the target neighborhood; supplies principal funding for the NHS revolving loan fund; and, in cooperation with the partnership organization, conducts a sensitive, systematic housing inspection program aimed at voluntary compliance.

"No matter whether we've expanded programmatically or geographically, the partnership concept has served as our foundation," says David Lewis, executive director of the Shreveport, Louisiana, NHS.

#### Revolving Loan Funds

A factor in the success of an NHS is its locally controlled revolving loan fund. Seeded by a grant from Neighborhood Reinvestment and matched many times over by local contributions, the local revolving loan fund

makes loans available to "unbankable" borrowers—those who are not able to meet regular loan criteria.

In 1987, a total of \$25.6 million in new capital increased the aggregate size of the revolving loan funds to \$183.1 million. The average revolving loan fund was just over \$1 million. More than 18,450 loans totaling nearly \$159 million have been made. (Integral to the Revolving Loan Fund System is the national secondary market operated by NHSA, described in Chapter 3.)

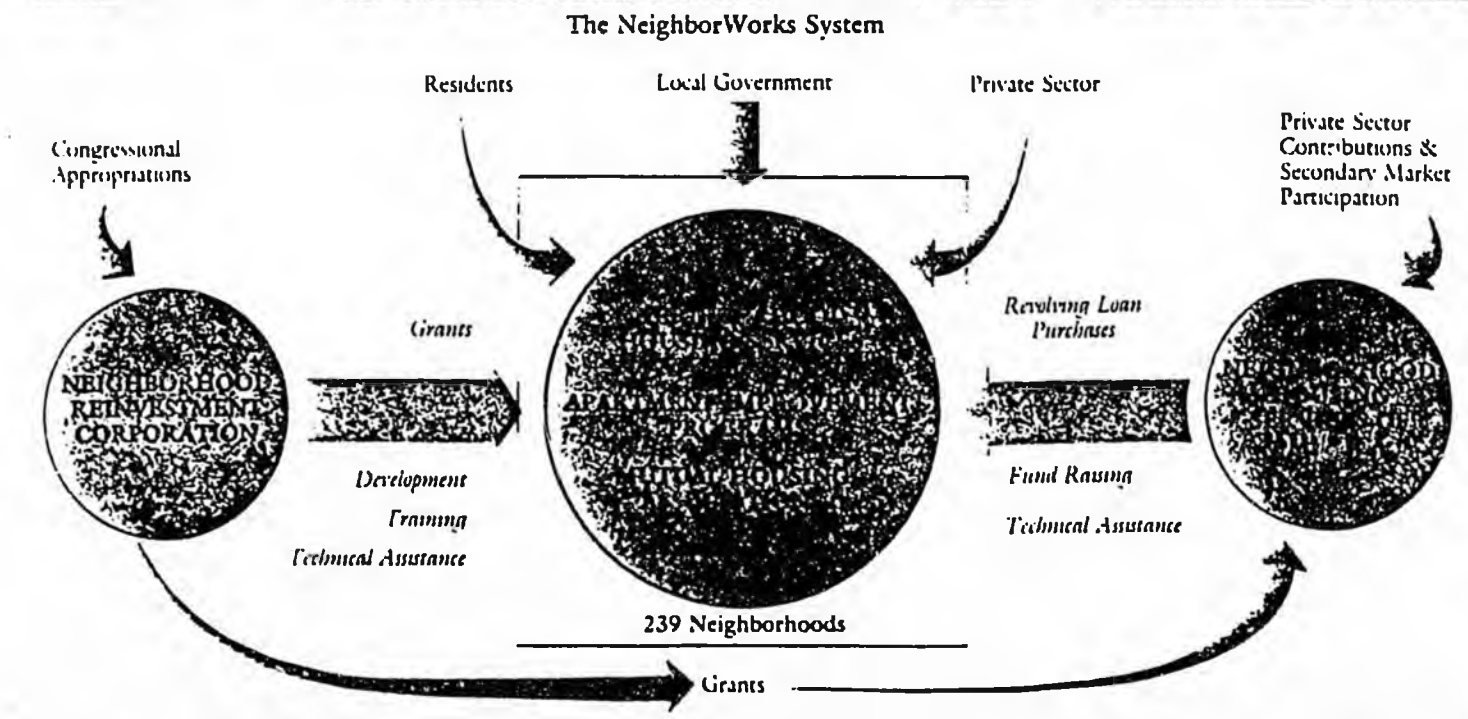
NHS loans reach low-income residents. A survey of 16 NHSs revealed that of their active loans totaling \$19.3 million, 47 percent were made to very low-income families (median income \$6,888), 31 percent were made to low-income families (median income \$14,400), and 22 percent were made to moderate- and middle-income families (median income \$23,136).

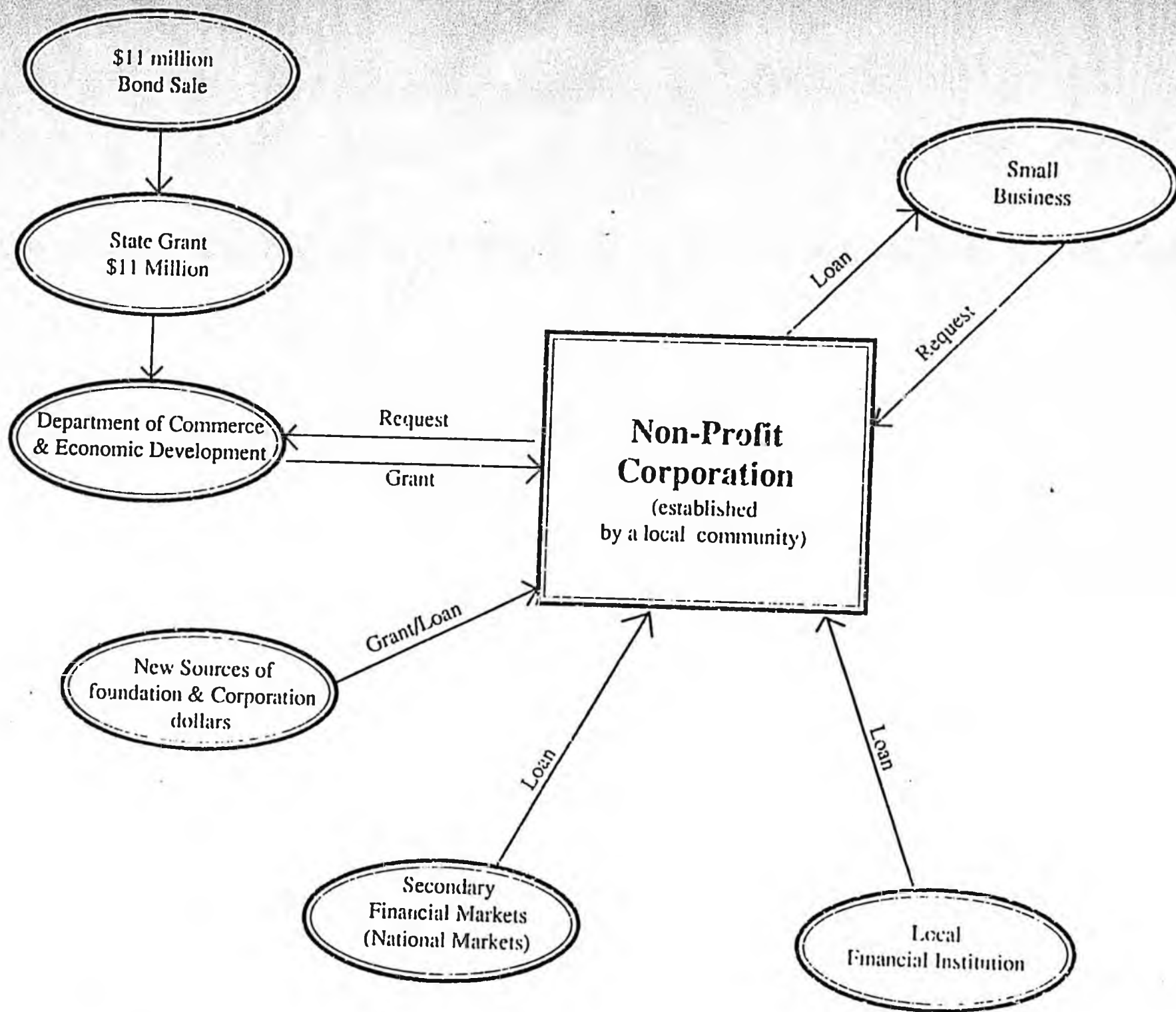
*"The Federal Reserve has been involved with Neighborhood Housing Services since the early 1970s. We have thought that not only were the purposes worthy, but that the implementation was good and effective."*

The Honorable Paul Volcker  
Chairman, The Federal Reserve

#### A Demand for Strong Partnerships

In 1987, formal requests for the development of NeighborWorks partnerships exceeded by five times the Corporation staff and resources needed to act on those re-







March 23, 1989

**BOARD OF DIRECTORS**

**ROBERT B. O'BRIEN, JR., Chairman**  
Chairman & CEO  
Carteret Savings Bank  
Morristown, New Jersey

**WILLIAM PLECHATY, Vice Chairman**  
Executive Vice President  
Southeast Banking, N.A.  
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**RAYMOND W. TIBBITTS, JR., Vice Chairman**  
Executive Vice President  
Allstate Indemnity Company  
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**MARY LEE WIDENER, President**  
Neighborhood Housing Services  
of America, Inc.  
Oakland, California

**GEORGE W. BEHYMER, Treasurer**  
Consultant  
Cincinnati, Ohio

**ALPHONSO WHITFIELD, JR., Secretary**  
Vice President & Director  
of Community Investment  
Federal Home Loan Bank of New York  
New York, New York

