

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
1576 SCOMM 59: JNT. COMMITTEE ON ECONOMIC RECOVERY, 1988 1373

PUBLIC OPINION MESSAGE

DEAR: SENATOR STURGULEWSKI

Handwritten signature/initials

NAME: ADELINE MONGEAU

TITLE:

ADDRESS: 3404 ARCTIC BLVD.

CITY: ANCHORAGE, ALASKA

PHONE: 562-2232

BILL NO:

SUBJECT: BAIL OUT

ZIP: 99503

MESSAGE: NO ONE BAILED ME OUT. I LOST MY BUSINESS. I GREW UP IN TEXAS WHERE
NO ONE HAS BEEN BAILED OUT. WE CAN NOT CONSIDER SPECIAL LEGISLATION TO
SUPPORT A SELECT FEW. NO BAIL OUT FOR ANYONE!!!!!!

POMID: 03110614

DATE: 03/07/88

TIME: 11:06:14

LIONAME: ANCHORAGE LIO

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UEHLING
ZHAROFF

Alliance Bank

February 19, 1988

Senator Arliss Sturgelewski
Box V, Capitol
Juneau
Alaska 99811.

Dear Senator Sturgulewski,

Mr. Anthony J. Gumbiner of The Hallwood Group, has asked me to send you a copy of the Hallwood Alaskan Real Estate Stabilization Trust proposal which is enclosed.

If you have any questions, please do not hesitate to call me.

Sincerely,

A handwritten signature in dark ink, appearing to read 'F. H. Burrow', with a stylized flourish at the end.

FRED H. BURROW
President

:khc1/30

PROPOSAL FOR THE ESTABLISHMENT OF THE HALLWOOD
ALASKAN REAL ESTATE STABILIZATION TRUST

A liquidating trust formed to liquidate on an orderly basis at stable appraised prices in the best interests of the Beneficiary Institutions, the supply of distressed real estate properties and loans currently overhanging the Alaskan market.

Background

As a result of the current severe recession in the Alaskan economy which followed a period of strong economic growth in the commercial and residential real estate market, Alaskan lending institutions and certain state and government agencies who have assumed the obligations of failed institutions, are today burdened with an unprecedented holding of "bad" real estate loans, some of which have been foreclosed and all of which are at least partially non-performing. Real estate values have been declining monthly. Although the decline in real estate values has been slow and the recession is seen to be bottoming out, the recovery is extremely fragile and prices could be precipitously collapsed if the overhanging real estate were offered back into the market at distressed prices for forced sale.

Alliance Bancorporation ("Alliance") was recently formed by the merger of Alaska Mutual Bank, United Bank Alaska and United Bank Alaska Southeastern, and was recently recapitalized by the Hallwood Group Incorporated ("Hallwood") and the FDIC. Alliance currently holds some \$300 million of bad real estate loans of which about \$80 million has already been foreclosed and the balance being in the form of classified and non and partly performing real estate loans. The FDIC, as Receiver of the failed First Interstate Bank of the North, holds about \$200 million of "bad" loans of which at least half are property related. Additionally, Fannie Mae, the Federal Home Loan Bank Board, Alaska Housing Finance, MGIC, New York Life and other Alaskan lending institutions all hold similar "bad" loan portfolios.

If any of the above institutions were to "dump" their real estate holdings into the local market they would collapse the fragile price structure and ensure the continuation of the current recession to the detriment of not only themselves, individually and as a group, but all Alaskan citizens and property owners.

The objective of "The Hallwood Alaskan Real Estate Stabilization Trust" is to prevent a further decline in real estate values by allowing the Trustee of the Trust to manage the liquidation of the trust assets so as to prevent an oversupply of property in the local marketplace such as would cause further declines in the price of residential or commercial properties.

The Proposal

In order to maintain a stable market and to encourage a recovery, Hallwood proposes the establishment of "The Hallwood Alaskan Real Estate Stabilization Trust" (the "Trust") to be formed as a liquidating trust with the purpose of liquidating trust property by sale or other disposition as promptly as shall be economically feasible in the best interests of the Beneficiary Institutions and to distribute the distributable proceeds to the Facilitating Beneficiary Institutions solely and exclusively in accordance with the provisions of a Distribution Agreement.

The Board of Alliance Bank has already agreed to subscribe its distressed portfolio of real estate assets to the Trust and we intend to invite the FDIC and the other concerned institutions mentioned above to become subscribers to the Trust prior to its formation date of March 31, 1988. Following subscription of assets to the Trust, beneficiary institutions will own an undivided interest in the Trust.

We anticipate that the transferred assets will consist of single family homes, condominium projects, apartment buildings, a few office buildings and other commercial structures, shopping centers and parcels of raw and improved land. We also anticipate receiving non-performing or partly performing mortgage loans secured by real estate.

It is our intention that all transferred assets will be recorded in the Trust's books at fair market value as of March 31, 1988. The fair market value of real estate properties will be based upon current independent appraisals except for those assets where a sale was pending and subsequently closed. In those cases the proposed selling price will be considered as a more accurate indication of fair market value. Fair market value of real estate loans will be based upon current independent appraisals. All appraisals will be carried out in accordance

with accepted appraisal methods by a qualified independent appraiser who is a member of the American Institute of Real Estate Appraisers and who regularly performs appraisal services for major financial institutions. Credit will be given in the appraisal process for any income flowing from any transferred asset.

It is intended that Hallwood will act as the Trustee for the Trust which would be established for a ten-year period expiring in March 1998. If all of the Trust assets have not been sold off by this time, then the Trust will come to an end unless a new five-year liquidating trust is established by the Beneficiary Institutions.

It is intended that a Procedures Agreement would be drafted to establish a minimum sales price for each of the Transferred Assets. Minimum sales prices will be based upon appraised values. The Procedures Agreement will also establish restrictions on financing by the Trust although it is intended that the Trust will offer financing to purchasers to assist in the sell-out (see "Marketing"). The requirements of the Procedures Agreement will assure the Beneficiary Institutions that no asset will be sold for less than a certain fixed amount and that the deferred portion of any sales price will be properly secured and payable over a limited period of time. The Trustee's powers and duties would be governed by a Trust Agreement which will generally authorize the Trustee to preserve and manage but not to develop the Trust assets. Accordingly the Trustee has discretion, for the purpose of marketing, to obtain necessary appraisals, feasibility studies, engineering studies or marketing surveys. The Trust cannot undertake to develop unimproved properties to the extent of commencement of any sort of major construction.

Generally the Trustee will limit expenses to any necessary management costs such as taxes, insurance and maintenance and to its own office budget and outside professional fees. Additionally, the trust may expend sums necessary to preserve its properties or prevent the enforcement of liens superior to the Trust's mortgage loan assets.

As to borrowing funds, the Trust Agreement will provide that borrowings shall not exceed an aggregate of 10% of total Trust assets at appraised value and further that borrowings may only be made from the State of Alaska, secured on any future profit which may be realized from future sales of Trust Assets. Under such borrowings we would expect the State to roll over interest payments to the extent that such payments were not available out of Trust cash flow. It is not anticipated that the Trust will need to avail itself of this borrowing facility and it is anticipated that the cash flow from the prospective sale of Trust assets together with the \$15 million cash contribution which will be contributed by the State of Alaska (see "Assistance from the State of Alaska") will be sufficient to fund all ongoing operations of the Trust.

Under the terms of the Distribution Agreement, the Trustee will first satisfy itself that sufficient working capital is available to the Trustee to operate the Trust and will then distribute:

- a) To the Beneficiary Institutions such sum as represents a proportional return of appraised value and any profit achieved thereon unless some drawdown shall have been made by the Trustee under the standby credit facility from the State of Alaska more particularly mentioned hereafter.
- b) If such drawdown shall have been made then any such profit shall first be applied to repay with interest any advance made by the State.

The Trustee will be empowered to sell off blocks of property to other trusts or corporations dedicated to a long term holding period such as that currently proposed by the Commissioner for the Department of Commerce and Economic Development for the State of Alaska and Sealaska Corporation.

As to the tax consequences of the Trust to the Beneficiary Institutions, the Trust will be treated as a "Grantor Trust" for federal income tax purposes and as such, all tax trust consequences flow through the Trust to its beneficiaries in accordance with their respective interests. The Trust beneficiaries are fully insulated, on the other hand, from any liability which might arise out of the various Trust Assets.

To ensure that the Trust will distribute all distributable proceeds in a timely manner and in accordance with the proper percentages to the Beneficiary Institutions, the Trust Agreement will require that the Trust's financial statements will be examined by a firm of independent certified public accountants. Following each examination, the accountants will issue a letter to the Beneficiary Institutions stating whether all distributions have been made in accordance with the Trust Agreement and the Distribution.

The Trust Agreement will also require the Trustee to furnish the following reports to beneficiary banks:

- a) A monthly statement of cash receipts and cash disbursements with a detailed description of all sales or dispositions of Trust property and of any modifications, amendments or extensions of obligations owing the Trust.
- b) A quarterly unaudited balance sheet, income statement, statement of Trust principal, statement of changes in financial position and a schedule of all distributions made during such quarter.
- c) A semi-annual summary of the status of each Transferred Asset and a description of any negotiations then in progress concerning the sale or other disposition of such Transferred Asset.
- d) An annual audited balance sheet, income statement, statement of Trust principal, statement of changes in financial position and a schedule of all dispositions made during the year.
- e) In connection with the examination of the annual reports and financial statements, the independent certified public accountants must issue letters stating:
 - i. that the sales and distributions made during the preceeding year were in accordance with the terms of the Trust Agreement, Procedures Agreement and Distribution Agreement, and,

- ii. With respect to the internal financial controls and practices of the Trust, setting forth such recommendations as the independent certified public accountants may consider appropriate.

Assistance from the State of Alaska

In order to ensure that the Trust is funded with sufficient working capital, we shall request the State of Alaska, through one or more of its agencies, to subscribe the sum of \$15 million in cash to the Trust for which the State shall receive a beneficial interest in the Trust, in proportion to its subscription.

When it is anticipated that this \$15 million plus the proceeds of sale of Trust Assets will be sufficient to ensure the continuity of the Trust and the payment of all marketing and general and administrative costs and expenses of the Trustee, we shall request the State of Alaska to enter into a standby credit agreement with the Trust whereby the State will agree to advance to the Trust up to 10% of Trust Assets based on the appraised value as at March 31, 1988, secured by a first lien on any profit that may be realized by the Trustee from future sales of Trust Assets, such loan to bear interest at current market rates. The Trust shall have the power to roll over interest payments until sufficient cash flow becomes available from profits generated from Trust operations to make settlement. Repayment of interest and principal upon such loans drawn down during the life of the Trust shall have priority to any distributions of any profit which shall be made to Beneficiary Institutions.

Assistance from State Agencies

We shall also ask state agencies such as AHFC and AIDEA to assist by placing moratoriums on financing new supply of Real Estate. These restrictions can be waived if local government so requests.

Marketing

Immediately following the establishment of the Trust, the Trustee shall prepare a five-year cash projection to determine how quickly the Beneficiary Institutions can reasonably expect the transferred assets to be sold and to what extent their interests could be converted into cash. At the outset the Trustee will review all of the non-performing real estate loans and real estate owned to identify essential problem areas. Problems involving construction, design, budgets, cash flow, management location, competition, marketing techniques and various other factors must be analyzed to determine the causes on non-performance or under-performance for each specific asset. Independent appraisals will have to be obtained to arrive at a minimum selling price for each real estate property and further, an initial status report must be prepared for the real estate unit for each asset containing the description of the asset, the loan history, net book value, current status, pending litigation.

For real estate owned, professional quality sales packages will need to be prepared for each real estate property. Each package will contain a full description of the property site and improvements, income and expense information, lease abstracts, information on available utilities, zoning, taxes, etc.

Regarding loan workouts, the Trustee will evaluate the financial condition of the debtor and the prospect for recovery and will evaluate existing collateral and the prospect for obtaining additional collateral in addition to various types of loan modification, intervention in management or leasing, increased monitoring and control of collateral and possible turnaround methods may also be considered.

Both real estate owned and real estate loans deemed appropriate for foreclosure, i.e., future real estate owned, will be marketed for sale although particular care will be taken with regard to the amount and pricing of real estate offered for sale in the local Alaskan marketplace. The major marketing effort will be made to foreign, i.e., non-American, prospective purchasers through Hallwood's international network around the world.

Hallwood is a public company listed on the New York and London Stock Exchange, specializing in the financial services industry and owned by approximately 35,000 shareholders and institutional investors. Prominent amongst these are the Fidelity Group of Boston, one of the largest fund managers in the United States with offices in London, Hong Kong, Singapore, and various other countries. Fidelity owns approximately 11.2% of Hallwood's equity. Another major shareholder is M&G, one of the largest fund managers in the United Kingdom, controlled by Kleinwort Benson, an international merchant bank with a major presence around the world. Hallwood has considerable expertise in the liquidation and management of distressed real estate. In 1979, Hallwood restructured First Pennsylvania Mortgage Trust, a New York Stock Exchange listed real estate investment trust, owning a major portfolio of distressed real estate and mortgage loans located throughout the United States.

In 1981 Hallwood restructured the Umet Trust, a New York Stock Exchange listed real estate investment trust formed by Union Bank of California, again holding a major portfolio of distressed real estate and real estate loans.

In 1983 Hallwood restructured the Institutional Investors Trust, yet another New York Stock Exchange listed real estate investment trust, this time formed by Donaldson, Lufkin, Jenrette, the New York investment bank, again holding a portfolio of poor quality distressed real estate. Finally, in 1984, Hallwood acquired the assets of The Twenty Seven Trust which was formed to liquidate the assets of the bankrupt Chase Manhattan Mortgage and Realty Trust for the beneficiaries of 26 creditor banks and the FDIC. This current proposal is based upon the arrangements entered into by the creditor banks and the FDIC for the liquidation of The Twenty Seven Trust's assets.

Over the years, Hallwood has liquidated the assets of all the above through its Cleveland-based Property Liquidation Division and has performed several similar functions in the United Kingdom where we have liquidated the assets of Bank and Commercial Holdings Limited acquired in 1978, West Kent Estates Limited acquired in 1980, Redfern and Rankpert Limited acquired in 1981 and the Globe Group of Companies acquired in 1985.

The total value of real estate properties and loans liquidated over the last five years is in excess of \$300 million.

Hallwood intends to offer the Alaskan real estate assets to investors in Japan, Hong Kong, Taiwan, Australia, New Zealand, Malaysia, Singapore, the Philippines, Korea, Canada, South America, Germany, Switzerland, Holland, the United Kingdom, France, Scandinavia and also in the U.S. Sales brochures will stress the current Alaskan economic climate and the cyclical nature of the economy and likelihood of early recovery. Foreign investors will be offered a speculative real estate investment on a highly leveraged, non-recourse basis. For the payment of a 20% deposit, buyers will be speculating on the dollar, the oil price and the Alaskan economic recovery with the benefit of an attractive loan package. In short, anywhere there is a local investment market and no exchange controls, Hallwood will find and motivate an experienced local agent to offer Alaskan real estate investment properties, both residential and commercial. Buyers will also be offered a management service where our local managers will, for a small fee, manage local investment properties on behalf of non-resident investors, seek new tenants and advise as to prospects for resale. We believe that marketing to foreign investors in this way will not pose a threat to the stability of the local market as an investor buying from Hallwood will be buying on a long term hold with a view to a large capital gain some years in the future.