**WILLIAM E. BROOKS**  
Vice President, Social Response  
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Company of America  
Newark, New Jersey

**SOPHIA JEFFERY**  
Director of Social Services  
Early Childhood Center of Springfield  
Springfield, Massachusetts

**PETER A. LEFFERTS**  
President  
IDS Bank & Trust  
Minneapolis, Minnesota

**ED LOPEZ PASTOR**  
Maricopa County Supervisor  
District 5  
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Mayor  
Charleston, South Carolina

**CLARISSA WALKER**  
Director of Social Services  
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Minneapolis, Minnesota

**RAUL YZAGURRE**  
President  
National Council of La Raza  
Washington, D.C.

**ADVISOR**

**WILLIAM A. WHITESIDE**  
Executive Director  
Neighborhood Reinvestment  
Washington, D.C.

**EXECUTIVE STAFF**

**MARY LEE WIDENER**  
President

**MICHAEL BALMUTY**  
Senior Vice President

**FRED PILLON**  
General Counsel, Partner  
Orick, Herrington & Sutcliffe

Ms. Cynthia Parker  
Executive Director  
Anchorage NHS, Inc.  
3700 Woodland Drive  
Suite 500  
Anchorage, AK 99517

Dear Cynthia:

As President of Neighborhood Housing Services of America, Inc., I am writing to express my support of your efforts to pass the Alaska Neighborhood Revitalization Initiative. This legislative initiative sounds like an exciting opportunity to expand the activities of NeighborWorks organizations throughout Alaska. If your legislation should be enacted, NHSA would be pleased to assist the state of Alaska in implementing NeighborWorks programs in Alaska by providing an attractive leverage of a portion of the funds available to accomplish program goals.

Within the context of programs developed as a result of this legislation through the Neighborhood Reinvestment Corporation as part of the NeighborWorks Network, you can anticipate NHSA participation to bring about a leverage of 4-1 in private funds for every dollar of grant funds allocated to NHSA to assist you in your efforts. In other words, if a commitment of the size proposed within the context of the State Legislation were to be achieved, for every \$1 million allocated to NHSA, \$4 million in private support would be leveraged in support of your program efforts.

Sincerely,

*Mary Lee Widener*

Mary Lee Widener  
President

MLW:ym  
NHA0024.2

**BOARD OF TRUSTEES**

**CHARLES E. LORD**  
Chairman  
Senior Consultant  
Dixon, Reed & Company, Inc.  
New York, New York

**WAYNE E. HENEM**  
President  
Allstate Insur  
Northbrook, I

**WILLIAM P. CLAY**

**WILLIAM E. MONTAGNA**

**WILLIAM E. MONTAGNA**

**LAND S. PRUSSIA**  
Chairman of the Board, Retired  
nAmerica Corporation  
San Francisco, California

MEMO FROM NEIGHBORHOOD HOUSING



## Neighborhood Reinvestment Corporation

428 13th Street  
Suite 1100  
Oakland, CA 94612  
(415) 273-4074

Neighborhood Reinvestment  
Corporation

Board of Directors

Federal Reserve System  
Governor Marsha P. Seger, *Chairman*

Comptroller of the Currency  
Robert L. Clarke, *Vice Chairman*

Secretary of Housing and Urban  
Development  
Samuel R. Pierce, Jr.

Chairman, Federal Home Loan  
Bank Board  
M. Danny Wall

Chairman, Federal Deposit Insurance  
Corporation  
Director C.C. Hope, Jr., *alt.*

Chairman, National Credit Union  
Administration  
Board Member Elizabeth F. Burkhardt, *alt.*

March 24, 1989

Cynthia Parker, Executive Director  
Anchorage Neighborhood Housing Services, Inc.  
3700 Woodland Park Drive, Suite 500  
Anchorage, Alaska 99517

SUBJECT: Neighborhood Revitalization Initiative  
State of Alaska

Dear Ms. Parker,

I want to take this opportunity to advise of our Corporate support for the Alaska Neighborhood Revitalization Initiative.

Neighborhood Reinvestment is a congressionally chartered, public, nonprofit corporation. Its Board of Directors include the Comptroller of the Currency, the Chairman of the Federal Home Loan Bank Board, the Chairman of the FDIC, a member of the Federal Reserve, Chairman of the National Credit Union Administration and the Secretary of HUD.

Neighborhood Reinvestments mission includes the revitalization of both urban and rural areas across the country. Neighborhood Reinvestment initiates development and provides long term support to local neighborhood-based partnerships.

Neighborhood Reinvestment has developed public/private community based nonprofit organizations in over 240 neighborhoods in 140 Cities across the country. Neighborhood Reinvestment has been the catalyst behind a network that represents over \$4.9 billion in community reinvestment within the communities where NeighborWorks Partnerships exist. Our efforts include over \$120 million raised for local revolving loan funds, \$33 million leveraged through the national secondary market, \$486 million in low-interest public loans, and \$1.9 billion in conventional lending.

The Anchorage Neighborhood Housing Services is an excellent example of one of those programs. As a result of the success of your revitalization work and our interest in expanding a broader network within the State of Alaska, we strongly support a Statewide initiative that would make this possible.

Cynthia Parker, Executive Director  
Anchorage Neighborhood Housing Services

March 24, 1989  
Page - 2 -

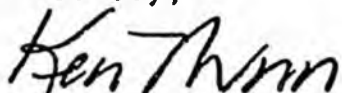
We are able to utilize Neighborhood Reinvestments trained staff, technical capabilities and capital resources to develop locally based public/private partnerships in designated Alaskan communities. Neighborhood Housing Services of America (NHS/A), a partner Organization, anticipates participation at the secondary market level (letter attached).

Neighborhood Reinvestment provides local organizational management and development assistance to NeighborWorks Programs. Our work represents a national focus and network committed to revitalizing neighborhoods within established programs in major cities and rural communities. Neighborhood Reinvestment development involves: a) structuring public/private partnerships, b) developing a local resident and business leadership base, and c) identifying alternative financial resources. Development activity involves total management by Neighborhood Reinvestment.

We are prepared, within the Pacific District, to facilitate the development of additional Programs throughout the State if the Neighborhood Revitalization Initiative and appropriations can be authorized to support that effort.

Two members of our Board of Directors are planning visits to you at the Anchorage Neighborhood Housing Services in May, 1989. I know they will be interested to learn of the State Initiative and to provide any assistance that they can.

Sincerely,



Ken Nunn, Director  
Pacific District

Attachments

# **Low-Cost Capital through Secondary Market Leveraging**

A Report to the Senate Committee  
on Banking, Housing and Urban Affairs

Pursuant to Report 99-314, 99th Congress, Second Session,  
Title I, Subtitle C, Section 147



**Neighborhood Reinvestment Corporation**

Neighborhood Reinvestment Corporation

Board of Directors

Federal Reserve System  
Governor Martha R. Seger, *Chairman*

Comptroller of the Currency  
Robert L. Clarke, *Vice Chairman*

Secretary of Housing and Urban Development  
Samuel R. Pierce, Jr.

Chairman, Federal Home Loan Bank Board  
M. Danny Wall

Chairman, Federal Deposit Insurance Corporation  
Director C.C. Hope, Jr., *alt.*

Chairman, National Credit Union Administration  
Board Member Elizabeth F. Burkhart, *alt.*

Wm. A. Whiteside  
Executive Director

Neighborhood Reinvestment Corporation  
Suite 800  
1325 G Street, N. W.  
Washington, D. C. 20005

## NHS Secondary Market History

Almost immediately after the first three NHSs developed by the Neighborhood Reinvestment Corporation's predecessor organization began operations, their success in providing services to their neighborhoods brought them up against the barrier of limited revolving loan funds.

Before passage of the Community Development Act of 1974, foundations were the only source of NHS revolving loan funds. While the small revolving loan funds imposed a limitation, each NHS possessed a uniquely powerful ingredient for success: a governing board made up of a partnership<sup>3</sup> of unlikely partners — residents of a troubled neighborhood, and representatives of local financial institutions and the local government.

The partnership representatives were united by their shared commitment to success in upgrading a jointly selected declining neighborhood. They had committed to each other to do all they could to achieve their objectives. Neighborhood residents risked their limited resources and incurred debt to improve their homes, and risked their reputations by encouraging their neighbors do the same. Business leaders contributed management expertise and financial support to the program's operations, and made conventional loans that would have been turned down were it not for their NHS partnership commitment. The local government sensitized all its departments to the neighborhoods needs, with cooperation ranging from the assignment of housing inspection staff to help identify home repair needs to active participation by police, sanitation, planning and other departments in meeting neighborhood service needs — plus budgeting capital improvements such as sidewalk repairs, park installations, and lighting improvements.

Renewed confidence in the neighborhood could be expected to flow from such widespread commitments and it did. Hardship situations could be expected to emerge as the rehabilitation activity got underway and they did. As the financial limitations of the revolving loan funds created for hardship lending became an early reality, NHS boards were faced with a need to ration funds even before they could celebrate their success in turning a debilitating lack of confidence into a heavy demand for rehabilitation loans and technical assistance. Out of this combination of success and frustration, the NHS secondary market was born — conceived by NHS partners who wanted a reliable way to replenish their revolving loan funds.