Hallwood will also be organizing regular marketing trips to Alaska by foreign investors, many of whom may also be interested in other Alaskan commercial investment projects.

Management

The Trustee will enter into agreement with Alliance whereby Alliance will provide the Trust with management services on a non-profit, recovery of costs only basis, utilizing the services of Gordon Willhite and his 50-strong workout staff. The Trust will be administered from offices in Anchorage, and the Trustee will employ and/or retain employees, real estate consultants, real estate brokers, real estate management and leasing agents, appraisers, architects, engineers, mortgage correspondents, mortgage servicing agents, escrow agents, attorneys, accountants and any other such persons as the Trustee may deem necessary to assist it in fulfilling the purpose of the Trust.

In order to facilitate the sale of trust Assets, the Trustee may grant a loan to purchasers to facilitate such sale as follows:

1. Subject receiving a cash deposit of 20% of the purchase price, the Trust may grant a non-recourse loan secured by a valid first mortgage lien on the asset sold for a term of not more than twenty years on an amortizing basis at a variable rate of interest floating not less than one point above Alliance Bank minimum lending rate as posted from time to time.
2. Should an asset be sold with less than 20% deposit, then the Trustee may sell the asset with a twenty year amortizing loan as described above but with recourse to the credit of the purchaser.
3. If the deposit of 25% or more is received, then the Trustee may lend up to twenty years on an interest only basis as described above.
4. Under no circumstances may the Trustee sell with less than a 5% deposit.

Upon the formation of the Trust each of the Beneficiary Institutions shall be entitled to nominate a committee member to the Trust Committee. The Trust Committee shall have the power to remove the Trustee and appoint a successor Trustee in the event of any breach of the Trust Agreement, Procedures Agreement or Distribution Agreement.

Distribution to Beneficiary Institutions

Subject to the unanimous vote of the Institutional Beneficiaries following the establishment of the Trust, the Trustee may arrange for the issuance and flotation of 7 year participating Loan Notes in a par amount equal to 80% of the appraised value of the Trust Assets. All or part of the Trust Assets may be sold in this way.

The Loan Notes will be non interest bearing but will be guaranteed as to principal in proportion to their beneficial interests by the beneficiaries of the Trust. We do not anticipate a joint and several guarantee.

Hallwood will arrange for the sale and distribution of the Loan Notes to investors who will be entitled to 100% of future distributions from the Trust thereafter, i.e., they will purchase at a 20% discount the future distributions from the Trust. Proceeds for the sale of the Loan Notes will be distributed to the Institutional Beneficiaries thereby providing a mechanism to "cash out" early at a discount.

Fees to the Trustee

Hallwood as Trustee will not receive any fee in respect of its services hereunder as it is acting to preserve its own financial interests as 85% shareholder of Alliance.

Hallwood will however expect to charge a normal commercial fee in respect of its best effort distribution of the Participating Loan Notes should this occur.

The Trustee will expect to be reimbursed for all its necessary expenses expended in connection with the Trust's business.

February 18, 1988

The Hallwood Group Inc.
767 Third Avenue
New York, NY 10017

Tel: (212) 319-2360



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

1577 "C" STREET • SUITE 304 • ANCHORAGE, ALASKA 99501-5177 • (907) 274-1651

February 18, 1988

Mr. Frank Homan
Office of Senator Sturgulewski
Alaska State Legislature
P.O. Box V
Juneau, Alaska 99811

Dear Frank:

Attached is some information that was presented at the last Alaska Housing Market Council meeting. Interesting to note the "magnitude" of the problem. Of \$680.0 million in delinquent loans, AHFC has \$650.4 million of them. This makes sense when one looks at the size of the portfolio with AHFC in billions and everyone else in the millions, mostly less than \$100 million.

For what it's worth.

Sincerely,

Bertram L. Wagnon
Executive Director

BLW/ss
attachment

	Number of Loans Outstanding	Unpaid Principal Balance (\$ in millions)	Number of Loans Delinquent or in Default	Unpaid Principal Balance (\$ in millions)	Delinquency Rate (a)
ANFC	51,034	\$4,251.6	7,770	\$650.4	15.2%(c)
DCRA-HAD	1,336	138.0	75	12.3	5.6%
AK Permanent Fund	258	39.7	19	3.0	7.4%
AIDA/Division of Invest.	1,542	66.1	117	5.8	7.6%
State Res. Energy Loans (d)	1,103	2.7	107	0.3	9.7%
AIDA multi-family residential loans (e)	13	11.5	8	9.0	61.5%
Alaska Pension Funds (f)	NA	NA	NA	NA	NA

STATE LOANS	55,286	\$4,509.6	8,096	\$680.8	14.6%

FNMA (g)	5,606	444.7	680	53.9	12.1%
FHLMC	5,279	504.0	307	29.3 (i)	5.8%
FHA-Insured (j)	11,653	1,130.3 (k)	1,346	130.6 (k)	11.6%
VA-Guaranteed (l)	4,594	359.2	414 *	34.8	9.0%
Farmer's Home Admin.	1,300	77.0	89	6.7 (m)	6.8%
MGIC (o)	N/A	N/A	N/A	N/A	N/A

NON-STATE LOANS	28,432	\$2,515.2	2,836	\$255.3	10.0%

TOTALS	83,718	\$7,024.8	10,932	\$936.1	13.1%

RESIDENTIAL MORTGAGE LOANS IN ALASKA: NOTES

* AHMC estimate.

N/A - Not applicable.

NA - Not available.

[a] - Delinquency rate was determined by dividing the "number of loans delinquent or in default" by the "number of loans outstanding".

[b] - Most entities determined the value of their REOs to be the Unpaid Principal Balance of the loans on the properties foreclosed.

[c] - Most institutions determine that a loan is delinquent after 60 days. This figure reflects a 90 day cutoff. If the number of active loans is used, as opposed to outstanding loans, the delinquency rate would be 16.63%.

[d] - Though the State Residential Energy Loans are not mortgage loans per se, they do reflect second or third mortgages. These numbers are significant because these loan amounts will often show as a total loss to the state should the borrower default on the first mortgage.

[e] - Though these loans are more commonly referred to as commercial loans, they do affect and reflect the residential market. However, the delinquency rate is a better reflection of the commercial market than the residential market.

[f] - Reliable estimates of the pension fund residential mortgage holdings are not available as these figures are often combined with figures on other mortgage holdings of the funds.

[g] - Figures are AHMC estimate of FNMA loans not held by AHFC on September 30, 1987 based on available information.

[h] - FNMA's estimate of market value is \$43,300,000.

[i] - Based on an estimated average loan balance of \$95,500.00.

[j] - Figures are AHMC estimate of FHA-insured loans not held by AHFC on September 30, 1987 based on available information.

[k] - Based on HUD's estimated average balance of \$97,000.00.

[l] - Figures are AHMC estimates of VA loans not held by AHFC on June 30, 1987 based on available information.

[m] - Based on Farmers' Home Administration estimated average balance of \$75,000.00.

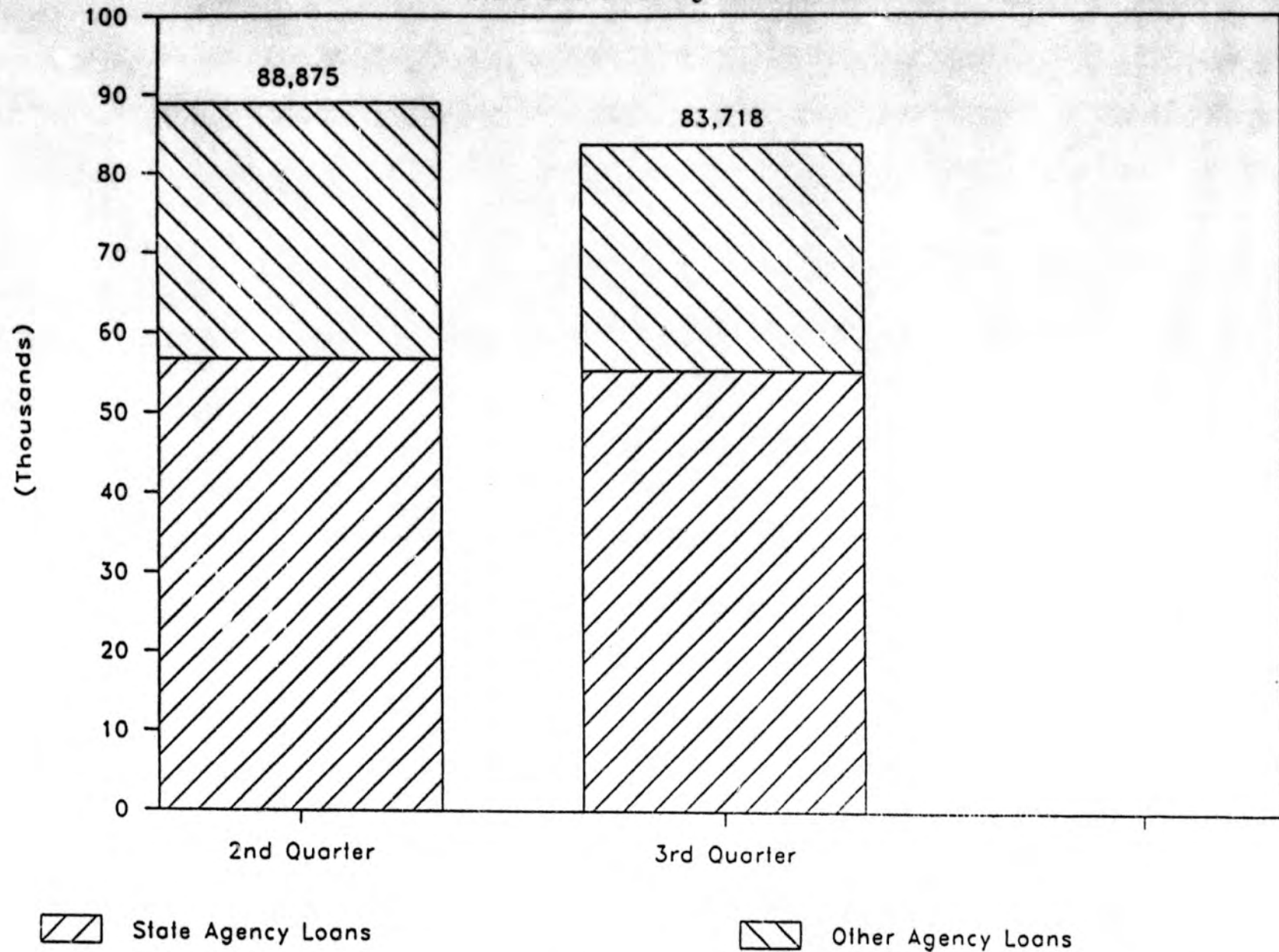
[n] - Farmers' Home Administration estimate of market value.

[o] - MGIC is a mortgage insurance company, they do not hold loans; however, they do acquire property.

[p] - MGIC estimate of market value is based on 66% of the acquisition value; \$7,469,341.

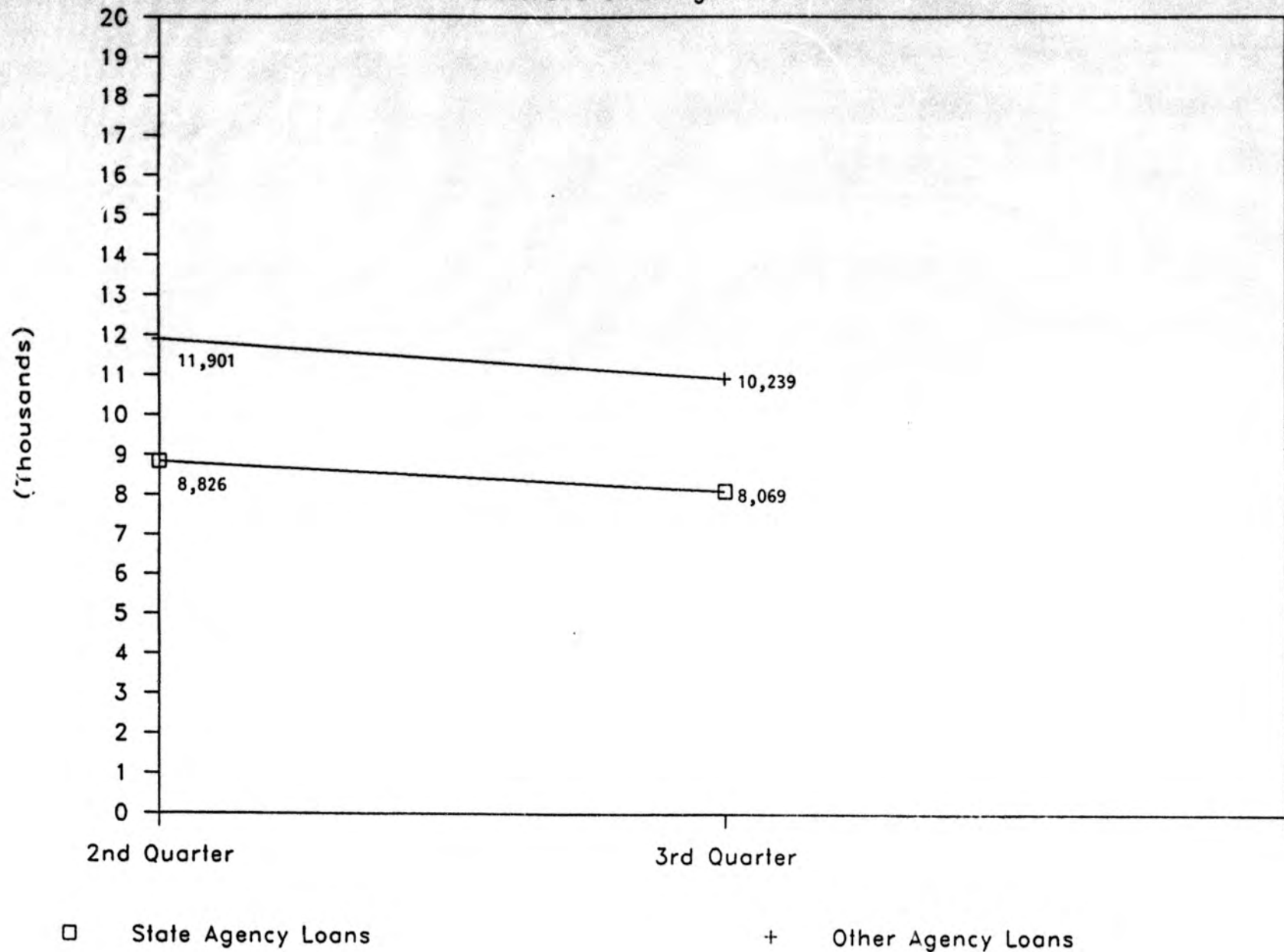
Number of Loans Outstanding:

State and Other Agencies in 1987



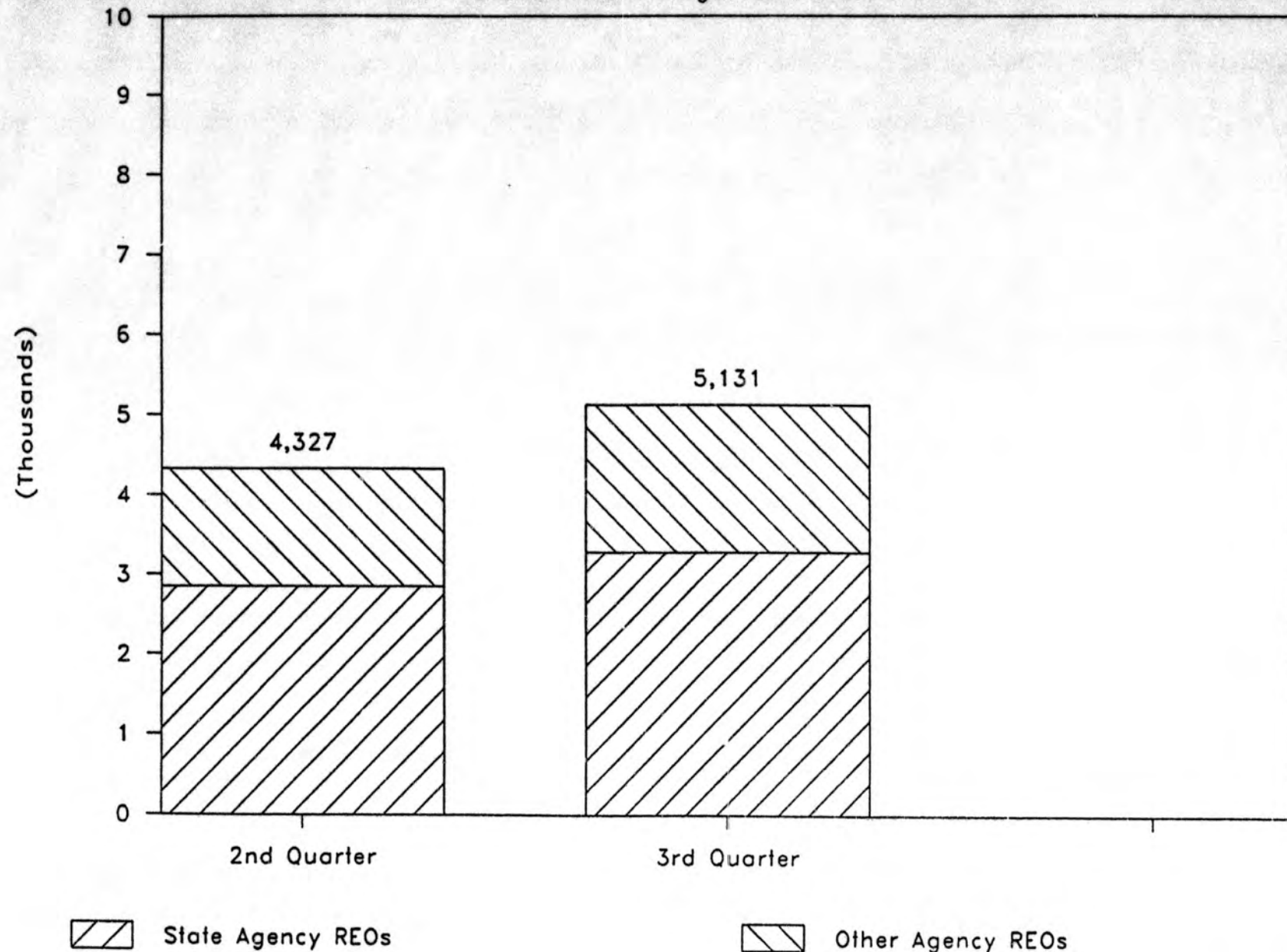
Loans in Delinquency or Default:

State and Other Agencies in 1987



Number of Real Estate Owned (REO):*

State and Other Agencies in 1987

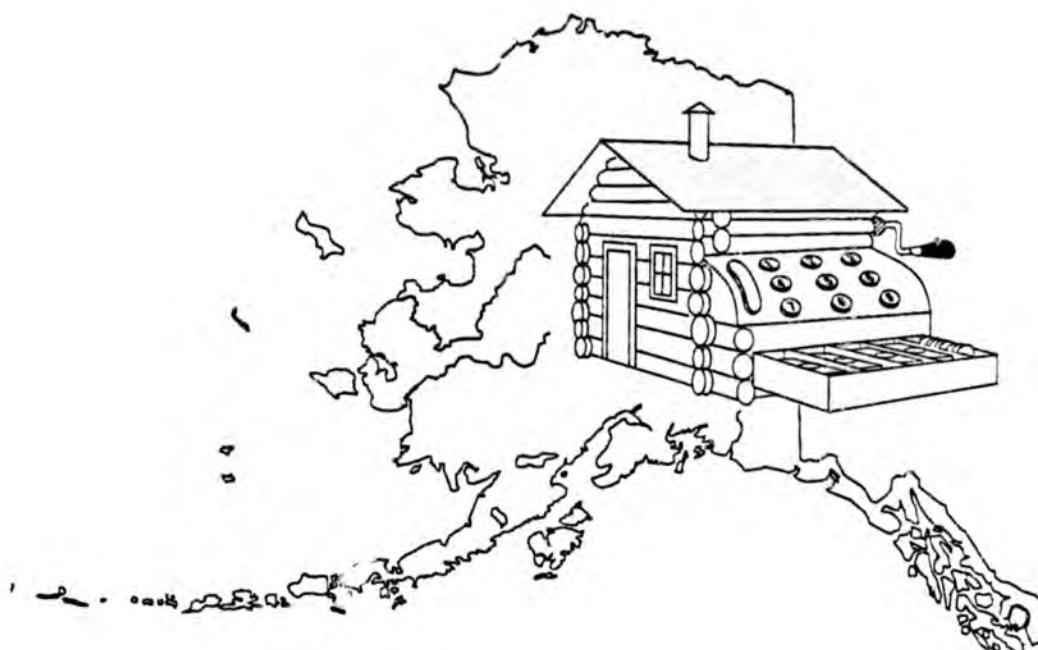


* Does not include REOs held by private lending institutions.

Prepared by: Alaska Housing Market Council, 624 W. International Airport Rd., Anchorage, AK, 99518, 563-3325
2/10/88

Rural Economic Development Initiative (REDI) Grant Program

Application Handbook FY88



Rural Development Division
Block Grant Administrator
P.O. Box BC
Juneau, Alaska 99811
Phone: (907) 465-4890

State of Alaska
Steve Cowper, Governor

Department of Community and Regional Affairs
David G. Hoffman, Commissioner

December 1987



REDI Program: Questions and Answers

The Department of Community and Regional Affairs recently introduced a new grant program called the Rural Economic Development Initiative (REDI) grant program. Because the program is new there are many questions and concerns regarding its use. This information sheet addresses the most frequent inquiries.

WHAT IS THE REDI GRANT PROGRAM?

It is a new grant program which replaces the old Community Development Block Grant (CDBG) and Rural Development Assistance (RDA) grant programs. The overall goal of REDI is one of enhancing the quality of life in Alaska's communities, through an emphasis on economic development projects in and for rural Alaska.

The REDI grant program is designed to help communities:

- Increase business and employment opportunities;
- Promote self-sufficiency and diversification in local economies;
- Expand the capacity of local communities to plan and support economic development; and,
- Meet situations which impact the community's health and welfare in such a manner as to PROMOTE LONG-TERM SOLUTIONS.

WHAT KINDS OF GRANTS DOES THE REDI PROGRAM OFFER?

There are four categories of grants available. They are:

- Economic Development
- Community Development
- Technical Assistance
- Emergent Need



WHAT IS AN ECONOMIC DEVELOPMENT PROJECT AND WHAT IS THE MAXIMUM GRANT AMOUNT?

An Economic Development project is a project which expands existing industry or establishes a new industry in a local community. The project provides long-term benefits in the form of jobs and injects income into the local micro economy of the community. This may occur in two ways; the first is import substitution and the second is export development. The latter is an application of the economic base theory which contends that a microeconomy, in order to remain healthy, must have constant injections of income from outside that economy.

The maximum amount a community can be granted, in a single year, is \$200,000.

WHAT IS A COMMUNITY DEVELOPMENT PROJECT AND WHAT IS THE MAXIMUM GRANT AMOUNT?

These projects should develop basic community facilities or infrastructure for the economic development of a community. Typical projects may include public utilities, transportation improvements, fixed plant facilities, or buildings and structures.

The maximum amount a community may be granted in a single year is \$100,000.

WHAT IS A TECHNICAL ASSISTANCE GRANT AND WHAT IS THE MAXIMUM GRANT AMOUNT?

Technical Assistance grants may be awarded under all other categories. Purposes may include: a targeted grant of limited scope needed to accomplish a specific piece of work in support of the design and development of an economic project (i.e. architect or engineering work needed to move a project forward, marketing research, development of a business plan, or development of a financing package needed to assist in project mobilization); a Community Development Technical Assistance grant may be used for facility planning, life-cycle costing, permit requirements (i.e. surveying, site control).

Technical Assistance grants are limited to \$15,000 each.

WHAT IS AN EMERGENT NEED GRANT AND WHAT IS THE MAXIMUM GRANT AMOUNT?

Emergent Needs shall refer to those needs that arise affecting projects which meet the goals of this program, but which require immediate remediation. Examples are:

- Deadlines affecting financial packages critical to a project;
- Emergency situations arising from the imposition of regulations affecting resources important to the project (site control, DEC requirements);
- Needs requiring special mitigation and amelioration such as a sudden change in market or supply conditions;
- Sudden and unplanned changes in insurance or bonding requirements, availability, price; and
- No other source of funds can be identified.

Emergent Needs grants have no maximum amount, though only a small amount of the total funds available is allocated for Emergent Needs.

WHO IS ELIGIBLE TO APPLY?

An eligible applicant is: any municipal government entity as defined by Title 29 of the Alaska Statutes, (i.e., home rule, 1st, 2nd, and 3rd class boroughs, unified municipalities, and 1st and 2nd class cities) which exercises powers consistent with the proposed project, and which is a non-entitlement jurisdiction as defined by the Federal Department of Housing and Urban Development; (i.e., all municipal jurisdictions except the Municipality of Anchorage may apply); or,

A village council organized under the Indian Reorganization Act, 25 USC-476; or a traditional village council. (An additional requirement of either council is that it must irrevocably waive any claim to sovereign immunity which might arise in connection with the use of grant money.); or,

A nonprofit corporation organized under A.S. 10.20.

The Department will prefer a municipal applicant over other applicants. While the Department may have this requirement, it is conceivable a project proposed by another eligible entity in a community could benefit that community. Therefore, if the Department sees the opportunity to bring together two or more sponsors for a project, thus ensuring the project a higher degree of success, the Department may propose a joint agreement between entities of a community. This flexibility would also provide for additional funding levels.

In the absence of a municipal applicant, the Department will have to make a decision on the most appropriate entity to apply for and administer a REDI project. For example, when there is more than one eligible entity in an unincorporated area the Department will need to identify the appropriate entity to apply for REDI funding. The most appropriate entity would be that entity which indicates a strong desire to serve the entire community. The same cooperative arrangement which allows for additional funding levels for incorporated areas would also apply to unincorporated areas with two or more eligible entities.

For-profit entities may apply in conjunction with municipalities or other eligible entities.

HOW DOES A COMMUNITY OR A PRIVATE CITIZEN APPLY FOR A REDI GRANT?

Contact the DCRA Regional Office located nearest you, or the Central Office located in Juneau (465-4890). You may also contact Mr. Elstun Lauesen, Statewide Economic Development Specialist, at 452-4468.

WHAT ARE THE APPLICATION DEADLINES?

1. Preapplications for the Community Development category will be accepted twice a year.
2. Preapplications for the Economic Development, Technical Assistance and Emergent Need categories will be accepted year round by the Department.
3. Final Applications will be considered once a month.

RURAL ECONOMIC DEVELOPMENT INITIATIVE
GRANT PROGRAM

1988 APPLICATION SCHEDULE

ECONOMIC DEVELOPMENT, TECHNICAL ASSISTANCE
AND EMERGENT NEEDS:

A Preapplication Review Committee (PARC) will review Preapplications biweekly (every two weeks) year round. All Preapplications are then processed according to the results of that initial review.

When Final Applications are complete, they will be considered for funding by the Application Selection Committee (ASC), which meets monthly.

1. Preapplication and application materials will be available beginning in December, 1987.
2. Preapplications and applications will be accepted year round.

COMMUNITY DEVELOPMENT GRANTS

1. Deadline for receipt of Community Development Applications:

Round 1	February 15, 1988
Round 2	October 3, 1988
2. Staff review and assistance for Community Development Applications provided on a continuous basis.
3. Director Approves and Announces Community Development Awards:

Round 1	March 31
Round 2	November 30



Department of Community and Regional Affairs

RURAL ECONOMIC DEVELOPMENT INITIATIVE

APPLICATION HANDBOOK

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PREAPPLICATION

RURAL ECONOMIC DEVELOPMENT INITIATIVE
GRANT PROGRAM

1988 APPLICATION SCHEDULE

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RURAL ECONOMIC DEVELOPMENT INITIATIVE

INTRODUCTION

This Handbook contains the guidelines for Alaska's Rural Economic Development Initiative (REDI) program. The REDI program includes funds from the federal Department of Housing and Urban Development provided Community Development Block Grant (CDBG)* program and the State provided Rural Development Assistance (RDA) program. The overall goal is one of enhancing the quality of life in Alaska's communities, through an emphasis on economic development projects in and for rural Alaska.

The guidelines describe the general requirements which will apply to all local governments requesting REDI funds as well as the specific requirements and ranking criteria which will be used to evaluate applications.

The REDI program is designed to help communities:

- Increase business and employment opportunities;

- Promote self-sufficiency and diversification in local economies;

- Expand the capacity of local communities to plan and support economic development; and,

- Meet situations which impact the community's health and welfare in such a manner as to promote long-term solutions.

To achieve these goals, the REDI program offers grants and/or loans to eligible communities in four categories. They are: Economic Development, Community Development, Technical Assistance and Emergent Needs.