The President of the Oakland, California, NHS was then a financial industry representative from Great Western Savings — Mr. Leslie N. Shaw. He captured the sentiment of all the partners when

he said that a business-like mechanism would have to be created to replenish NHS loan funds. His recommendations spurred development of an NHS loan purchase program, and Neighborhood Housing Services of America was incorporated to administer it. The Urban Reinvestment Task Force, Neighborhood Reinvestment's predecessor, responded with a grant<sup>4</sup> enabling NHTSA to purchase NHS loans at par, loans which had been made to "unbankable" borrowers at terms based upon their ability to pay (terms which over the years have averaged about five and one-half to six percent interest and 12-year maturities). The availability of such resources to the NHS organizations unleashed program activity which had until then been held back by uncertainty. Requests to NHTSA to purchase loans quickly exceeded available resources.

With the help of the Ford Foundation's Louis Winnick and the Neighborhood Reinvestment Corporation, NHTSA began work to turn its loan purchase program into a true secondary market. The NHTSA board<sup>5</sup> — made up of representatives of each of the NHS partners, including talented financial institution executives — worked closely with staff in designing the initial format, and key board members along with the Chairman of the Federal Home Loan Bank Board participated in pivotal meetings with Ford Foundation representatives. Mr. Winnick enlisted the participation of the Equitable Life Assurance Society of the U.S. as the first purchaser of NHTSA corporate notes, backed by the cash flow from NHS loans and other collateral. The Equitable's \$1 million purchase, closed in May 1978, liquified NHTSA's mortgage pool and allowed NHTSA to buy a further \$1 million in NHS loans.

This process initiated the next stage of development in the NHS secondary market program. The Chairman of the Federal Home Loan Bank Board and the President of the Federal Home Loan Mortgage Corporation became personally involved and assigned staff to join with Neighborhood Reinvestment and NHTSA in designing the current program.

The NHS secondary market functions as follows:

- An NHS offers to sell a portion of its loan portfolio to NHTSA under the conditions of a Loan Sale and Servicing Agreement, which provides that:
  - NHTSA buys the NHS loans at par (without discounting),
  - the servicing relationship between the borrower and the NHS remains with the NHS,
  - should a loan become 90-days delinquent, the NHS will buy it back or replace it with a similar loan, and
  - the NHS may sell NHTSA not more than 50% of its loan portfolio, so that it always has this replacement capacity.

- NHSA buys loans from an NHS utilizing capital it has received through grants and loans. After it has pooled a significant dollar volume in loans from a number of NHSs, NHSA is prepared to issue a corporate note backed by these NHS loans.

- A social investor agrees to buy NHSA's notes in accordance with the terms and conditions of a Master Note Purchase Agreement at an interest rate several points below market. The costs to NHSA of each social investment placement is the difference between the approximately 6% leverage rate on the NHS loans and the higher — yet below market — rate on the notes sold, plus operating expenses and required cash flow guarantee reserves. At a closing, the social investor receives the notes, NHSA receives cash (which it uses to buy further NHS loans, starting the cycle over again), and a trustee receives the pool of NHS loans which guarantees the notes, as well as the reserves.

- NHSs collect monthly payments on the loans they have sold, forward them to NHSA, and NHSA, in turn, forwards them to the trustee. The trustee makes quarterly payments on NHSA's obligations to the social investor from a combination of the monthly loan payments received and the reserve funds. The reserve funds serve a dual purpose, subsidizing the interest rate differential and serving as a cash flow guarantee fund to cover unanticipated shortfalls that could result from delinquent loans.

As the NHS partners and supporters observed the importance of the NHS secondary market program to the NHS network and its effectiveness, their personal and institutional commitments to it grew. New social investments flowed from this increased sense of commitment and significant corporate and foundation grants leveraged larger lending pools, enabling NHSs to reach a wider range of lower income lending needs, and to increase their lending by \$24 million, to date.

Personal executive leadership was again key to the successful expansion of NHSA's loan purchase capacity. The chief executives of Equitable, Prudential, Aetna, Allstate and Metropolitan showed confidence in the NHS secondary market through significant new commitments from their companies and highly visible personal support. Federal Reserve Board Governor J. Charles Partee, Chairman of the Neighborhood Reinvestment Corporation, provided steady leadership enabling the Corporation's grants and loans to NHSA to expand its loan purchase capacity.

Active NHSA directors under respective Chairmanships of George W. Behymer and Edmund C. Sajor gathered expanded support for continued growth of the NHS secondary market,

ensuring continued liquidity of the NHS network as an important national resource for lower income neighborhoods.

Mr. Charles E. Lord accepted enlistment as founding chairman of a Board of Trustees<sup>6</sup> to help NHSA's directors by guiding long-range resource planning and enlisting broader corporate participation. Senior Executive Trustee colleagues from Allstate Insurance Company, the Standard Oil Company, and the Bank of America gave enormous personal time developing strategies and enlisting support. They were joined by NHSA's finance chairman, Mr. Robert B. O'Brien, Jr., Chief Executive of Carteret Savings of Newark, and undertook a goal of bringing the NHSA loan purchase capacity to \$32 million while maintaining loan purchases at par, even though their rates were well below market.

Their work built on the pioneering creativity of NHS supporters which has been described, and the funding goal was in sight by early 1986. Formal agreements will bring the total purchase power to \$32 million by year end 1987. The mix of loans and grants which make this possible are as follows.

*Long-term social investments:* Prudential \$12.5 million, Metropolitan \$5 million, Aetna \$4 million, Allstate \$4 million, Equitable \$3 million, CIGNA \$2 million, Mutual Benefit Life \$1 million and Employers of Wausau \$500,000. Short-term, zero-interest loans: Bank America Foundation, \$1 million and the Metropolitan Life Foundation \$200 thousand.

*Contributed funds:* The Standard Oil Company, \$750,000, the Arco Foundation \$300,000 the Ford Foundation, \$200,000, the William Penn Foundation \$200,000, the Levi Strauss Foundation \$200,000, the Ahmanson Foundation \$100,000, and ongoing support from the Neighborhood Reinvestment Corporation, including a special Congressional appropriation in FY 1987 of \$1 million.

An additional \$261,750 from the Charles Stewart Mott Foundation, the Weyerhaeuser Company Foundation and the Allstate Foundation for staff and volunteer leadership development enhanced the capacity of NHS organizations to develop complimentary local resources to carry out the local objectives that were being assisted by an increased NHS secondary market capacity.

Each funding agreement represented a new stage of evolution in the growth and development of the NHS secondary market. With each new agreement the NHS network celebrates both the availability of needed funds and the continued belief in and support of their efforts. This belief in their work has encouraged the volunteers to reach continued new heights in meeting the needs of their communities.<sup>7</sup>

The "sticking points" in many neighborhoods' revitalization need much larger amounts of low-cost capital than has been available to date. The NHS partners are again tackling this need as a solid public-private partnership. Neighborhood Reinvestment and NHSA are again putting in front of NHS partners the needs and opportunities related to low-cost capital. Already, local groups are establishing objectives for the use of such funds if they can be developed. And already, a major NHS supporter, the Allstate Insurance Company has offered a pilot commitment of \$10 million to launch a local government secondary market program with the potential to recycle many more millions of dollars in CDBG loans for vital neighborhood revitalization purposes.

#### **Progress Report on Local Government Secondary Market**

In January 1987, Mr. Wayne E. Hedi, President of the Allstate Insurance Company, declared Allstate's willingness as an NHS partner to work with Neighborhood Reinvestment and NHSA to develop a local government secondary market pilot. Allstate is working with NHSA to develop the financial and legal vehicle for a purchase of \$10 million of NHSA notes backed by local government loans.

The loans will be purchased from local governments by NHSA with recourse; however, since there are no leverage funds to permit these loans to be purchased at or near par, over-collateralization will be required in order to produce a near market rate yield, as well as to cover administrative costs. Before approaching Allstate, NHSA had investigated the potential for creating a market-rate secondary market through existing mechanisms. Representatives from three separate major investment bankers were interviewed. All indicated that the small sizes of the transactions, which will need to average under \$500,000 in order to be responsive to small cities, and the low yields on the loans, along with other special supports the transactions would need, made the business unfeasible. In discussing the characteristics that would be necessary for the program to be responsive to the special needs of low-income neighborhoods, Allstate officials made it clear that the yields did not justify the investment of staff time that would be needed and that they would not pursue the activity but for their interest in NHS and the benefits that could be brought in the communities that would be served.

Local governments are allowing a portfolio analysis of their loan funds ahead of any formal commitments, to allow the legal details of the pilot to be tailored to their common needs. Dialogue and portfolio analyses are underway with fourteen local governments, representing \$67 million in loan funds, that will be considered for

participation in the \$10 million pilot. These dollar resources, the interest of local government representatives, and project goals which have been identified jointly by the local governments and NHS partners offer the potential for a solid pilot which will be representative of the common needs and opportunities which can be served by the local government secondary market program.

### **Long-Term Potential of the Local Government Secondary Market**

The local government secondary market offers excellent long-term potential as a source of low-cost capital for NHSs, Mutual Housing Associations and other community development purposes. Existing or future portfolios of local government loans funded from CDBG or other sources could be recycled and the funding used again for similar purposes.

The proceeds would be program income under CDBG regulations, subject to reuse in accordance with CDBG regulations. Many local governments will welcome the opportunity to obtain funds immediately rather than waiting the 10 to 20 years for the loans to be paid in full, even if it means the dollars being discounted to their present value. Many others would find it attractive if the loans could be sold at or near par, as is the case in the NHS secondary market.

It requires approximately \$1.00 in leverage funds for each \$5.00 in loans purchased in the NHS secondary market. TO purchase local government loans at or near par is estimated to require as much as \$1.00 in leverage funds for each \$3.00 of loans purchased in light of three factors: a) the local government loans appear to have a lower average yield than NHS loans, b) the notes backed by the loan portfolio would have to produce a near market yield, and c) the leverage funds would have to cover administrative costs, rather than the administrative costs being covered by current Neighborhood Reinvestment Corporation grants.