*A. BACKGROUND ON H.U.D. FUNDING

The Housing and Community Development Act of 1974 has historically provided discretionary federal funds administered by the U.S. Department of Housing and Urban Development for non-entitlement community projects which principally benefit low and moderate-income persons. The Omnibus Budget Reconciliation Act of 1981 made fundamental changes in the transfer of power and decision-making with respect to these Community Development Block Grants. Each state now has the option to administer the block grants for all its non-entitlement areas.

During FY82 the State of Alaska elected to administer Community Development Block Grant (CDBG) discretionary funds for the State's non-entitlement areas (also known as the Small Cities Program). HUD proposed regulations on November 20, 1981 which described how states could assume administrative authority for these discretionary funds. The State of Alaska

assumed administration of the program during FY82. In compliance with those regulations the State of Alaska is now making application for its seventh year of funding by submitting this Final Statement for administration of the non-entitlement Community Development Block Grant for FY88.

B. PREVIOUS USE OF C.D.B.G. FUNDS

The State selected seven communities, through a competitive selection process, to receive FY87 CDBG funds. Each community selected was reviewed for its compliance with Federal and State goals and objectives. Applications were funded for large and small city capital projects and a planning/feasibility project.

In addition to the benefit to Low- and Moderate-income Persons, projects met one or more of the following objectives:

1. Promote health and welfare of community.
2. Upgrade or create facilities to provide safer community environment.
3. Reduce cost of essential community services.
4. Promote community self-sufficiency.
5. Provide infrastructure for economic and/or employment generators.
6. Relieve adverse conditions caused by external development.

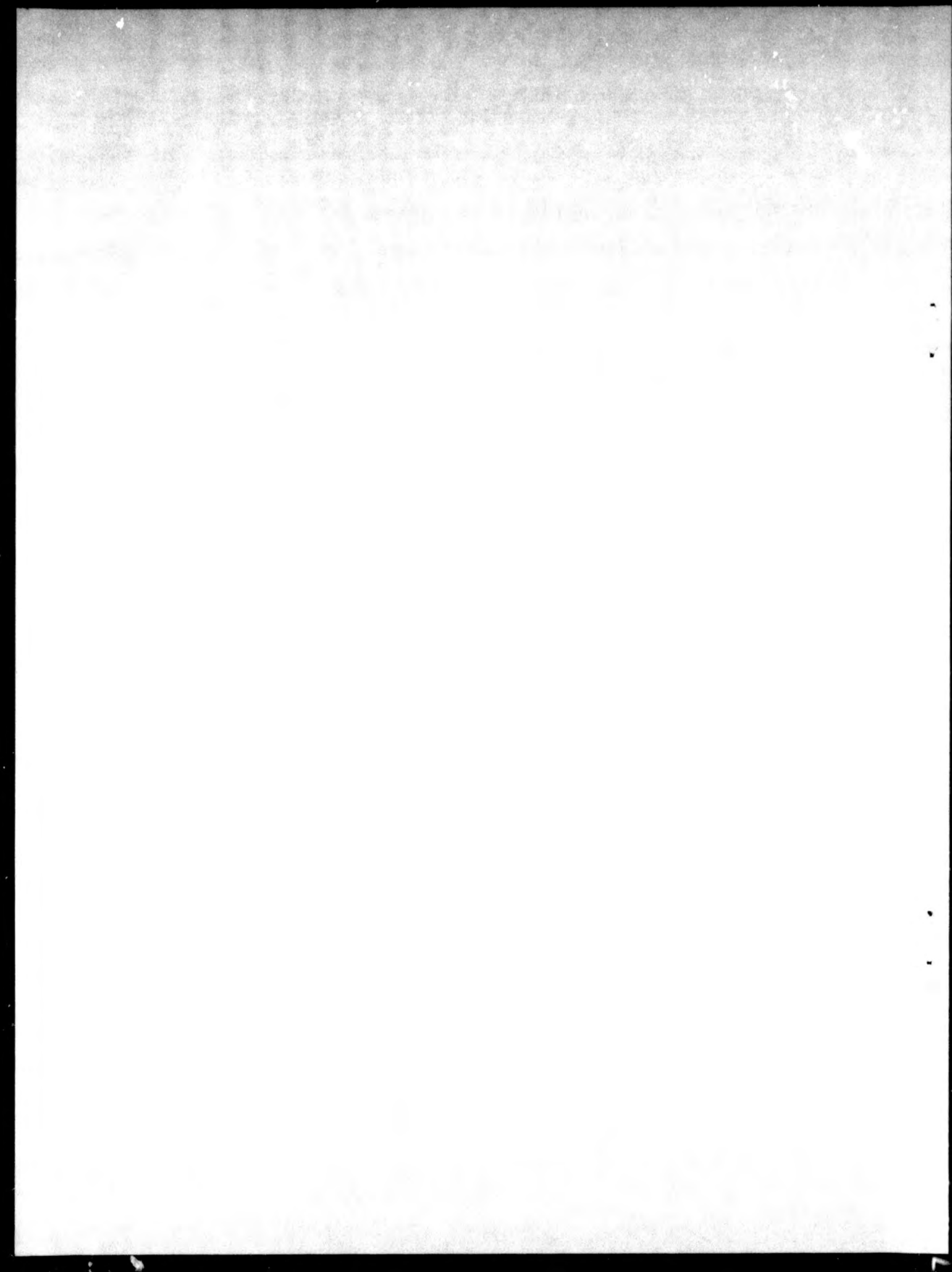
C. FEDERAL OBJECTIVES

According to requirements outlined in Title I of the Housing and Community Development Act of 1974 (as amended through 1983) the State of Alaska must insure that each funded activity meets at least one of the three national objectives. These include: "(1) ...the projected use of funds has been developed so as to give maximum feasible priority to activities which will benefit low- and moderate-income families, or (2) aid in the prevention or elimination of slums or blight, and (3) the projected use of funds may also include activities which are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet such needs."

The State of Alaska gives the highest priority to REDI Grant activities which will principally benefit low- and moderate-income families.

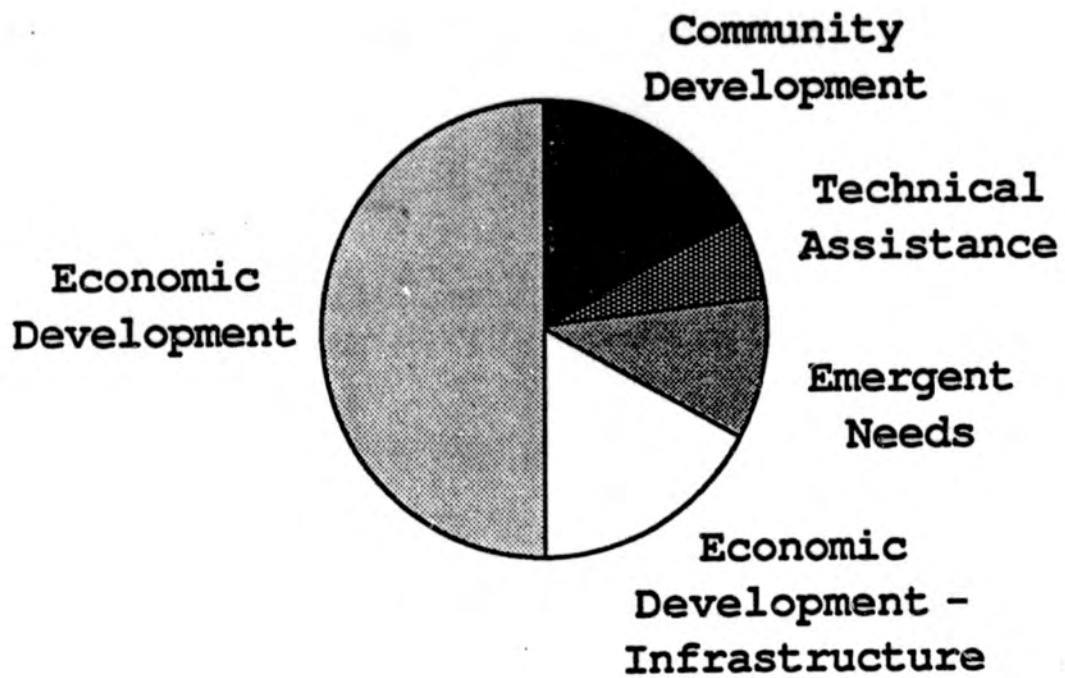
D. DISTRIBUTION OF STATE FY88 H.U.D. FUNDS

The State of Alaska expects to receive an amount approximately four percent (4%) less than the FY87 allocation of \$1,526,000 as advised by the HUD Seattle Regional Office. These funds will be distributed as described in the Final Statement.



I. GENERAL INFORMATION

A. REDI FUNDING CATEGORIES



DURING A PROGRAM (STATE FISCAL) YEAR, AN ELIGIBLE ENTITY MAY BE AWARDED A MAXIMUM OF ONE GRANT PER EACH CATEGORY.

1. Economic Development - projects should accomplish one or more of the following:

Support those projects that will increase the number of jobs in the State;

Promote economic recovery in small communities heavily dependent on a single industry;

Emphasize development in underdeveloped rural areas;

Support the development of the State's small businesses, especially those owned by women and minorities;

Promote energy conservation in rural areas, or;

Encourage projects that assist businesses selling goods and services in markets for which national or international competition exists.

An emphasis will be placed on this category of REDI funds. A majority of the funds available will be awarded for Economic Development projects.

See Chapter XI for special requirements and ranking criteria which are specific to the Economic Development category.

Maximum grant amount for the Economic Development category is \$200,000.

2. Community Development - projects should develop basic community facilities or infrastructure for the economic development of a community. Typical projects include those from the following list:

Public utilities, including water and sewer systems, electrical distribution and interties and fuel and gas distribution systems;

Transportation improvements, including local service roads and trails, airports, barge facilities or subsistence access areas;

Fixed plant facilities, including manufacturing facilities, transmitters and generators; or,

Buildings and structures, including storage facilities, warehouses, aircraft facilities, fire stations, docks, clinics and daycare facilities.

This list is not all inclusive, but rather is noted to give general direction to applicants. Maximum grant amount for the Community Development category is \$100,000.

3. Technical Assistance - grants will be awarded under project categories 1., 2., and 4. (Economic Development, Community Development and Emergent Needs). Technical Assistance grants will be available to all eligible communities for economic development needs or for the planning needs of a proposed project.

All technical assistance studies must include a statement that the project was funded by the State of Alaska, Department of Community and Regional Affairs.

Maximum grant amount for the Technical Assistance category is \$15,000.

4. Emergent Needs - shall refer to those needs that arise affecting projects which meet the goals of this program, but which require immediate remediation. Such conditions may include, but are not limited to:

Deadlines affecting financial packages critical to a project;

Emergency situations arising from the imposition of regulations affecting resources important to the project (e.g., Fish & Game "Commercial Allocation" issues, site control problems, DEC requirements, etc.);

Needs requiring special mitigation and amelioration such as a sudden change in market or supply conditions;

Sudden and unplanned changes in insurance and bonding requirements, availability, and price; and,

No other source of funds can be identified.

Emergent Needs funds will be distributed on a non-competitive basis. The amount of funds available for this purpose are very limited.

B. APPLICATION DEADLINES

1. Preapplications for the Community Development category will be accepted twice a year.
2. Preapplications for the Economic Development, Technical Assistance and Emergent Need categories will be accepted year round by the Department.
3. Final Applications will be considered once a month.

C. SINGLE-PURPOSE PROJECTS

REDI grants are for single-purpose projects. An applicant may propose ancillary activities with REDI funds as long as they are related to the main activity and, taken together, do not exceed the funds requested for the main category. If more than one activity is proposed they all must clearly relate to the single need established and be required to accomplish it.

D. RECAPTURED FUNDS

All federal funds recaptured from a current or previous year will be awarded to qualified recipients for projects in all funding categories, according to the criteria used in the year the funds were awarded to the State.

E. PAST RECIPIENTS

A past recipient of funds from the CDBG or RDA programs is not eligible to apply for REDI funds until the following conditions have been met:

Fiscal Year 1985 grantees - 90% of non-administrative funds drawn down or project completed;

Fiscal Year 1986 grantees - 75% of non-administrative funds drawn down or project completed; and,

Fiscal Year 1987 grantees - 50% of non-administrative funds drawn down or project completed.

F. GRANT/LOAN AMOUNT

The maximum amount that may be awarded for a single grant in a program year for each category is:

Economic Development	\$200,000.
Community Development	\$100,000.
Technical Assistance	\$ 15,000.
Emergent Needs	no maximum amount, though only a small amount of the total funds available is allocated for Emergent Needs

The State may offer an applicant an amount for less than the amount applied for. A community may apply for funds from more than one category, to use on a single project, but a separate PreApplication must be completed and processed for each separate category, clearly showing how each is linked to the other PreApplications. These associated PreApplications must stand on their own merit, even though they could also be shown as an enhancement of the overall project.

G. PROJECT ADMINISTRATION

Grantees may use up to 10% of the total funds awarded for project administration. The State reserves the right to negotiate a percentage less than 10% for administrative costs if it determines the project can be successfully completed with a lesser amount for administration. In addition, up to 5% of the total grant award may be used for an indirect cost allocation otherwise not provided for in the direct cost items. For example, the pro rata share for an annual audit would be an indirect cost. All direct administrative cost items shall be itemized in the budget.

To ensure that the timely completion of projects and reporting requirements are met, 10% of the grantees administrative allocation will be withheld until the project is closed out. Allowable audit costs and related administrative expenses will be reimbursed up to the amount of administrative funds retained.

H. COMMUNITY ASSESSMENT

All final applicants are required to submit planning documents with the Final Application.

Entities submitting Final Applications under the Community Development, Technical Assistance, or Emergent Needs categories will simply need to provide documentation that the proposed project has been considered by the community and that the project was discussed at the public hearing required of all REDI applicants. (See Section I, Citizen Participation.) This abbreviated planning process is intended to promote better coordinated strategies for addressing local needs, particularly as they affect low and moderate income persons.

There is no one recommended procedure for preparing a community needs assessment. Examples of documentation that will satisfy this requirement for applicants under the Community Development, Technical Assistance, or Emergent Needs categories are:

- ° community survey;
- ° community-wide town meeting;
- ° community profile which identifies the proposed project;
- ° proposal from a short-term committee established specifically for this grant requirement, or;
- ° actual planning documents the applicant has prepared (e.g., comprehensive plans, community development objectives, ...)

H. COMMUNITY ASSESSMENT, Continued

The project proposed in the applicant's REDI Preapplication does not have to be the highest priority community need. There are a number of reasons, including the availability of other, more appropriate local, state or federal resources, which would justify submitting a REDI application for other than the top-ranked community need.

For entities applying for funding under the Economic Development grant category, the above requirements must be satisfied with the Final Application. Further, the applicant must include a description of needs with the Final Application, which summarizes:

- (a) The process used to identify community needs and establish priorities and objectives, including efforts to encourage meaningful participation of local citizens, particularly those of low and moderate incomes;
- (b) The planned activities to be taken to meet the identified needs; and
- (c) The alternative projects considered for REDI funding and the rationale for selecting the proposed project(s).