Another factor is that of working capital. Currently NHSA utilizes a \$1 million Neighborhood Reinvestment Corporation loan and Neighborhood Reinvestment's grants to warehouse NHS loans until enough have been purchased to warrant a closing under a purchase agreement with an institutional investor. Little of this resource would be available for a local government secondary market. Many "small closings", i.e. under \$10 million, would be objectionable to the institutional investor, and one or more simultaneous closings, i.e. where the loans were closed with the local governments simultaneously with the notes being closed with the institutional investors, would be awkward and time consuming.

In order for such a secondary market to effectively recycle capital on an ongoing basis, both a working capital revolving fund and

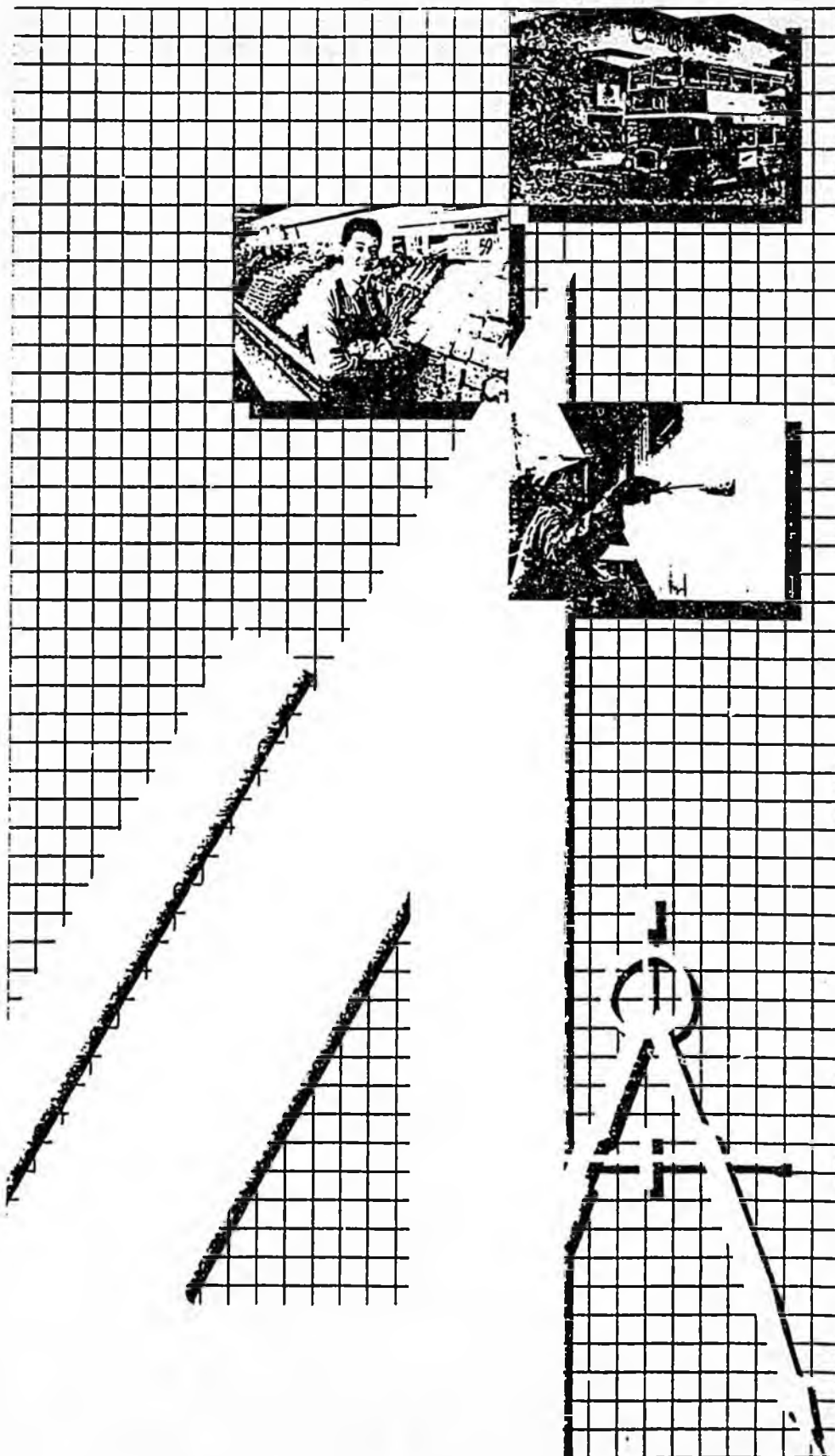
annual leverage funds would be required. For instance, an appropriation of \$5 million to establish a working capital fund along with \$6.6 million in leverage funds would enable at least \$20 million in local government loans to be purchased, and thereby approximately \$20 million would be made available for neighborhood revitalization and other community development purposes. With the working capital fund in place, only \$6.6 million would be required to achieve the same results in later years.

### Endnotes

- <sup>1</sup> See Appendix A for description of Mutual Housing Associations.
- <sup>2</sup> See Appendix B for description of Apartment Improvement Programs.
- <sup>3</sup> See Appendix C for description of Neighborhood Housing Services.
- <sup>4</sup> The Neighborhood Reinvestment Corporation Act, Public Law 95- 557 — October 31, 1978, recognized this role, providing in Section 606 (a)(4) that "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."
- <sup>5</sup> See Appendix D for the Board of Directors listing.
- <sup>6</sup> See Appendix E for Board of Trustees listing.
- <sup>7</sup> See Appendix F for progress in homeownership opportunities for lower income households.

ANCHORAGE NEIGHBORHOOD HOUSING SERVICES, INC.  
1987-88 ANNUAL REPORT

ANHS continues its  
commitment to  
strengthen the  
community through  
reinvestment.





**“The Corporation is dedicated to the development of programs that encourage the stability of our neighborhoods and enhance business growth.”**

**T**his annual report provides a glimpse into the variety of loan programs and activities offered by Anchorage Neighborhood Housing Services over the last year and a half.

The corporation is dedicated to strengthening the vitality of existing neighborhoods through targeted revitalization strategies and specific community development activities. We've been providing loan programs for both residential and business purposes, as well as developing community projects to encourage neighborhood stabilization and enhance compatible business growth. To date, Anchorage Neighborhood Housing Services has targeted three neighborhoods in Anchorage: Nunaka Valley, Government Hill and Spenard.

The Corporation has seen a number of changes over the life of this annual report. The quality of life seems more fragile in the face of a strong economic downturn, while housing vacancies caused by foreclosures threaten to erode the strength of our fine neighborhoods. New programs will help put homeowners back into these units while we continue to work to revitalize the Spenard Commercial District.

We've been working individually with many homeowners to assist them through the current economic period, providing additional counseling, and working with our existing borrowers through these times. Our original loan portfolio remains strong despite the "non-bankable," and "high risk" nature of our loans, with a less than 3% delinquency factor.

In the Spenard Commercial District, we have been providing business loans to existing and new businesses in order to continue the revitalization efforts of the Spenard redevelopment strategy. We are pleased that the efforts of the Spenard Road Design Review Committee and Commercial Loan Committee have blended so well in focusing business redevelopment efforts with the public improvements of the roadway.

On a city-wide basis, this last year we launched the "Paint The Town" project, involving over 700 volunteers in a week-long event that painted the homes of some 70 plus individuals in need of assistance. Businesses and individuals contributed to pay for the cost of this project, which acted as a catalyst to bring together a spirit of volunteerism in response to a need.

In response to the problems of the Anchorage real estate market, ANHS has identified several foreclosed condominium properties, and is in the process of converting them into housing cooperatives. This will provide home ownership opportunities for people who have been precluded from home ownership and, because of the structure of the cooperative, provide stable property maintenance for the benefit of our neighborhoods. This is an example of how our strategies have changed to ensure long-term stability within our community.

Cynthia Parker, Executive Director

## P R E S I D E N T ' S M E S S A G E

This past year has seen Anchorage Neighborhood Housing Services begin to implement many of the strategic plans formulated over the past few years. It has been exciting to participate in this process. Despite city and state financial cutbacks, ANHS has been able to successfully move ahead with our program goals, which have included the expansion of services we have traditionally offered.

During the last several years, ANHS has worked with the Municipality, local residents and businesses to help lay the groundwork for redeveloping the Spenard Commercial District. The vision is now becoming reality. During the summer of 1988, Phase II of the roadway project moved ahead, with completion scheduled for the spring of 1989. The ANHS Commercial Loan Fund was established and funded and began lending money to help make the business district more viable and attractive.

Falling real estate values in the greater Anchorage area has meant that fewer homeowners have been able to take on additional debt to make improvements to their homes. For ANHS, this has led to a reduction in our traditional activity of home improvement lending. We have addressed this problem by coordinating our first city-wide effort, Paint The Town. The project's goal was to help improve housing stock and beautify the city by painting the exterior of homes of families in need. Paint The Town was a resounding success, enlisting 700 volunteers to paint the homes of 70 senior citizens, fixed income families, disabled and single heads of households.

ANHS has also been actively exploring strategies to strengthen the real estate markets in our target neighborhoods, and to develop some innovative techniques for home ownership. We are currently studying the possibilities available in mutual housing associations and limited equity cooperatives. Through these concepts, housing stock which is currently vacant, abandoned or underutilized will be improved and restructured for home ownership by low to moderate income people. It will improve the housing stability in our target neighborhoods and make the opportunity of home ownership available to a segment of the market which previously was limited to renting. In these efforts, ANHS has been working closely with groups involved in residential real estate, both in the private and public sector.

ANHS has continued to work with all three target neighborhoods in an effort to improve the quality of life for those who live there. I would like to thank everyone who has taken the time to get involved, including state and local officials, residents, business people, the ANHS Board of Directors and especially the ANHS staff who continue to adapt and innovate during these difficult economic times.



Barry Hulin, President



**"ANHS has been actively exploring strategies to strengthen the real estate market . . . and to develop innovative techniques for home ownership."**

For every dollar that ANHS has invested, an additional \$33 in public and private funds has been reinvested through effective leveraging.

Anchorage Neighborhood Housing Services is a private non-profit corporation, founded in 1982 to improve neighborhoods through the development of public-private partnership. Initially focused in Spenard, ANHS originally concentrated on housing stock rehabilitation as a strategy for revitalizing neighborhoods. Since those early days, ANHS' strategy has become more diverse and complex, and now includes planning major infrastructure improvements. Additionally, several loan programs aimed at improving both the residential and business districts have been initiated.

**Partnership Model** ANHS accomplishes its goals by using an effective partnership between neighborhood residents, business leaders and government representatives. This model is utilized throughout the Corporation, in its board and committee structure. It guarantees that a public-private working group provides active representation of all in the decision-making.

**Target Neighborhoods** Since its initial focus on residential activities in Spenard, ANHS has been steadily increasing its constituent base and redevelopment activities. In 1984, it added commercial programs to Spenard's business district agenda. In 1986, several new neighborhoods were added after a city-wide neighborhood analysis. The two neighborhoods, Nunaka Valley and Government Hill, have been integrated into the Corporation's existing board and committee structure. Independent committees facilitated by ANHS in all three neighborhoods continually examine their

neighborhood's needs for both public and private improvements in their areas.

**Strategic Development** With the goal of increasing both public and private investment in its target neighborhoods, the ANHS approach is to help the communities develop strategic plans and to then assist in their implementation. ANHS utilizes the strength of its partnership to assist in the development process, enabling the community's foremost leaders to participate in preparing the long-range plans. Each community prepares its own strategy, taking into account the unique needs and features of the area.

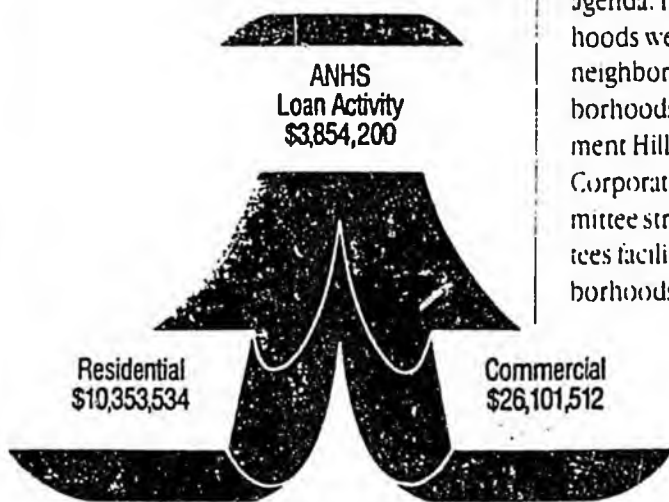
The strategies are comprehensive, addressing housing, business and community-wide needs. Infrastructure, such as roadway improvements, street lighting, parks and recreational facilities are used to stimulate private investment and community pride. Public improvements in a neighborhood often lead to increased neighborhood involvement and broader visions of what a neighborhood can become. ANHS works with the communities to identify such projects, and then helps to obtain financing to accomplish them.

**Community Reinvestment** One goal of ANHS' programs is community reinvestment. That is, the direct efforts of ANHS through loans and other programs, especially when combined with public improvements, often serve as an incentive to individuals and private investors to improve and invest in both commercial and residential properties. Thus, ANHS' funds leverage private capital to improve the neighborhoods. Since 1982, ANHS funds have been leveraged 1:15 with private investment in the target neighborhoods. When public investment in the neighborhoods is added, ANHS funds have been leveraged 1:53. Both private and public investment have decreased in Anchorage since ANHS' early years. However, ANHS loans continue to leverage additional residential

**Construction Activity 1982-1987**

	1982-1986	1986-87	Total
Total Private Investment	\$35,137,439	\$1,317,607	\$36,455,046
ANHS Investment	2,342,525	1,011,675	3,354,200
Total Reinvestment	\$37,521,339	\$2,544,507	\$40,309,246

**Neighborhood Spinoff Activity**

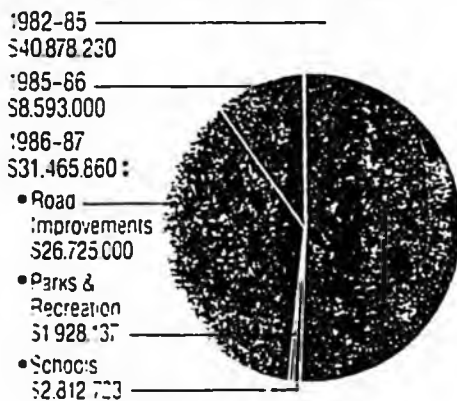


Construction Activity 1982-1987

and commercial investment in the ANHS neighborhoods.

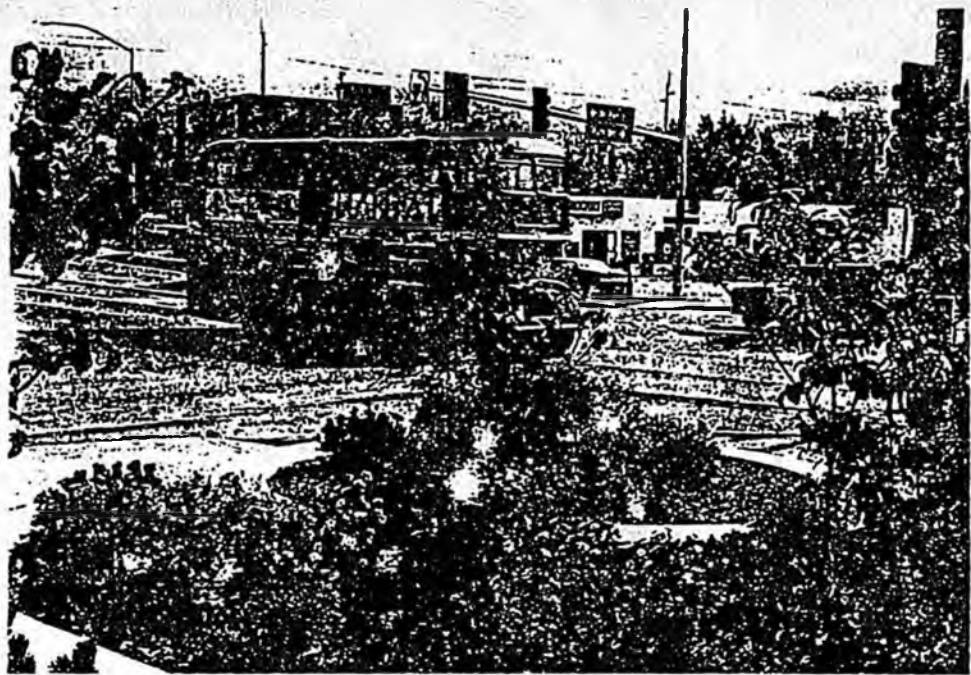
**Public Improvements** ANHS has worked with its target neighborhoods to accomplish public improvements in its target neighborhoods. During this fiscal period, the improvements included the development of the Asian Cultural Center adjoining Northwood School; the development of Northwood, Old Hermit and Sisterhood Parks in Spenard; Nunaka Valley Park and Charles Harvard Park in Government Hill. The pie chart details the amounts spent on public improvements in the target neighborhoods since ANHS has been involved.

**Public Improvements — 3 Target Areas**



The loan fund which ANHS administers is an important vehicle for accomplishing the strategic goals. The Residential and the Commercial Loan Programs provide financing for housing and business improvements. ANHS loans are made according to specific guidelines which enable development that conforms to the overall neighborhood strategy. Thus, improvements made through financing from the loan funds achieve both individual and community benefits.

A less tangible but equally important role that ANHS plays is increasing neighborhood exposure, community pride, and improving neighborhood image. Some of this is achieved as a direct result of the loan programs, some occurs as a



product of public improvements, some results from organized neighborhood self-help projects. Gradually, the community's self esteem begins to change as the residents become more involved. ANHS helps plan activities such as trash cleanup days, fun runs through the neighborhoods and adopt-a-park programs.

As a mechanism to stimulate business attraction, ANHS sponsored the Double Decker Bus operation in 1987 and 1988. The bus brought visitors and tourists through Spenard, stopping at restaurants, hotels, shopping centers and downtown. It greatly increased the visibility of the neighborhood business district. During the summers of 1987 and 1988, nearly 15,000 passengers rode the bus.

**Summary** The goals of ANHS' various programs are to reverse decline in the target areas, to increase both public and private investment, and to encourage development in a strategic manner.

**ANHS creates public/private partnerships to develop and implement plans that increase community reinvestment.**

Northland Soy is Alaska's only tofu producer and sprout growing operation . . . ANHS was able to offer financing which allowed business expansion and use of a vacant property within the Spenard Commercial District.



Learning about the availability of ANHS' Commercial Loan Fund, Bernie Souphanavong moved Alaska's only tofu production and sprout growing business to Spenard when he purchased a property which allowed him to expand his business. Northland Soy has grown in size, sophistication and efficiency during its eight-year history, from a hand-watered operation to one that is nearly completely mechanized. ANHS was able to offer Northland Soy financing for the rehabilitation and purchase of a property which had been vacant for over a year.