The needs assessment requirement can provide an opportunity to review existing capital improvements or economic development plans to determine if they still adequately reflect current conditions, needs and community goals.

A summary of the applicant's Community Needs Assessment must be submitted as part of the final REDI application for funding under the Economic Development category.

The needs assessment process does not have to be conducted annually for applicants applying for REDI funds if a previously prepared needs assessment still accurately reflects existing conditions and community development objectives and meets the requirements set out above. If an existing needs assessment will be used as the basis for application or, in the case of possible reapplication, the applicant should solicit public comment on the previously identified community needs and priorities at the public hearings required by Chapter I, Section I, Citizen Participation.

I. CITIZEN PARTICIPATION PLAN

Applicants must provide citizens, especially low and moderate income residents, an adequate opportunity for meaningful involvement in the planning and development of REDI applications. The following Citizen Participation Plan requires that:

1. The applicant must hold at least one public hearing. The purpose of the public hearing is to give citizens and potential beneficiaries of the proposed project adequate opportunity to review and comment on the community's REDI application, before it is submitted. The issues which should be considered include the proposed project location, activities, budget (including the estimated amount proposed to be used for activities that will benefit low- and moderate-income families), any costs to be imposed on residents as a result of the project (particularly those of low and moderate income), and, if appropriate, the plans of the applicant for minimizing displacement of persons, when applicable, as a result of activities funded with REDI funds;
2. The public hearing must be held not more than three months prior to the original submission date of the Preapplication. A record of the required hearings must be submitted with the Final Application for REDI funds, along with copies of the public notices for the hearings or affidavits of publication for the notices. A verbatim record is not necessary; the names of persons who attended and a summary of comments by local officials and citizens, or a tape of the proceedings, is sufficient (See Attachment G);
3. Technical assistance must be provided to persons who request assistance in developing or understanding proposals presented;
4. When requested and practicable, written response to written complaints and grievances regarding proposals must be given; and
5. When a significant number of non-English speaking residents are expected to participate, they must be assisted in understanding the public hearing proceedings.

J. RIGHT TO RENEGOTIATE

If funding from the state, federal, or other sources is withdrawn, reduced, or limited in any way after the effective date of the grant and before the completion of performance, the Department may terminate the grant. If the Department determines that it is in the best interests of the state, it may renegotiate the terms of the grant in accordance with the new funding limitations and conditions.

K. LEVERAGE

Leverage is a term used to refer to the participation and use of non-REDI resources in local REDI funded projects. With the limited State and federal funds available for support of local projects, it is in the best interest of the State, and Alaska communities, that applicants seek out and coordinate with other appropriate potential financial resources in order to increase the impact of their REDI projects upon local needs. In preparing the proposed budget for the Preapplication, the applicant should identify the sources and uses of funds and the amounts to be contributed by each financial source. Usually, an applicant that indicates participation of non-REDI dollars will be considered before an applicant requesting 100% funding of a project with all REDI dollars. The non-REDI funds may come from a variety of sources, such as bank loans, loans or grants from other State or federal agencies, or funds to be provided by the applicant.

Equipment and inkind services may apply as leveraging towards REDI funds. This would be contingent upon the proposed inkind or equipment costs being reasonable or verifiable. If an applicant's equipment costs are counted as leverage then operation and maintenance costs of the equipment are not allowable REDI grant costs.

Costs incurred prior to Preapplication, or the refinancing of existing debt will not be considered as leverage.

The ratio of non-REDI dollars to requested REDI dollars will be compared to other Preapplications submitted. A very low ratio may be less competitive; an excessively high ratio may indicate a questionably low level of need for REDI assistance. The Department would look for a base target of leveraging to start at one leveraged dollar to every five REDI dollars requested.

L. LOW AND MODERATE INCOME (LMI) PERSONS

The State of Alaska believes that those persons with low and moderate incomes as defined by the federal government suffer obvious economic hardships. Therefore, the State of Alaska requires that 60 percent of federal REDI funds must be used for activities that principally benefit low and moderate income persons and address the identified needs of the low and moderate income persons of the applicant's community.

To satisfy this requirement, the applicant must provide the following information on the Preapplication:

The community's total population.

The community's 1980 Census Median Income Level, which may be obtained from the chart at Appendix E. For those unincorporated communities not listed, use the dollar amount from the nearest incorporated community located to the applicant's community.

L. LOW AND MODERATE INCOME (LMI) PERSONS, Continued

If your overall community median income does not meet Low and Moderate Income levels, the Department will work with you to verify LMI individuals benefiting from the proposed project.

II. ELIGIBLE APPLICANTS

An eligible applicant is: any municipal government entity as defined by Title 29 of the Alaska Statutes, (i.e., home rule, 1st, 2nd, and 3rd class boroughs, unified municipalities, and 1st and 2nd class cities) which exercises powers consistent with the proposed project, and which is a non-entitlement jurisdiction as defined by the Federal Department of Housing and Urban Development; (i.e., all municipal jurisdictions except the Municipality of Anchorage may apply); or,

A village council organized under the Indian Reorganization Act, 25 USC-476; or a traditional village council. (An additional requirement of either council is that it must irrevocably waive any claim to sovereign immunity which might arise in connection with the use of grant money.); or,

A nonprofit corporation organized under A.S. 10.20.

The Department will prefer a municipal applicant over other applicants. While the Department may have this requirement, it is conceivable a project proposed by another eligible entity in a community could benefit that community. Therefore, if the Department sees the opportunity to bring together two or more sponsors for a project, thus ensuring the project a higher degree of success, the Department may propose a joint agreement between entities of a community. This flexibility would also provide for additional funding levels.

In the absence of a municipal applicant, the Department will have to make a decision on the most appropriate entity to apply for and administer a REDI project. For example, when there is more than one eligible entity in an unincorporated area the Department will need to identify the appropriate entity to apply for REDI funding. The most appropriate entity would be that entity which indicates a strong desire to serve the entire community. The same cooperative arrangement which allows for additional funding levels for incorporated areas would also apply to unincorporated areas with two or more eligible entities.

For-profit entities may apply in conjunction with municipalities or other eligible entities. See Appendix C for sample resolutions.

III. ELIGIBLE AND INELIGIBLE ACTIVITIES

A. ELIGIBLE ACTIVITIES

The following activities have been selected as State priority activities for funding from the Alaska REDI program:

1. Those projects which promote economic development in rural Alaska. In addition, those projects which provide assistance to private, for-profit entities, when the assistance is necessary or appropriate to carry out an economic development project will be considered. Assistance must be in conjunction with one of the entities detailed at Chapter II, Eligible Applicants. For projects involving a private, for-profit entity and a public entity, a Cooperative Agreement must be fully executed. (See Appendix A for example of Cooperative Agreement format.)

2. Those projects which promote economic development through improvements to the infrastructure of a community. Those projects listed under Community Development projects (See page 4) meet the State's priority as it relates to the development of infrastructure for economic development.

In rating applications, the state will give additional points to communities who choose activities that fall within the state priorities.

B. INELIGIBLE ACTIVITIES

1. GOVERNMENTAL OFFICE SPACE - Buildings or portions thereof, used predominantly for the general conduct of government cannot be assisted with REDI funds. These buildings include, but are not limited to: local governmental office buildings, police stations, courthouses, and other headquarters of government where the governing body meets regularly. If REDI funds are intended to be used in a facility which includes an ineligible use, refer to the paragraph below on multiple use buildings which contain both eligible and ineligible uses.

B. INELIGIBLE ACTIVITIES, Continued

2. MULTIPLE USE BUILDINGS - Public facilities which contain both eligible and ineligible uses may be partially funded. Funding may be provided for the eligible portion of a multiple use building containing ineligible uses if the following two conditions are met: (1) the eligible portion must occupy a designated and discrete area within a larger facility, and (2) the community must be able to demonstrate that it has adequate funds available to cover the pro rata share of the ineligible portion of the facility by providing documentation that they have committed funds for the ineligible portion.

3. GENERAL GOVERNMENT EXPENSES - Expenses required to carry out the regular responsibilities of the unit of general local government are not eligible for assistance with REDI funds.

4. MAINTENANCE AND OPERATION EXPENSES - The general rule is that any expenses associated with repairing, operating or maintaining public facilities, services, or equipment is ineligible. Examples of ineligible operating and maintenance expenses are: Maintenance and repair of streets, parks, playgrounds, water and sewer facilities, neighborhood facilities, senior centers, centers for the handicapped, parking, similar public facilities, and equipment.

5. FURNISHINGS AND PERSONAL PROPERTY - The purchase of equipment, fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture is generally ineligible unless:

- ° the purchase is necessary for use in grant administration;
- ° it is to be used for operation of a landfill;
- ° it is to be used as fire fighting equipment;
- ° it is necessary for the ongoing operation of a facility, such as manufacturing or processing equipment or appliances, or;
- ° it is to be used for maintaining streets, roads, dikes, ramps, or airports, or similar structures.

REDI funds may be used, however, to pay depreciation or use allowances for equipment (in accordance with OMB Circulars A-87 or A-122 as applicable), although the Department would expect an entity to offer their equipment as leverage. The Department does not want to purchase equipment if the equipment is not an integral part of the project being funded with REDI funds.

IV. PROGRAM INFORMATION

A. AGREEMENTS

Agreements must be signed by the highest elected official of the community (or communities if it is a Cooperative Agreement) and returned to DCRA within 2 weeks of receipt.

B. LENGTH OF PROJECT

Grants will be awarded for a single year. If necessary and allowable, grants may be extended for more than one year to complete projects.

C. PROGRAM INCOME

Program income is defined as the income earned by a REDI recipient or sub-recipient on REDI funds provided. For example, interest earned, user fees, or the sale of assets acquired with REDI funds would be program income. Recipients of REDI funds must report all program income earned on REDI funds, to DCRA when requesting payments. Loan repayments made by an entity when the loan was funded with REDI dollars is also defined as program income. Income generated by an entity assisted with REDI funds is not considered to be program income.

If program income is earned during the term of a project, it must either be: 1) added to funds committed to the project, after advising DCRA, and used to continue the activity from which such program income was derived, or, 2) it may be returned to the State. Program income received after a project is completed may be treated by a grantee as miscellaneous non-REDI revenue.

An applicant proposing to retain program income must submit, with its application, a plan for the ongoing use and financial administration of program income and must retain the following records of program income:

- ° sources of program income;
- ° dates and amount of program income deposits;
- ° interest earned;
- ° dates and amounts of all disbursement of program income; and
- ° the activities funded with program income.

In addition, communities that apply for subsequent REDI grants must retain these records. An entity may elect to return program income to the State, if it desires; or, if the entity determines it does not have the recordkeeping capabilities necessary to maintain adequate accounting for the retention of program income.

C. PROGRAM INCOME, Continued

Program income received after a project is completed is considered to be miscellaneous revenue and does not need to be reported to the Department. The one exception to this is if an entity were to receive another REDI grant before the first project was closed. If this were the case, then any program income generated by the first REDI grant would have to be used to support the second REDI project before additional REDI funds could be released.

D. SANCTIONS

The Department may bar a recipient from applying for REDI funds, withhold unallocated funds, require return of unexpended funds, require repayment of expended funds or require return of program income, if during the project period, the Department finds that:

1. None of the project activities has begun within six months after the grant award; or
2. Private party agreement is not legally binding within 6 months of the award; or
3. Federal or State statutory regulations have not been met; or
4. There is a significant deviation from the proposed activities at the time of or after funding; or
5. There has been a finding that significant corrective actions are necessary to protect the integrity of the project funds, and those corrective actions are not, or will not be, effected within a reasonable time.

No action will be taken by the Department until the recipient has been notified in writing and has been given a reasonable time to respond and correct the deficiencies noted.

E. RECORDKEEPING AND REPORTING

The community will maintain records specified in the contract and the regulations governing the program. These records will include information pertaining to environmental review, equal opportunity and labor standards, when applicable. They will also include information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays and income.

In addition to basic recordkeeping, communities will also be required to submit financial and progress reports/requests for funds as specified in the agreement, on forms provided by DCRA.

E. RECORDKEEPING AND REPORTING, Continued

These reports detail the status and progress of the local program. The reports allow the State to analyze the submitted data and assess the State's effectiveness in meeting program objectives and requirements, and can assist the State in future planning. The State will submit a comprehensive Annual Report to HUD based on this input as applicable. Through these various reports, information regarding the REDI program can be communicated to elected officials, public interest groups, and private citizens. Should a community fail to comply with reporting requirements, or should they fail to meet required progress in implementing their grant program, payments may be withheld, or the award withdrawn.

F. ACCESS TO RECORDS

The Department and other State and Federal officials authorized by the Department may examine, excerpt, or transcribe any pertinent records, documents, papers and books of the community, and of persons or organizations with which the community may contract, involving transactions related to the project and the contract.

G. MONITORING

DCRA Regional Office Staff will be responsible for the regular review of community performance in the proper management and use of CDBG funds. This monitoring will be performed on a periodic basis throughout the grant period and will involve telephone contact, written communications, analysis of reports and on-site visits when possible. It will be the purpose of this review process to reinforce, improve and augment the community's capacity to administer their project by identifying potential problem areas, and initiating corrective action to prevent deficiencies.

A monitoring letter outlining specific review findings will be sent to the community with recommendations reflecting corrective action required, if any, and a due date for the corrective action to be in place. When the Regional Office confirms that the appropriate corrective action has been taken, a letter shall be sent to the community stating that the finding(s) is closed.

H. RECAPTURED FUNDS

Recaptured funds are those which are returned to the State through close-out of a grant, termination for cause, or other means. Recaptured funds will be redistributed in a timely manner to qualified recipients for projects in all categories, according to the criteria used in the year the funds were awarded.

I. AUDITS

Recipients are responsible for having their projects audited for program and financial compliance. The recipients shall comply with the audit requirements established by 02 AAC 45.010, set forth in Appendix D; except that the minimum threshold triggering the audit requirements is \$25,000 if federal financial assistance of at least that amount is received in a program year. The Department will notify grantees as to whether federal funds were used to fund a project and the dollar amount of federal assistance.

Payment for the audit is an eligible expense which can be paid with REDI recipient's administrative funds. If the recipient has other funds which must also be audited, a pro rata share of the REDI funds may be used for the audit.

J. APPEALS

Appeals will be considered as follows: For Preapplications, any dispute considering a question of fact, which is not disposed of by mutual agreement, shall be decided without bias by the Director of the Rural Development Division. The decision shall be in writing and mailed or otherwise furnished to the applicant/ recipient. The decision of the Director is final and conclusive, unless, it is fraudulent or not supported by substantial evidence. In any proceeding under this section, the applicant/recipient has a right to offer evidence in support of its appeal. Pending final decision of a dispute, the recipient shall proceed with the performance of the contract in accordance with the Director's decision.