This move has allowed him to expand and diversify his business operation. It brings an empty building into operation and six new full-time employees to Spenard.

Souphanavong was awarded SBA's Minority Business Person of the Year in 1987 and SBA's Small Business Person of the Year in 1988.

**R**edeveloping the Spenard Commercial District has been an integral part of redesigning the roadway which bisects the Spenard residential neighborhood. The commercial area had deteriorated and was negatively impacting the neighborhood's image. The roadway was unsafe for both pedestrians and vehicles, without sidewalks, turn lanes and other amenities which simply did not enhance the business climate. Thus, ANHS identified, as a timely opportunity, the development of a comprehensive plan to address these issues. ANHS has served as the community's facilitator in this long-term project, staffing the Spenard Road Design Review Committee and administering its Commercial Loan Programs.

**Job Creation** During a period of declining employment, the Spenard Road redevelopment project has had a significant impact on employment: temporary and permanent, public and private. A total of 90 jobs were created for a four- to six-month period, approximately 340 person-hours, for the road project itself. In addition, 27 temporary construction jobs and 21 permanent new jobs were created by private redevelopment projects which were related to the road development. Approximately 90 jobs are added to businesses each summer to manage the increased seasonal demands. This seasonal increase is in large part due to new developments along the roadway, which have made Spenard a more attractive place for businesses, visitors, consumers and residents.

In drafting the Neighborhood Business Development Loan Fund's policies, ANHS closely adhered to the strategy that was developed for the area. The loan fund guidelines, which are intended to foster a sense of cohesiveness to the district's physical development, include specific recommendations regarding

requirements such as landscaping, site planning, facade treatment, and signage.

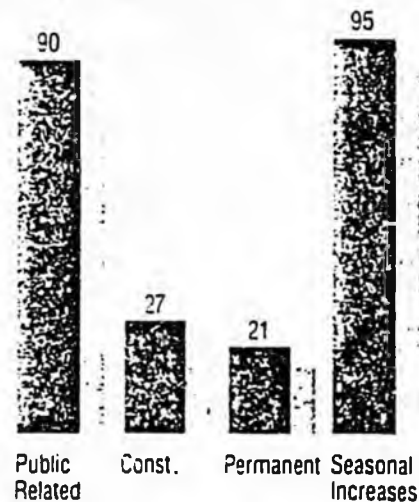
Loans are reviewed by a Commercial Loan Committee, comprised of local residents and business people, bankers, real estate professionals and government representatives. Ultimate decision-making authority rests with the Board of Directors.

**Leveraging Outside Capital** ANHS has a discrete pool of funds to use in its commercial revitalization efforts. While the commercial loans are backed by a secondary market for loans utilizing real estate collateral, the funds must be used prudently to allow for the greatest possible impact. One way ANHS has found to increase the availability of funds is to use the loan fund to leverage outside capital. ANHS accomplishes this by providing gap financing, equity capital, or simply by participating with other lenders, potentially lowering the effective rate for the borrower.

**Flexibility** The ANHS staff works closely with its loan clients, designing loans which specifically meet their individual needs. Terms, rates, and loan requirements vary, depending on the situation. If necessary, ANHS can take an equity position in the deal. ANHS has utilized its ability to be flexible in approving several loan requests.

**National Model** The Neighborhood Business Development Loan program serves as a national model for community development loan funds. This fund's uniqueness is its strategic development agenda, which will ultimately produce an attractive, viable business district.

**Spenard Redevelopment Project**  
233 Jobs Created 1987-88



The Spenard redevelopment project has had a significant impact on new employment in the area.



**Jack and Michelle Shockley** have lived in Nunaka Valley with their two children since 1983.

"We believe in small neighborhoods. That's why we moved to Nunaka Valley five years ago. We've been active in Anchorage Neighborhood Housing Service programs here, like fixing up the park and putting in the volleyball court. Those things help make Nunaka Valley a better place to live.

"We've been working through ANHS on this house for two years in a row. We painted our home, moved the front door and built a car port. Next summer we plan to finally do landscaping.

"Since ANHS has come to Nunaka Valley, we've really been able to see the neighborhood improve. Sometimes it's little things, but especially in a down economy, those little things make a big difference."

ANHS offers a variety of lending, technical assistance and support programs to its target neighborhoods. These programs comprise the basis for building stronger, self-reliant and revitalized neighborhoods. Programs are continually being developed to address the on-going and unique needs of each community. Program implementation follows the partnership model, involving community residents, business people and government representatives.

**Lending Programs** ANHS home rehabilitation loans are administered by its Residential Loan Committee, comprised of real estate professionals, bankers and residents. ANHS provides loans to neighborhood residents for removing code violations from their properties, and making other home improvements. The loans are made regardless of age or income, with rates and terms varying by individual



**Judith Connors** has lived in her Spenard home since 1974. She raised five sons in this home which was built in 1956. "After that, I needed a new house! And I practically have one thanks to Neighborhood Housing Services." With a \$21,000 budget, Mrs. Connors installed a new pitched roof, a new bathroom, new windows in the back bedrooms, brought the house up to code, re-sided and painted. "I couldn't be happier," she says of her rebuilt house.

requirements. ANHS has made a total of 84 loans totaling \$1,011,975 from 05/80 to 07/88.

The Exterior Beautification Program was specifically designed to help make neighborhoods more attractive from a streetside perspective. Loans of up to \$3,500 are made at 5% interest with a maximum three-year term. These loans are to be used for painting, landscaping, fencing, siding, decking, gutters and downspouts. Loans are awarded based on credit approval and visibility in the neighborhood. To date, 170 loans have been made under this program.

The Driveway Paving Program provides a way for residents to lower the cost of paving their driveway by working together with their neighbors. ANHS coordinates requests on a neighborhood by neighborhood basis and then solicits bids from paving contractors.

**Development Programs** With the goal of helping to stabilize its target areas, ANHS has begun a development role in response to the current residential real estate slump facing Anchorage during this period. High vacancy rates have led to empty apartment and condominium projects which can quickly deteriorate. One strategy ANHS has identified to address this issue establishes a Mutual Housing Association to serve as a property developer with the goal of converting such empty projects to limited equity cooperatives.

ANHS has identified some key properties, has conducted a market study to assure adequate demand for cooperative conversion, and has appointed a Mutual Housing Advisory Committee to study the conversion and development process. The committee has concluded that a Mutual Housing Association should be established as a subsidiary of ANHS and that it should continue an on-going development and training role.

### Technical Assistance and Support

ANHS offers residents a variety of technical assistance and support programs to help them determine their needs, accomplish their goals, and improve their neighborhoods. Technical Assistance programs offered include the following:

- Contractor Referral
- Construction Monitoring
- Loan Pickering
- Loan Workout Counseling

- Business Start-Up Planning
- Community Planning
- Home Inspections
- Home Improvement Assessments
- Weatherization Assessments

Neighborhood support programs include beautification and clean-up projects, park planning and implementation, supplier discounts, and sponsoring community events.

"The ANHS Loan Fund allowed us to begin our new business in Spenard. With airport access and the new look, it was the perfect place."



After twenty years experience in the travel business in Alaska, Don and Sue Williams wanted to own their own travel agency. They came to ANHS requesting funds for start-up and operating capital. The business is located in a business park fronting on Spenard Road within the commercial district. During Quality Travel's first period of operation, each month surpassed the business' initial dollar projections. Quality Travel employs four full-time travel agents, plus the two owners.



Al Bramstead Jr., KTUU Channel 2

**“We were pleased. . . . It was one of those opportunities to be involved with something that captured the spirit of the community and was so visibly positive.”**

This was ANHS' first year to organize and coordinate Paint The Town, a one-day painting marathon in which 70 homes of families in need were painted at no charge to the homeowner. The houses were painted by teams of volunteers. Eligible homeowners included senior citizens, fixed-income families, single heads of households and disabled people.

Five private businesses sponsored the project which involved over 700 volunteers. The sponsors, Fred Meyer, Key Bank of Alaska, KTUU-Channel 2, Spenard Builders Supply and The Anchorage Times, donated more than \$85,000 in cash, materials and services to make the project work. The volunteers were drawn from church groups, businesses, and service clubs.

The Paint The Town project provided an opportunity for a broad cross section of Anchorage to roll up their shirtsleeves and help their neighbors. At the end of a hard but fun day of painting, all the participants were invited to a picnic to celebrate.

ANHS was awarded an Urban Beautification Award from the Municipality's Urban Design Commission for its efforts in this project. ANHS plans to continue this project as a regular part of its program planning for the future.



Assemblyman Craig Campbell gets a tough spot.

*“Paint The Town gave all of us a way to do something positive for our community. In addition to the tangible benefits, the kind of spirit that develops when people help their neighbors makes Anchorage a better place to live. Key Bank of Alaska is proud to have been a part of Paint The Town; we couldn't think of a better way to say “We Believe in Alaska.”*

Michael J. Burns, President,  
Key Bank of Alaska

*“Fred Meyer has traditionally been active in supporting the communities in which we serve through in-kind, as well as cash contributions. A survey revealed that many of our employees are active volunteers, providing many needed services to the communities. Projects like Paint The Town bring the entire community together, and we're honored to be a major sponsor of such a worthy event.”*

Candyce Hayes, Public Affairs  
Spokesperson, Fred Meyer

*“We at the Anchorage Times were proud to participate in Paint The Town which made such an outstanding contribution to the city. We were pleased with the entire project.”*

Elaine Atwood

*“Paint The Town was one of the most worthwhile community endeavors Spenard Builders has ever participated in. We received a tremendous amount of positive feedback, but the most important part for us was seeing so many people benefit. It was a small investment for the amount of positive good in the community. We would like to see it continue.”*

Pat Anderson, Director of Marketing



“At the end of the day, we all knew we did something that really made a difference in that person’s life.”