For Final Applications, any dispute considering a question of fact, which is not disposed of by mutual agreement, shall be decided without bias by the Commissioner of the Department of Community and Regional Affairs. The decision shall be in writing and mailed or otherwise furnished to the applicant/ recipient. The decision of the Commissioner is final and conclusive, unless, it is fraudulent or not supported by substantial evidence. In any proceeding under this section, the applicant/recipient has a right to offer evidence in support of its appeal. Pending final decision of a dispute, the recipient shall proceed with the performance of the contract in accordance with the Commissioner's decision.

K. AMENDMENTS

1. Project amendments - must have prior approval of the Division of Rural Development if they change the overall cost, scope, location, objectives, or time frame of the approved activities or beneficiaries. Failure to gain approval for amendments may result in sanctions.

The recipient may revise the project budget in the contract without a formal amendment, except the administrative line item amount. Such revisions are limited to a maximum of 10% of the total amount of this agreement or \$10,000, whichever is less over the entire term of the contract. Such budget revisions shall be limited to existing budget line items, and the creation of new budget line items which are within the scope of the project. Budget revisions may not be used to increase any budget item for project administrative expenses.

Changes to the budget beyond the limits authorized by this provision may only be made by a formal amendment to the award contract.

2. To the State REDI Plan - This plan can be amended at any time by the State. Notification of the proposed changes will be sent to affected parties at least 30 days before changes are final.

The Department of Community and Regional Affairs reserves the right to make administrative changes in this plan when laws which affect the management procedures change. These changes will not be considered an amendment.

L. WAIVER

The Director of the Division of Rural Development may waive non-statutory requirements.

M. ENVIRONMENTAL REVIEW

Grant recipients are required to obtain appropriate environmental clearances for their projects. An environmental checklist and environmental review statement will be provided by the Division of Rural Development, for those projects which have environmental concerns or impacts. The environmental review must be completed before costs are incurred.

N. PROGRAM SCHEDULE AND BUDGET

All recipients will be required to complete a program budget and work schedule.

V. APPLICATION INFORMATION-GENERAL

A. PREAPPLICATIONS

1. Preapplication may only be made on Rural Economic Development Initiative Program forms, or on a clear copy of these forms. Applicants must submit an original and five copies of all Preapplications and any attachments.

2. Preapplication forms must be completely filled out. Incomplete Preapplications will be returned to the applicant with a description of those items missing or incomplete. The Department, where appropriate, will offer technical assistance and may offer suggestions to correct problems with the application.

3. Two different Preapplications must be submitted for those projects which are requesting REDI funds from more than one funding category for the same project. For example, if funds are requested from the Economic Development/Infrastructure and the Community Development categories for the same project, then two different Preapplications would need to be submitted.

4. If a project is a multi-year project, or if it is anticipated that additional funds will be requested in following years to complete the project, this information must be indicated on the Preapplication.

5. If a project is for infrastructure, which is to be funded from the Economic Development funding category, then the linkage to a specific Economic Development project must be described.

6. The Preapplication must contain the following components; however, the Department reserves the right to request additional information if required. (See VI., E.) Forms and instructions for preparing Preapplications will be provided by the Department to all eligible jurisdictions and other interested persons. The components are:

a. Project Description - A project description should describe the existing conditions, the nature of the proposed project, and what the project will accomplish or resolve. To the greatest extent possible, the application should quantify the problem, the project and its impacts.

b. Proposed Budget - which identifies, specifically how requested REDI funds will be spent, as well as all other proposed funding sources. In addition, a proposed schedule for the project and the coordination of non-REDI resources for the project.

A. PREAPPLICATIONS, Continued

c. The applicant must also meet the following PREAPPLICATION REQUIREMENTS:

i.) Each applicant must address the objective of assisting low and moderate income persons. (See Chapter I, Section L, Low and Moderate Income Persons).

ii.) Each applicant must have, or demonstrate ability to secure, the administrative capacity necessary to undertake and complete the project. Experienced grantees can show past performance and existing mechanisms. If an applicant has unresolved audit findings from previous CDBG, RDA, or REDI grants, or if there is a record of poor performance in implementing other federal or State grants, the Department reserves the right to deny application funding.

If an applicant does not feel that it currently has the management capacity to manage a REDI grant, it may propose to hire administrative staff or arrange for project administration by another entity, after the grant award. In all cases, the applicant must assume direct responsibility for proper financial management of REDI funds awarded to it.

iii.) If applicable, the applicant must be prepared to provide documentation that other funds are available and sufficient to complete the project, if funding is approved. Additional points will be awarded if documentation is provided indicating commitment of non-REDI funds.

7. The Preapplication must be signed by the highest elected official for the applying entity or by all chief officials included in a Cooperative Agreement, this is to indicate the applicant's assurance of cooperation for and with the proposed project. If the Preapplication is approved, a formal resolution will need to be provided with the Final Application.

8. Completed Preapplication forms should be sent to the appropriate DCRA Regional Office. Reference Appendix F.

9. Preapplication forms for Community Development grants must be received during the period specified by the Department. Preapplication forms for Technical Assistance grants will be accepted on an ongoing basis.

10. Two or more eligible communities may join together and submit a single Preapplication. In such a case, the total amount of funding will be an amount equal to the combined funding as if each eligible community applied separately. If the Preapplication is accepted, a fully executed agreement between the communities involved must be submitted with the Final Application. Additional points are available to communities submitting joint applications.

11. The Preapplications will be reviewed by the Preapplication Review Committee (PARC) biweekly (every two weeks). All Preapplications are then processed accordingly.

12. The PARC will make one of the following decisions regarding the Preapplication:

- a. recommend to continue application process;
- b. recommend technical assistance to improve Preapplication information. Technical assistance may be provided by either Department staff, a recommendation to another agency, or a recommendation will be made to the Application Selection Committee (ASC) to award a grant for Technical Assistance, or;
- c. reject the Preapplication at this time and offer suggestions on how the Preapplication could be improved.

B. FINAL APPLICATIONS

The Final Application is an extension of the Preapplication submitted by the applicant. Once a Preapplication is approved by the PARC, REDI applicants must identify the source and provide supporting data for any claims made in the Preapplication. The lack of supporting documentation to substantiate information on the Preapplication will be sufficient grounds for the Department to reject a Final Application, and if justified, to withdraw a tentative award unless extenuating circumstances exist which are beyond the control of the community.

A Final Application for funding under the Community Development or Technical Assistance grant categories must also contain the following components; however, the Department reserves the right to request additional information if required.

B. FINAL APPLICATIONS, Continued

Forms and instructions for preparing Final Applications will be provided by the Department to those applicants with projects approved by the PARC.* The components are:

1. A Schedule for Project Implementation - The Schedule should identify the time frames for major activities and expenditures and, if applicable, the coordination of non-REDI resources for the project. Further, the applicant must commit to adhere to the schedule;

*If a component has been fulfilled to the applicant's satisfaction as a part of the Preapplication, the applicant should state this fact and reference the applicable page and section.

2. Project Description - A project description should describe the existing conditions, the nature of the proposed project, and what the project will accomplish or resolve. If not done on the Preapplication, the Final Application should quantify the problem, the project and its impacts.
3. Budget - Grant requests must be sufficient either as proposed, or in combination with non-REDI funding sources that the proposed project will be completed within the contract period. Each applicant must propose a budget which is sufficient to assure effective administration and timely project completion.

Costs must be fully supported and explained in a narrative justification, including sources and amounts of non-REDI funds. Documentation and firm commitments from other sources providing funds for the project must be included.

- a. Costs - The total budget of any proposed REDI project should be divided between "project costs" and "administrative costs." The administrative budget covers the costs of implementing a local project, the pro rata share of the local project audit; and other contractual costs for professional services that may be associated with administration of the project.

Administrative costs must be appropriate and commensurate with the project being undertaken. Any proposed administrative costs must be eligible, fully supported, and explained. In no case may the administrative budget for the grant exceed 15 percent of the total amount requested. (See Chapter I, Section G, Project Administration.)

Applicants which propose to contract for project management assistance must specifically itemize this amount in the administrative budget and fully explain it.

Under no circumstances are costs incurred prior to award of the grant eligible for reimbursement in the event of a grant award (i.e., fees for preparing an application; needs assessment; cost associated with conducting a local survey; and preliminary engineering studies.)

Applicants should be especially careful to see that all potential costs for carrying out the project are identified prior to submitting the Final Application. Consideration must be given to such costs as:

- ° future maintenance and operation costs;
- ° compliance with state and federal requirements;
- ° preparation of reports;
- ° bookkeeping;
- ° legal services;
- ° travel for REDI administration training or project related workshops;
- ° staff training;
- ° if applicable, conducting environmental review and publishing required public notices;
- ° appraisals;
- ° acquisition of land or easements for demonstrating site control;
- ° engineering or design costs;
- ° Davis-Bacon (prevailing wage) requirements which may increase construction costs;
- ° regulatory agency approvals (e.g., State Fire Marshal office, Department of Environmental Conservation, or Army Corps of Engineers);
- ° if applicable, relocation costs for displaced persons; and
- ° audit costs. (The Department recommends that applicants budget from \$3,000 to \$5,000 for a final project audit and a pro rata share of a state and/or federally mandated audit.)

- b. Narrative - The budget must be accompanied by a narrative justification for the specific proposed REDI project and related administrative costs, including a breakdown of total project costs which identifies sources and amount of all non-REDI funds to be used. The cost estimates for each item in the proposed budget must be explained in the narrative. For other sources of funds, the status of these funds and how they will be used with REDI funds needs also to be described.
4. Site Control - When a proposed project requires real property, verifiable documentary evidence of title or other sufficient interest in the land or facility to be used must be provided. Site Control is documented by a deed, a lease (usually for at least 20 years), an easement, or similar document allowing the proposed activity to occur. Communities will be given six months from the date of award to acquire site control unless extenuating circumstances which are beyond the control of the community exist, which are documented then approved by the Department. If this does not happen, awarded funds may be redistributed.
5. Resolution or Ordinance - The Final Application for REDI funds must be accompanied by a copy of a resolution or a motion duly adopted or passed as an official act by the applicant's governing body within three months of the date of the Final Application which:
- ° authorizes the submission of the Final Application;
 - ° states the applicant's willingness to abide by the REDI Statement of Assurances (Appendix B); and
 - ° authorizes the applicant's chief elected official to act on its behalf in regard to the application and to provide such additional information as may be required. A sample format resolution is included at Appendix C.
6. Cooperative Agreement - Applies only when two or more communities apply or a local government is applying for another agency or entity.
7. Certifications - All applicable regulatory agency approvals have been obtained, or are being processed by the appropriate agency. (e.g., State Fire Marshal approval of building plans, Department of Environmental Conservation approval of water and sewer connections or systems, Army Corps of Engineers approval of projects impacting wetlands, etc.)

7. Certifications, Continued

In addition, if applicable, the applicant must agree to comply with the federal and State requirements set out in Appendix B.

8. Community Assessment - The community must show what resources were used to set priorities in developing their Community Assessment in applying for their REDI grant and that the proposed project offers a solution to identified community need. (See Chapter I, Section H, Community Assessment for additional information.)
9. Citizen Participation - Citizen Participation must be documented by providing minutes of the hearings or council meetings where decisions about the project were made and a copy of the Public Notice provided. (See Chapter I Section I, Citizen Participation for additional information.)
10. An Application Selection Committee (ASC) will meet to review and recommend funding of those Final Applications that have provided the information requested above. The ASC will make one of the following decisions concerning the Final Applications:
 - a. to fund as requested, if at least a minimum score of 70 points was received;
 - b. to fund at a lesser amount, if at least a minimum score of 70 points was received;
 - c. offer a Technical Assistance grant to the entity, to enable the applicant to improve their Final Application, or when possible, direct them to a source of free technical assistance, or;
 - d. deny funding and suggest alternative funding sources, if available.

When c. is completed and the Final Application has been improved, the applicant must reactivate the Final Application, which may then be reviewed again by the ASC to be considered for funding.

Final Applications will be weighed against the criteria for the appropriate grant category and must obtain a score of at least 70 points to be considered for funding. Final Applications will not be weighed against each other.

VI. APPLICATION CRITERIA

A. GENERAL SELECTION CRITERIA

1. Detailed review of the Final Applications will be based on community need and the impact of the project.
2. In assessing need and impact, reviewers will consider the following factors in addition to the specific impact criteria:
 - a. extent and seriousness of identifiable needs;
 - b. results to be achieved;
 - c. number and percent of persons in the project area benefited, given the type of application;
 - d. nature of benefits;
 - e. the amount of funds requested;
 - f. previous actions taken by the applicant;
 - g. environmental concerns, if applicable; and
 - h. the nature of the activity.

B. RANKING SYSTEMS

Because of the problems faced by Alaska communities, the demand for funds from the old CDBG and RDA grant programs far exceeded the amount available. REDI ranking systems have been developed to provide an objective means to evaluate the degree to which a proposed project responds to the criteria of its type of project. Each of the project categories uses different criteria in order to provide measures which are appropriate to that category.

Applications for grant categories will be evaluated by applying the ranking criteria against proposed project activities. These criteria have been established to identify projects which are well planned and most clearly respond to the State and federal objectives of the REDI program. Those Final Applications assigned at least a minimum score of 70 points will be considered for funding.

C. PROJECT CATEGORY SELECTION

The selection of the appropriate project category is the applicant's responsibility. Local officials having any concern or questions regarding the proper category for the REDI project they are considering should contact the Department for guidance as early as possible in the application process. If a Pre-application is submitted under an inappropriate category, the Department reserves the right to review it under the proper category. If it is determined that it is appropriate to change the category of a Preapplication, the applicant will be notified.

D. POINTS ASSIGNED

Not all the criteria in each category are of equal importance. Each criterion has been assigned a number representing its relative priority or weight. By reviewing the criteria and weight in potential points assigned to them, applicants should have a better sense of the major issues involved in designing a competitive proposal and the relative effort which should be devoted to responding to each criterion. Any person with a question or concern regarding the ranking criteria should contact the Department's REDI staff prior to application.

The individual Preapplications submitted under each project category will vary depending upon the project activities proposed, the size and character of the entity applying, and each applicant's unique response to its community's specific needs. Because no purely quantitative measures exist which can anticipate the variety of potential community needs and all responses to them, the ranking must be, in part, subjective.

E. APPLICATION CONTENT

In general, information submitted by the applicant after the due date for Preapplications for Community Development grants will not be considered unless that information is specifically requested by the Department. As the other grant categories; Economic Development, Technical Assistance, and Emergent Need, all have open application cycles, information may be submitted at any time. Applicants are expected to keep the Department informed of any developments during the review process which would impact the funding for the project or adversely affect the viability of the proposed project. The Department may contact the applicant to obtain omitted information, to clarify issues, or to verify information contained in the application.

E. APPLICATION CONTENT, Continued

The Department may supplement application materials, as needed, by consulting public or private agencies knowledgeable about proposed projects or particular community problems. The Department will provide for outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review. Site visits may be made to the proposed project area for the purpose of verifying or further evaluating information contained in an application.

VII. FINAL APPLICATION REVIEW PROCESS

A. EVALUATION

An Application Selection Committee (ASC) for each project category will be appointed by the Director of the Rural Development Division from state agency staff and outside experts. Final Applications will be evaluated by the ASC using the appropriate criteria and numerical point systems described in the REDI application guidelines. The ASC will recommend to the Director which Final Applications should be funded and appropriate funding levels.

B. RATING

After reviewing each Final Application and any technical review comments, the ASC will assess the degree to which the proposed project responds to each of the applicable criteria. Scores will be assigned according to the point values established for the criteria. The lack of response to a criterion will result in zero points. If the ASC determines that the applicant has inadequately documented specific statements made in responding to a criterion, it may assign the application a lower score than would otherwise have been assigned based on the statement itself. Likewise, numerical and percentage claims will only be accepted and considered valid to the extent to which they are clearly substantiated by accompanying documentation.

C. SELECTION

The ASC will submit their selections for grant awards to the Director for his approval, based upon the order of scores assigned by the ASC for the applicants in each category. The actual number and types of awards will be subject to funding availability, the amount of each applicant's request and the procedures set out for distribution of funds.

C. SELECTION, Continued

In the event of tie scores, projects will be selected on the basis of the Director's judgment of the overall quality of the proposed projects and their consistency with the goals and objectives of the REDI program.

VIII. COMMUNITY DEVELOPMENT RANKING SYSTEM

Points will be assigned depending on how well the following selection criteria is met:

1. The number of direct beneficiaries;	10 points
2. The cost of REDI dollars per direct beneficiary;	15 points
3. The ratio of REDI dollars to other federal and state grant funds;	15 points
4. The ratio of REDI dollars to local government, private and other non-governmental funds;	10 points
5. Degree of need demonstrated; (Factors to consider include: Nature and extent of problem, how long it has existed and past efforts.) and,	20 points
6. Degree of benefit anticipated. (Factors to consider include: Problem resolution, impact on community, importance to the community, degree of LMIs affected, and readiness to proceed.)	<u>30</u> points
TOTAL:	100 points

A Final Application must obtain a score of least 70 points from the ASC before the Final Application may be considered for funding.

IX. TECHNICAL ASSISTANCE RANKING SYSTEM

Points will be assigned depending on how well the following selection criteria is met:

1. Evaluation of the work program;	15
2. Urgency of need;	20
3. End product;	20
4. Percent of low and moderate income persons to be benefited (directly or indirectly); and	20
5. Explanation as to how funded program relates to an Economic Development project.	<u>25</u>
TOTAL:	100

A Final Application must obtain a score of least 70 points from the ASC before the Final Application may be considered for funding.

X. EMERGENT NEED

Selection in this category will be non-competitive. Qualifying applications will be funded until all the funds in this category are depleted. Qualification criteria include:

- a. Need for additional short term bridge financing is critical to continuation of the financing process;
- b. Emergency situations arising from the imposition of regulations affecting the project;
- c. Needs requiring special mitigation and amelioration such as a sudden change in market or supply conditions;
- d. Sudden and unplanned changes in insurance and bonding requirements, availability, and price;
- e. Complete resolution of an imminent threat can be achieved; and,
- f. Lack of other resources to meet the emergent need.

XI. ECONOMIC DEVELOPMENT PROGRAM AND RANKING SYSTEM

A. INTRODUCTION

This chapter outlines the process by which local governments, village or tribal councils, or non-profit corporations; either on their own or in partnership with private business, can benefit from public financing. The special requirements and ranking criteria which are applicable to REDI Economic Development applicants are detailed here. **THIS CHAPTER MUST BE READ IN CONJUNCTION WITH CHAPTERS I-X. WHICH APPLY TO ALL REDI APPLICATIONS.**

The Economic Development category of Alaska's REDI Program is designed to assist in providing incentives to stimulate new investment in order to expand, maintain or start local economic development activity with principal emphasis on assisting the private sector. These funds are intended to complement conventional business financing techniques and other federal programs such as the Economic Development Administration, Farmers Home Administration, and Small Business Administration. The REDI Program is also designed to complement the various other state programs offering assistance for economic development.

It is the goal of the Department of Community and Regional Affairs (DCRA) to use economic development grants (and in the future loans) to increase employment, benefit low and moderate income people, and enhance Alaska's economy. In order to accomplish these goals, a strategy is outlined below. Although these points will not necessarily be used to eliminate eligible projects, they do express the preference of the department and will weigh in favor of funding.

B. ELIGIBLE APPLICANTS

All entities detailed at Chapter II., Eligible Applicants may apply for funding under the Economic Development program. A business may not apply directly to DCRA. It must work with the appropriate local government body or appropriate council or nonprofit corporation. Both the Preapplication and Final Application must be submitted by the local jurisdiction or entity and be signed by the highest elected official for a city, council or nonprofit, or by a mayor of a borough.

In the case of a public/private project, a Cooperative Agreement must be in place.

C. NECESSARY OR APPROPRIATE

The State must determine that the amount of assistance requested is not excessive, taking into account both the actual needs of the business in making the project financially feasible and the extent of public benefit expected to be derived from the economic development project.

Documentation must be presented demonstrating analysis of the business need for assistance as well as public benefit factors, which should be considered in making a determination that the assistance is necessary or appropriate. The type of factors considered might include: the number and type of jobs to be made available in relation to the needs of persons of low and moderate income and others who are likely to be to be employed or retained for employment; other development which is likely to be stimulated in the area by the activity; increases to the tax base including property, sales and income taxes in the area; or increases in needed services which result from the activity.

D. ELIGIBLE ACTIVITIES

REDI Economic Development projects should be designed to create new employment opportunities or maintain existing employment, principally for low and moderate income persons and to provide long-term benefits to the state's economy. The REDI Economic Development program will be designed to assist businesses by making funds available to them. Presently, grants are only available, but in the future the Department anticipates establishing a loan program which will make loan funds available at reasonable interest rates.

Funds may be provided to purchase fixed assets. Not more than 25% of any project award may be used for working capital.

Typical eligible activities that fall within the REDI Economic Development category include:

- ° land acquisition; grantees may sell or lease the land to a business. If the land is sold to a business, it must be sold at no less than 75% of appraised value. Land may not be given to businesses;
- ° public facilities and other improvements in support of economic development, such as water and sewer lines, and access roads;
- ° acquisition, construction, rehabilitation or installation of commercial and industrial buildings, facilities or equipment;
- ° market research or availability;

D. ELIGIBLE ACTIVITIES, Continued

- ° working capital;
- ° employee training;
- ° manufacturing or other industrial production;
- ° retail businesses or food service facilities;
- ° convention facilities, trade centers and tourism facilities; or
- ° other activities which represent new technology or types of economic enterprises which meet community development needs and which diversify the economic base of an area.

For those projects which are for infrastructure which is related to an Economic Development project, this linkage to Economic Development must be detailed on the Preapplication.

Eligible use of REDI funds in assisting for-profit businesses may include grants, loans, loan guarantees or interest supplements, which are necessary or appropriate to carry out an economic development project.

Economic Development projects must also accomplish one or more of the following:

- ° Support projects that will increase the number of jobs in the State,
- ° Promote economic recovery in small communities heavily dependent on a single industry,
- ° Emphasize development in underdeveloped rural areas;
- ° Support the development of the State's small businesses, especially those owned by women and minorities;
- ° Encourage projects that assist businesses selling goods and services in markets for which national or international competition exists; and,
- ° Replace and/or compete with business products or services being imported into the state.

E. FUNDING

The maximum amount that may be awarded in a single grant in a program year (state fiscal year) is \$200,000. The State may offer an applicant a grant amount for less than the amount applied for.

Economic Development Preapplications may be submitted year round. By not restricting applications to a specific application period, communities will be able to respond to actual business cycles. Although funds may run out before the end of the grant year, local jurisdictions are well advised to prepare a complete and carefully compiled application. Rushing an application when business prospects are less than secure, greatly lessens the chance of funding.

Grantees may use grant funds to finance public improvements but the following conditions must be met:

It is the responsibility of the applicant to demonstrate that the business is in need of Economic Development funds in order to complete the project. The applicant is encouraged to work with DCRA staff to see that the development could not proceed but for an infusion of public dollars.

Projects that involve refinancing of existing debt are not eligible for funding. Neither does refinancing count as private leverage.

Businesses which are relocating within the State are generally not eligible for funding.

F. RANKING CRITERIA & SPECIAL REQUIREMENTS

Economic Development Preapplications will be evaluated according to the following criteria:

1. Rationale for selection of the project;	10 points
2. Project plan;	15 points
3. Project impact;	20 points
4. Leverage;	10 points
5. Hiring and training plan;	10 points
6. Benefit to Low and Moderate Income Persons; and	10 points
7. Project Management.	<u>25</u> points
Total	100 points

A Final Application must obtain a score of least 70 points from the ASC before the Final Application may be considered for funding.

1. RATIONALE FOR SELECTION OF THE PROJECT--10 Points

This criterion will consider the thoroughness of the applicant's:

- ° community needs assessment process;
- ° citizen participation efforts, especially involving low and moderate income residents; and
- ° local efforts to promote economic development.

Applicants will receive a higher score on this criterion if:

- ° there is evidence of active citizen participation, especially low and moderate income residents, in the development of the community needs assessment, in the selection of the proposed REDI project, and of the applicant's efforts to thoroughly address any potential impacts of the project on low and moderate income residents;
- ° the applicant has developed a complete, well-rounded, appropriate, and achievable plan for dealing with its total economic development needs, taking into consideration all available public and private resources and local capacity;
- ° the local governing body has officially adopted an economic development plan as a matter of public policy and the proposed program for which REDI funding is sought is an integral part of the plan;
- ° the community has made substantial local efforts to deal with its economic development problems;
- ° the proposed REDI project is realistic and workable, and the job savings or creation expected to result from its implementation will occur within a reasonable time following the date of grant award;
- ° the applicant has considered potential adverse economic impacts of the project on other similar local businesses, and;
- ° the project is appropriate and can be expected to proceed as planned.

2. PROJECT PLAN--15 Points

A. Uses of REDI Funds:

(1) Awards to For-Profit Entities (in conjunction with the eligible applicant)

For applicants involving grants or loans to for-profit entities, the business plan(s) will be analyzed on the basis of the:

- ° need for REDI assistance and the appropriateness of the proposed use of REDI funds;
- ° presented financial strength of the proposal;
- ° appropriateness of the proposed terms (e.g., security, interest rate, etc..) of any REDI funds loaned;
- ° past performance of the proposed firm or principals; and
- ° the level of local participation by the applicant community in the proposed project in relation to available local resources.

Federal regulations require the department to consider whether REDI assistance to any for-profit entity applying in conjunction with the eligible applicant is necessary or appropriate. Also included in the requirement is the need to determine the extent of need for assistance and the amount to be provided in relation to the public benefit that would result. Applicants must clearly demonstrate the need for REDI assistance by documenting that a financing gap exists in funding the project. Applicants must show that all reasonable resources have been considered and are not available or appropriate. A gap may be documented in a number of different ways including but not limited to the following:

- ° the early annual (first 3 years) earnings of the proposed project are not sufficient without REDI assistance to meet the annual debt service requirement of a loan at market rate;
- ° the firm to be assisted cannot contribute sufficient equity to the project to meet the collateral requirement of the first or second position lenders;
- ° the rate of return on the private sector investment in a project is not sufficient to provide a reasonable rate of return to investors;
- ° there is inadequate private lender financing available to invest in the project; or
- ° site development costs are beyond the means of private and public participants in the project.

(2) Assistance to Nonprofit Entities or Local Governments

For applications where facilities or activities are proposed that will remain the responsibility of the applicant local government or a nonprofit entity, the business plan will be analyzed on the basis of the:

- ° level of documentation demonstrating the ability of the facility or activity to support itself over time;
- ° need for REDI assistance;
- ° appropriateness of the proposed use of REDI funds; and
- ° in instances where the local government or nonprofit entity will assume an ongoing subsidy of the project, the level of subsidy and effect of the subsidy on local revenues and the anticipated long-term benefits of the project.

B. Business Plan Requirements:

Each applicant must submit a business plan for each firm or entity to receive assistance, whether for-profit or non-profit. Each business plan must contain sufficient information for the Department's selection committees to obtain an adequate understanding of the firm to be assisted, including the products or services offered, estimated market potential, management experience of principals, current financial posture, and details of the proposed venture.

Applications involving more than one business will require a longer review period. Each business included in an application will be evaluated and rated separately. An application will be more competitive if all businesses proposed are financially strong individually. An otherwise strong application could be less competitive if a weak business is included.

NOTE: ALL BUSINESS PLAN INFORMATION AND FINANCIAL EXHIBITS WILL BE CONSIDERED CONFIDENTIAL, FOR EVALUATION PURPOSES ONLY, AND WILL NOT, EXCEPT AS REQUIRED BY LAW, BE PROVIDED TO ANY THIRD PERSON, FIRM, CORPORATION OR PUBLIC ENTITY WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BUSINESS.

The business plan must include the following elements:

(1) Business Description

Include a description of the company or enterprise and an explanation of the products or services offered.

(2) Management

Provide the names, titles and resumes of each of the principals to be responsible for the management of the business.

(3) Market

Discuss the present or proposed market area and share, as well as future projections, and provide an explanation of how the information was developed (for example, market surveys or research). Document any identified potential markets (for example, contracts, letters or other evidence of interest in the product[s] by potential buyers or distributors), especially if sales projections show annual increases exceeding 25%.

(4) Sources and Uses of All Funding

This section would discuss the source, use and terms of all funds to be included in the project.

No award may be made directly to for-profit entities. The REDI portion of the project may include a loan to a private sector firm with terms to be negotiated by the local government and the assisted entity, subject to approval by the Department of Community and Regional Affairs. A description of all aspects of the proposed assistance (i.e., loan terms, security, etc..) and the rationale for each must be included with the application.

All loans are subject to the following guidelines:

(a) Loan Terms

The terms of the loan should be consistent with the projected use of funds, and individual project needs. For example, terms for financing machinery and equipment should generally be between 5 and 10 years. For buildings and real estate, terms should generally range between 15 and 20 years. Working capital loans should be limited to 10 years.

(b) Deferral of Repayments

Repayments of principal, interest, or both may be deferred up to three years.

(c) Loan Security

All loans must be secured with fixed assets (i.e., land, buildings, and capital equipment) and/or personal guarantees. REDI funds may be placed in a subordinated security position to other lenders involved in the project. Applicants must include documentation for the value of collateral offered for security and a description of all security positions held by lenders.

(d) Interest Rates

Interest rates are negotiable but, at a minimum, should not be lower than either the lesser of five percent, or 50 percent of the rate for U.S. Treasury Bonds of like or similar maturity to the terms of the proposed REDI loan, on the date 15 days prior to the preapplication deadline. Lower interest rates may be considered by the department if it can be conclusively demonstrated that a lower rate is essential to the economic viability of the project.