“I love to paint, so Paint The Town was a perfect opportunity for me to volunteer. I saw this as an excellent way to help people who needed help. I’d participate again in a minute. Our paint crew had a great time. Our painting supervisor gave us all the tips and pointers we needed to be responsible housepainters. The project was very well organized and everything went smoothly. But the best part was the appreciation of the homeowner. At the end of the day, we all knew we did something that really made a difference in that person’s life.”

Carolyn Corder

# B A L A N C E   S H E E T

**Anchorage Neighborhood  
Housing Services, Inc.**

**June 30, 1988**  
(with comparative totals for 1987)

Operating  
Fund

**Assets**

**Current Assets:**

Cash	\$ 33,565
Short-term investments	1,282,277
Interest receivable	24,027
Grants receivable	
Inventory	5,500
Due from other funds	
Prepaid expenses	12,511
Construction work in progress— Phase II	143,080
New project development cost	
Current portion of loans receivable	

TOTAL CURRENT ASSETS 1,501,360

**Loans Receivable**, less current portion,  
net of allowance for uncollectible  
loans of \$66,000

**Other Receivable**

**Equipment and Leasehold Improvements**,  
net of accumulated depreciation of  
\$44,108 and \$28,996

99,845

\$1,601,205

**Liabilities and Fund Balance**

**Current Liabilities:**

Accounts payable	\$ 21,303
Due to other funds	506,505
Unapplied grants	893,772

TOTAL CURRENT LIABILITIES 1,421,580

**Commitments**

**Fund Balance**

179,625

\$1,601,205

<u>Revolving Loan Fund</u>	<u>Commercial Projects Fund</u>	<u>Housing Rehabilitation Fund</u>	<u>June 30,</u>	
			<u>1988</u>	<u>1987</u>
\$ 11.402	\$ 53	\$ —	\$ 45,020	\$ 29,549
1.404			1,282,277	1,089,225
			26,051	20,775
		23,000	23,000	58,500
			5,500	7,875
474.190	109	32.206	506,505	1,051,667
			12,511	8,936
			143,080	147,507
<u>57,753</u>			<u>57,753</u>	<u>55,000</u>
544.749	162	55.206	2,101,477	2,465,839
980.627			980.627	660,275
100.000			100.000	100.000
	102		99,947	107,704
<u>\$1,025,576</u>	<u>\$ 264</u>	<u>\$ 55,206</u>	<u>\$3,282,051</u>	<u>\$3,333,818</u>
\$ 13.537	\$ 264	\$ —	\$ 35,104	\$ 26,003
			506,505	1,051,667
			893,772	606,152
<u>13.537</u>	<u>264</u>		<u>1,435,381</u>	<u>1,483,802</u>
<u>1,011,839</u>		<u>55,206</u>	<u>1,846,670</u>	<u>1,850,016</u>
<u>\$1,025,576</u>	<u>\$ 264</u>	<u>\$ 55,206</u>	<u>\$3,282,051</u>	<u>\$3,333,818</u>

The Executive Committee provides a forum for new ideas, and frequent policy direction for the Corporation.

The Board is a thirteen-member body comprised of business people, residents of each target neighborhood, and government representatives. The Board has a five-person Executive Committee.



**President**

Barry Hulin is President, Chief Executive Officer, and Chairman of the Board of First Federal Bank. He has been in the banking profession for twenty-five years, having

worked in London, San Francisco, Los Angeles and Seattle prior to his move to Alaska. He has served on the ANHS Board since October 1984.



**Vice President**

Tom Scott is the President and Executive Director of the Southern Region Emergency Medical Services Council. Having moved to Alaska in 1976, he has lived in

Nome and Juneau as well as Anchorage. He has served as President of the Turnagain Community Council, is the Chair of the Spenard ANHS Community Improvements Committee, is on the board of the Federation of Community Councils, the Tough Love organization, and is secretary of the Alaska EMS Association.



**Secretary**

Tyler Jones is the Assistant Port Director for the Municipality of Anchorage. He is a member of the Export Council of Alaska, an active member of the Government Hill Community Council, and the coordinator of the Ship Creek Waterfront Project, developing recreational and commercial boating facilities and extending the coastal trail. He is a founding member of the ANHS Board.



**Treasurer**

Donald Keil is the Deputy Regional Administrator for the Federal Aviation Authority. He moved to Alaska in 1954 to work with the FAA, and moved to Washington,

D.C. from 1970 to 1974 to serve in the office of the Secretary of the Treasury. He served on the Salvation Army Advisory Board, the Board of Challenge Alaska, Alaska Pacific University's Board of Trustees, and is a member of Rotary. He has served on the ANHS Board for three years.



**Member At Large**

Veronica Slajer is a marketing specialist with an emphasis on political campaigns. She currently works as staff for State Representative Dave Donlev. She has served on the

ANHS Board since November 1987. A resident of Nunaka Valley, she serves on the Nunaka Valley Community Improvement and Planning Committee, the Residential Loan Committee and the Mutual Housing Advisory Committee.



**Ex Officio Member At Large**

Faye Connolly has been active in the Spenard community for 36 years. She currently serves as a member of the National Western Regional

Advisory Board to Neighborhood Reinvestment. She is a member of ANHS' Spenard Community Improvements and Planning Committee, the Residential Loan Committee and Mutual Housing Advisory Committee. She is involved in the Turnagain Community Council. She has been involved with ANHS since its inception and was a founding board member.



## Main Street Fairbanks

547 3rd Ave, Fairbanks, Alaska, 99701  
(907) 452-8671

April 6, 1989

To: The Interior Delegation  
Senators Coghill  
Farenkamp  
Frank

Representatives Boyer  
Davis  
Koponen  
Miller  
Sharp

From: Howard "Buzz" Otis, Chair Organization Committee

The Organization committee has reviewed the committee substitute for HB 160, and we are still opposed to Main Street 's inclusion in this bill; we feel a Main Street bill to establish a statewide program, with it's potentially far reaching benefits, should stand on it's own merits, with it's own goals and objectives, own personnel and own budget. We still have many of the concerns adressed in our last memo of 3/31/89. Thank you for your patience and hard work in a difficult job. If the Main Street program is to remain in this bill, the following attached reccomendations need to be incorporated. See attached.

cc: Senate Finance

# Main Street

The National Main Street Center is a program of the National Trust for Historic Preservation, a private non-profit corporation. The Main Street Center provides assistance to states to establish comprehensive downtown revitalization program within the context of historic preservation and to implement these programs at the local level. The Main Street Center provides technical assistance and training to both the state and local participants. The following is a list of essential elements to consider in the development of a successful Alaska state Main Street program:

Full Time State Coordinator: This person, with the assistance of the Center, initiates, coordinates and trains local Main Street downtown revitalization organizations. This type of intensive technical assistance typically requires 15 to 20 weeks of travel to local communities per year and extensive in-house management of the program.

Full Time or Contracted State Main Street Architect: To teach local property owners and communities about quality design. (Does not take the place of local architects.) Requires 15 to 20 weeks of travel per year.

Clerical support.

Adequate travel budget.

Training and Technical Assistance from the National Main Street Center: The Center has helped five hundred communities in thirty states to implement Main Street programs and is currently contracting with 17 states and seven communities. The Center works on a fee for service basis and prefers to work with a state program with a full time coordinator as this is a more efficient and cost effective way of providing services for both the Center and the state. The cost for Main Street services for Fairbanks this year is \$53,195. The estimated cost for one year of technical assistance and training for the Alaska state program and five Main Street communities is \$170,000. (This estimate will require revision after 7/01/89.)

Projected State Program Start Date: Currently the Center is at peak service capacity and will be unable to work with additional Alaska towns individually, or to initiate the start up of a state program for Alaska until 1990.)

State Program Design: The Center recommends that the state choose by competition no more that five communities per year for intensive



National Trust for Historic Preservation

assistance. The Main Street program is designed for communities with traditional downtowns between 5,000 and 50,000 population. Smaller and larger communities including urban commercial neighborhoods can benefit from the Main Street Approach but need separate, more specialized services.

State Grant Assistance to Main Street Towns: Some states provide start-up and/or project grants to local communities. Grants should be offered on a matching basis to foster local self reliance and program ownership.

Program Duration: States typically offer intense training and assistance to each town for a three year start up period, and ongoing training and program evaluation after that. The Main Street program is designed to set up a community process that will revitalize downtown and provide long-term management. The level of Main Street Center assistance desired in later years depends on the capacity of the state program and the number of state Main Street communities.

3/29/89  
National Main Street Center  
1785 Massachusetts Avenue  
Washington, D.C. 20036  
(202) 673-4219

**STATE OF ALASKA  
1989 LEGISLATIVE SESSION**

BILL VERSION: CSHB 160 (Fin)  
PUBLISH DATE: \_\_\_\_\_

**FISCAL NOTE**

**REQUEST:**

Revision Date: 4-4-89 Agency Affected: Commerce & Economic Dev.  
Title: Neighborhood Revitalization Initiative BRU: Business Development  
Sponsor: House Labor and Commerce Components: \_\_\_\_\_  
Requester: House Finance

**EXPENDITURES / REVENUES : (Thousands of Dollars)**

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		66.8	66.8	66.8	66.8	66.8
TRAVEL		5.0	7.0	7.0	7.0	7.0
CONTRACTUAL		7.0	7.0	5.0	5.0	5.0
SUPPLIES		3.0	3.0	2.7	2.7	2.7
EQUIPMENT		6.0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>87.8</b>	<b>83.8</b>	<b>81.5</b>	<b>81.5</b>	<b>81.5</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING: (Thousands of dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER Neighborhood Revitalization						
<b>TOTAL and Development Fund</b>		<b>87.8</b>	<b>83.8</b>	<b>81.5</b>	<b>81.5</b>	<b>81.5</b>

**POSITIONS:**

FULL-TIME		1	1	1	1	1
PART-TIME		1	1	1	1	1
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary.)

See attached

Prepared by: Tom Lawson, Acting Director Phone: 465-2017  
Division: Business Development Date: 4-4-89

Approved by Commissioner: Larry Mercurieff Phone: 465-2500  
Agency: Department of Commerce & Economic Development Date: 4/4/89

**Distribution (by preparer):**

Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

*by SFC 4/7/89*

## FISCAL NOTE ANALYSIS

### CSHB 160 (FIN) - ALASKA NEIGHBORHOOD REVITALIZATION INITIATIVE

#### Assumptions/Program Summary

CSHB 160 (Fin) establishes a program which promotes neighborhood revitalization and development through local initiatives of the state's communities with the assistance of financial institutions and the state. The legislation creates a neighborhood revitalization and development fund to be administered by the Department of Commerce and Economic Development. Neighborhood housing services, community revitalization, and economic development projects are eligible. The program requires that any nonprofit organization applying for the grant funds from DCED must meet the criteria of the Neighborhood Reinvestment Corporation.

(The Neighborhood Reinvestment Corporation was established in 1978 by Congress as a public nonprofit corporation to assist communities in revitalizing declining neighborhoods for the benefit of current residents. That goal is achieved primarily through the development and support of Neighborhood Housing Services (NHS) programs, such as Anchorage Neighborhood Housing Services. In 1986, there were 239 NHS's in 137 cities.)

The bill also provides that the department shall administer technical assistance and training grants for a community-based Alaska Main Street Program for economic revitalization and development projects in older central business districts and neighborhoods using techniques developed by the National Trust for Historic Preservation.

The Finance CS establishes the Neighborhood Revitalization and Development Fund and allows administrative costs of up to \$100.0 to be taken out of the newly created fund. Implementation of the program is subject to annual appropriation from the Neighborhood Revitalization and Development Fund.

It is estimated that about 13 communities may be able to participate in the Neighborhood Revitalization and Development Program. Under the Main Street Program, it is assumed that approximately 12 to 14 communities will participate in program grants.

Personal Services. Staff for the Main Street and the Neighborhood Revitalization and Development Programs includes the following two permanent full-time positions:

Program Coordinator-Development Specialist I (Range 18)	\$51.0
Accounting Clerk II (Range 09), 1/2 time	\$15.8

The statewide coordinator will initiate and coordinate both programs. Under the supervision of the program coordinator, the accounting clerk will provide administrative support for the grant programs. Staff will administer grants for both programs. Grants for the community-based Main Street programs will include provisions for technical assistance and training to accomplish community and economic revitalization.

Travel. Costs include travel to communities participating in the programs.

Contractual Services. Funds (\$7.0) are needed for office related services, including advertising, phone, postage, copying, printing, etc.

Supplies. Funds will be used to purchase office supplies and training materials. Costs will decrease in future years.

Equipment. Costs will only be for the first year and will include purchase of a computer/word processor terminal and miscellaneous equipment.

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Neighborhood Revitalization  
Initiative  
Sponsor: Senator Rodey  
Requestor: Senate Labor & Commerce

Agency Affected: Commerce & Econ. Dev.  
BRU: Business Development  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES			75.3	202.0	202.0	202.0
TRAVEL			10.0	25.0	20.0	20.0
CONTRACTUAL			110.0	110.0	90.0	90.0
SUPPLIES			3.0	3.0	2.7	2.7
EQUIPMENT			6.0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS			150.0	325.0	405.0	175.0
MISCELLANEOUS						
TOTAL OPERATING			354.3	665.0	719.7	489.7

CAPITAL						
---------	--	--	--	--	--	--

REVENUE			0	0	0	0
---------	--	--	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND			354.3	665.0	719.7	489.7
FEDERAL FUNDS						
OTHER						
TOTAL			354.3	665.0	719.7	489.7

POSITIONS:

FULL-TIME			3	4	4	4
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached *0* by *JFC* see Dept. note 4/10/89

Prepared by: Tom Lawson, Acting Director  
Division: Business Development

Phone: 465-2017  
Date: 2-13-89

Approved by Commissioner: Larry Mercurieff  
Agency: Department of Commerce & Economic Development

Date: 2/12/89

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

## FISCAL NOTE ANALYSIS

### SSSB 135--ALASKA NEIGHBORHOOD REVITALIZATION INITIATIVE

#### Assumptions/Program Summary

SSSB 135 establishes a program which promotes neighborhood revitalization and development through local initiatives of the state's communities with the assistance of financial institutions and the state. The legislation creates a neighborhood revitalization and development fund to be administered by the Department of Commerce and Economic Development. Neighborhood housing services, community revitalization, and economic development projects are eligible. The program requires that any nonprofit organization applying for the grant funds from DCED must meet the criteria of the Neighborhood Reinvestment Corporation.

(The Neighborhood Reinvestment Corporation was established in 1978 by Congress as a public nonprofit corporation to assist communities in revitalizing declining neighborhoods for the benefit of current residents. That goal is achieved primarily through the development and support of Neighborhood Housing Services (NHS) programs, such as Anchorage Neighborhood Housing Services. In 1986 there were 239 NHS's in 137 cities.)

The bill also establishes the Alaska Main Street Program to provide grants to persons and organizations for economic revitalization and development projects in older central business districts and neighborhoods, using techniques developed by the National Trust for Historic Preservation.

The Neighborhood Revitalization and Development Fund is funded in part by proceeds from a proposed bond issue (SB 152) of \$11,000,000, if approved by the voters. Proceeds from the general obligation bond sale can only be used for capital improvement projects so any administrative costs or grants that are not directly attributable to such projects must be funded through the general fund or other sources.

It is estimated that about 13 communities may be able to participate in the Neighborhood Revitalization and Development Program. Under the Main Street Program it is assumed that approximately twelve to fourteen communities will participate in program grants.

The election on the question of the bond sale (SB 152), the proceeds of which fund the initiative, would be held in November 1990. Assuming voter approval of the initiative, and the bond sale is conducted in a timely manner, the first six months of FY 91 will be spent establishing the new programs, including development of administrative regulations.

Personal Services. In the first year, staff for the Main Street and the Neighborhood revitalization and development Programs includes the following 3 permanent full time six month positions:

Program Coordinator-Development Specialist II (Range 20)	\$20.0
Architect (Range 21)	30.5
Accounting Clerk II (Range 09)	15.8

Note: in the second year (FY92) these position are 12 month positions and salary/benefits cost listed are doubled.

The Statewide coordinator will initiate, coordinate and supervise both programs. The architect will serve as the Alaska Main Street Program architect and will provide design and historic perservation assistance. It is important that the architect position be filled at the beginning of the program in order for the individual to participate in the design and development of the Alaska Main Street program as well as to utilize the training services of the National Trust for Historic Preservation. Under the supervision of the program coordinator, the accounting clerk will administer the grants for both programs and will assist in the administrative details of developing the program.

A second development specialist (DS I, Range 18, \$51.0) will be necessary beginning in FY 91 to fully implement the Neighborhood Revitalization and Development Program.

Travel. Costs include travel to Washington, D.C. by the program coordinator and architect to receive training by the National Trust for Historic Preservation. In addition, once the program is established, one site visit for each community is estimated, with approximately six communities participating the first year. In subsequent years out-of-state travel should diminish while in-state travel will increase, resulting in a slight reduction of expenses.

Contractual Services. Typically, states contract with the National Main Street Center, National Trust for Historic Preservation, for assistance and training in establishing and operating a Main Street Program. The average costs of programs is other states is \$100.0 per year. Technical assistance offered ranges from developing criteria for selecting communities that will participate in the state program to conducting evaluations of local programs. Complete training in revitalization techniques to local programs is provided. Training continues over a three-year period, focusing on increasingly complex issues.

An alternative approach is to contract for the various services needed on a competitive basis. A number of consulting firms in the Northwest and other parts of the country have gained expertise with the Main Street Program over the past ten years and offer Main Street program implementation and training services.

The balance of the contractual service funds (\$10.0) are needed for office related services, including advertising, phone, postage, copying, printing, etc. In subsequent years contractual expenses will decrease.

Supplies. Funds will be used to purchase office supplies and training materials. Costs will decrease in future years.

Equipment. Cost will be just for the first year and will include purchase of a computer/word processor terminal and miscellaneous equipment.

Grants. Under the Main Street Program, grants would be provided to communities to develop and operate a local Main Street Program. Grants to communities would be on a three year track with first year funding at \$50.0, second year - \$25.0, and third year - \$10.0. In the first year (FY 91) through a competitive grant process, three communities would receive grants; in the next two years, five communities would receive first year funding.

	<u>Total</u>
<u>FY 91</u>	
3 1st yr. communities @ \$50.0	\$150.0
<u>FY 92</u>	
5 1st yr. communities @ \$50.0	
3 2nd yr. communities @ \$25.0	325.0
<u>FY 93</u>	
5 1st yr. communities @ \$50.0	
5 2nd yr. communities @ 25.0	
3 3rd yr. communities @ 10.0	405.0
<u>FY 94</u>	
5 2nd yr. communities @ 25.0	
5 3rd yr. communities @ 10.0	175.0

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