(5) Financial Exhibits

The business plan must include the following financial exhibits:

(a) Financial Statements

For existing businesses, provide financial statements for the three most recent years of operation to include the following:

- ° Balance Sheet;
- ° Profit and Loss Statements;
- ° Cash Flow Statement; and
- ° Reconciliation of Net Worth.

Audited or reviewed financial statements with full disclosure notes are preferred. (If not reviewed by independent accountants, then supported by copies of federal tax returns.) Financial statements should also include a current Aging of Accounts of Receivable and Payable.

(b) Earnings Projections

Provide the following projections for three years:

- ° Balance Sheet;
- ° Profit and Loss Statement; and
- ° Cash Flow Statement.

Earnings projections must include a projected monthly cash flow analysis for one year. For businesses that experience regular or occasional cyclical variations in cash flow, provide a narrative explanation of the reason(s) for the occurrence of the cycles and the effect, if any, on the business's ability to meet its debt obligations identified in the existing and projected debt schedules.

(c) Debt Schedule

Provide descriptions of all existing and projected debts and lenders, annual debt service amounts, and any related loan requirements.

(d) Working Capital Needs

Provide information on working capital needs and verify through cash flow projections showing changes in inventory and receivables.

(e) Personal Balance Sheet

Provide personal balance sheet for each individual with 10 percent or more ownership in the projected project.

The business must be able to show that projected cash flow will be sufficient to cover projected debt service and that a positive net worth can be maintained. The projections must include a narrative explanation of how the figures and assumptions were derived with special emphasis on any changes in major assumptions from existing conditions (i.e., changes in cost of goods sold and general administrative expenses as a percentage of sales, or if sales increases exceed 25% annually). Special care should be taken to include increased labor costs related to achieving the hiring goals contained in the Hiring and Training Plan.

Applicants should include any other information which may be helpful in documenting the economic viability of the project.

(6) Private Sector Commitments

Final Applicants must provide firm commitment letters from any private sector lenders or investors involved in the project.

Letters of commitment from firms to be assisted should be submitted with the preapplication and must:

- ° be on letterhead of the firm and signed by an official of the firm authorized to commit the organization;
- ° provide a clear statement of the firm's concept of the project, (i.e., the location, scope and cost);
- ° specify the nature of the commitment, (e.g., amount of private commitment, amount of borrower's commitment, type and size of the project, number of jobs to be created, commitment to hire low and moderate income individuals, etc...); and
- ° state a willingness of the firm to sign a legally binding commitment upon grant award.

NOTE: LETTERS OF COMMITMENT FROM PRIVATE FINANCING INSTITUTIONS MUST ALSO BE SUBMITTED AND MUST SPECIFY THE AMOUNT AND TYPE (FOR EXAMPLE, INTERIM CONSTRUCTION FINANCING) OF THE LOAN BEING PROVIDED FOR THE SPECIFIC ACTIVITY TO BE UNDERTAKEN. THE COMMITMENT SHOULD BE BINDING, CONTINGENT ONLY UPON RECEIPT OF REDI FUNDS.

(7) Public Sector Commitments

If resources from the public sector or nonprofit entities are to be involved in the proposed economic development project, Final Applications must provide written evidence of firm commitment of public funds and/or other resources. Such commitments should be binding, contingent only upon receipt of REDI funds. Evidence should include resolutions passed by the local governing body and/or a letter of commitment from other sources.

Applicants will likely receive a higher score on this criterion if:

- ° the Final Application is complete as submitted, and contains accurate information;
- ° the earnings projections submitted with the Final Application are realistic and attainable and are supported by historical trends and indicate that projected cash flow is sufficient to support increased debt;
- ° if applicable, the REDI assistance would be adequately secured with fixed assets and/or personal guarantees;

- ° the Final Application documents a sound, well thought out proposal with a perceived strong chance for success if REDI funds are received;
- ° the private or public sector lenders involved in the project have provided firm public commitment of funds; and
- ° the Final Application conclusively demonstrates that the project will support itself over time, and will not impose a burden on any local government or nonprofit entity participating in the project.

Final Applications which document a sound, well-reasoned proposal will be awarded a higher score in this category. Applications where viability may be questionable, or where the overall business plan or need for REDI assistance is inadequately documented, will receive a lower score. The Department may request outside assistance in evaluating this criterion.

3. PROJECT IMPACT--20 Points

Federal regulations require the department to consider the amount of the REDI assistance to be provided in relation to the public benefit that would result.

A. Jobs Created / Retained

This factor will be assessed by dividing the total number of permanent full-time or full-time equivalent jobs to be directly created or retained by the assisted enterprise into the total amount of the non-administrative REDI funds requested. This ratio will be evaluated against the type of job(s) created, the amount of non-REDI funds contributed to the project, the potential for long-term growth of the assisted firm, and the ratio of REDI dollars to the number of current positions the assisted enterprise presently has.

Therefore, the following ratios and/or assessments will be made, where applicable, to determine the proposed project's impact:

- a. Total number of jobs to be created or retained, will be divided into the total amount of REDI funds received for the project. The amount of REDI funds used in this calculation will be those funds specifically for the project, those funds for administration of the project will not be used in this calculation.

b. The types of jobs to be created or retained will be evaluated (e.g., are the jobs proposed seasonal, part-time, or full-time, and are the jobs to be created or retained the type that do not have difficult entrance requirements).

c. The number and types of positions impacted by the proposed project will be compared to the amount of non-REDI funds also brought to the project by the applicant.

d. The possibility of the proposed new or assisted positions being retained and the assisted enterprise being able to continue operating after REDI funds are expended will be expended.

e. The ratio of REDI dollars to the number of current positions the assisted enterprise presently has working for it will also be evaluated.

B. Economic Impact

This factor considers both the direct and indirect economic benefits the REDI project is expected to produce including:

a. whether the firm to be assisted is a "basic industry", an "import substitution activity", or an activity which involves the "distribution of Alaska-made goods", as defined by the Made In Alaska program.

b. whether the project involves the processing, refining, marketing, and innovative use and promotion of Alaska's natural resources;

c. the size of the additional payroll expected to be generated from the jobs created or retained in relation to the size of the community;

d. the total number of jobs created or retained in relation to the existing employment base;

e. the amount of local property taxes generated by the construction of new facilities, expansion of or improvements to existing facilities, preserved by retaining an existing facility as compared to the local government's existing tax base, or loss of tax base, if an existing facility or parcel of land will be turned over to a government activity or if moved out of the applicant community to an adjacent jurisdiction; and

B. Economic Impact, Continued

f. the indirect effects of the activity on the surrounding community such as benefits provided to related businesses or the importance of the assisted firm to the local trade area and the number of indirect jobs that are expected to be created as a result of the proposed project.

Proposals that encourage the relocation of a business from one Alaska community to another will be disqualified unless the applicant can demonstrate the existence of unusual or extenuating circumstances that would justify the relocation.

A higher score on this criterion would likely result when:

- ° the proposed project is consistent with the community's economic development strategy;
- ° the applicant has demonstrated that the firm to be assisted has a high potential for growth and future job creation;
- ° the applicant has clearly justified the claimed number of indirect jobs to be created as a result of the project;
- ° the economic development activity proposed would foster the creation or saving of permanent full-time employment for persons of low and moderate income, which offers those workers opportunity for advancement;
- ° the applicant has demonstrated that a high level of positive economic benefit to the community will likely result; and
- ° the applicant has considered potential adverse economic impacts of the project on other similar local businesses.

4. Leverage--10 Points

In preparing its project budget, the applicant is required to identify the sources and uses of funds and the amounts to be contributed by each financial source. To be eligible for consideration, an applicant must assure the participation of at least one, non-REDI dollar for each five dollars of non-administrative REDI Economic Development funds requested (a 1:5 leverage ratio). The non-REDI funds may come from a variety of sources, such as new investment by a firm to be assisted, bank loans, loans to be repaid to a another state or federal loan program or grants.

Increased owner equity resulting from the proposed business expansion, existing fixed assets or investments made prior to grant application will not be counted toward this requirement. Existing equipment, inkind services, costs incurred prior to grant application, or the refinancing of existing debt will not be considered as match.

The ratio of new investment to non-administrative REDI dollars will be compared to other preapplications submitted for the competition. A very low ratio may be less competitive; an excessively high ratio may indicate a questionably low level of need for REDI assistance.

A higher score on this criterion would likely result when:

- ° the applicant has demonstrated that the level of REDI and non-REDI investment is appropriate and reasonable for the type of jobs to be created or retained;
- ° leverage funds are predominately private sector investment through bank loans and other state and federal guaranteed loans rather than grants;
- ° the applicant has demonstrated a high ratio of private investment in relation to REDI dollars requested, and;
- ° when a high ratio of equivalent full-time jobs versus REDI funds requested is present or anticipated.

5. HIRING AND TRAINING PLAN--10 Points

The primary goal of REDI-funded economic development grants is to increase job opportunities for local residents, particularly persons of low and moderate income.

Final Applications must propose methods to ensure preferential recruitment, hiring, and training of local workers, particularly those of low and moderate income. In the event of grant award, the applicant's commitment to the hiring plan will be considered binding and will be incorporated in the grant agreement between the local governing body and the department. Hiring goals should be reasonable and justified by the financial statements and projections. Claims for the number of jobs to be created or retained should be realistic and not inflated or overly optimistic. The assistance agreement between the community and the assisted entity must contain conditions regarding the hiring of low and moderate income persons. The assisted entity must show substantial compliance with the hiring and training plan and a "good faith" effort towards accomplishing the hiring goals set out in the assistance agreement before the project can be closed out. In order to comply with federal requirements, the department must ensure that performance goals are achieved; therefore, the assistance agreement will contain a penalty clause for noncompliance with the hiring and training plan which could result in recovery of grant funds from the assisted entity or the recipient community.

Assistance in the development of a hiring and training plan may be obtained from the local Job Service and the department's Regional Offices. A base level of employment must be provided in order to determine the actual number of new hires. For existing firms, applicants should provide employment levels for the past three years. The date for determining the base level of employees will be December 31, 1987.

Applicants should take into consideration equal opportunity and nondiscrimination laws to ensure that women and minorities are not excluded from participation, denied the benefit of, or subjected to discrimination under any program or activity funded in whole or part with REDI funds.

Applicants who work with their local JTPA program and are willing to consider JTPA eligible persons as their first source when hiring will automatically receive eight points on the rating for this criterion.

An acceptable hiring and training plan should contain the following:

- a. A breakdown of jobs to be created or retained, indicating the percentages which are full-time, part-time, skilled, semiskilled, or unskilled;

b. A discussion of the actions to be taken to ensure that the positions created will be made available to persons of low and moderate income;

c. A breakdown of jobs to be created indicating the job titles and descriptions and the rates of compensation. For applications proposing positions involving less than full-time employment, an estimate of the number of hours to be worked each week or months to be worked each year for each position must be included;

d. A timetable for creating the jobs, the total number of persons, and number of low and moderate income persons to be hired. The department will use the number of jobs to be created or retained within a period of three years from the date of grant award as the basis of comparison between preapplications.

e. An assurance that equal opportunity and nondiscrimination laws will be complied with;

f. Procedures for outreach, recruitment, screening, selection, training and placement of workers which will ensure maximum access for local residents, particularly persons of low and moderate income;

g. A description of the training curriculum and resources, if applicable;

h. Written commitments from any agencies or organizations participating in the implementation of the plan, including this department's own JTPA program; and

i. Written commitment from the assisted entity to comply with the plan.

Minimum job requirements should not exceed the equivalent of a high school education in order to be counted as a job opening available to low and moderate income persons. If job qualification requirements exceed the equivalent of a high school education, training can be provided to enable otherwise unqualified persons to qualify for the position. The jobs that are to be created must be physically accessible to the low and moderate income population within a reasonable geographic area. Consult with department staff if uncertain whether a job to be created would be considered available to low and moderate income persons.

The following factors will be considered for this criterion:

° the completeness, clarity, and feasibility of the hiring and training plan;

- ° the timetable for creating jobs and hiring workers in relation to the projected growth of the business;
- ° the degree to which the plan responds to the needs of low and moderate income person; and
- ° whether the applicant has taken into consideration equal opportunity and nondiscrimination laws to ensure and document that women and members of protected minority groups will not be excluded from participation in program benefits;

A higher score on this criterion would likely result when:

- ° the number of jobs proposed to be created or retained appears realistic and reasonable, based on the business plan and other information contained in the preapplication;
- ° a firm commitment to follow the plan has been obtained from each business expected to benefit directly from the REDI assistance;
- ° the applicant's hiring and training plan provides clear, complete procedures for outreach, recruitment, screening, selection, training and placement of workers which will ensure maximum access for local residents, particularly persons of low and moderate income, to jobs created or saved by the project;
- ° the applicant has contacted the local Job Service, Regional Office JTPA program person or other appropriate agencies to provide assistance in the implementation of the hiring plan;
- ° attention has been given to necessary supportive services for trainees needing them;
- ° a complete training curriculum has been developed and all training resources identified; and
- ° responsibility has been assigned for all phases of the program and all necessary personnel and funding commitments have been received, contingent only upon receipt of REDI funds.

6. PERCENT OF JOBS TO BENEFIT LOW AND MODERATE INCOME PERSONS-- 10 POINTS

In order to be eligible for REDI assistance, the applicant must demonstrate that a minimum of 60 percent of the jobs directly created or retained by an economic development project will be available for low and moderate income persons or be made available to low and moderate income persons through special training planned as part of the project.

The focus of the REDI economic development program is to create or retain employment opportunities for low and moderate income persons, not to create or retain low and moderate income jobs.

The program's goal is to increase the opportunity for low and moderate income Alaskans to better their employment situations and income levels. Applicants must include a letter from each business to be assisted indicating that firm's commitment to hiring low and moderate income individuals to fulfill this requirement.

The department will use full-time annual equivalent positions as the basis for ranking. If part-time or seasonal employment is proposed, the preapplication must include an estimate of the number of hours to be worked each week or the number of months to be worked each year for each proposed position. Only jobs that are created during the first three years of the project will be counted towards this requirement.

To determine this score, the number of full-time annual equivalent jobs to be created or retained and made available to low and moderate income persons will be divided by the total number of jobs to be created or retained as a result of the REDI project.

Remember: To be eligible for consideration a project must demonstrate at least 60 percent benefit factor for low and moderate income persons.

7. PROJECT MANAGEMENT--25 POINTS

This criterion will assess the soundness and appropriateness of the applicant's plan for assuring proper short and long-term management of the REDI project, including financial management of grant funds, compliance with state and federal requirements, effective and timely start-up and completion of project activities, and the proposed use of any program income (i.e., loan repayments) generated by the project.

A higher score on this criterion would likely result when:

- ° the applicant has demonstrated that the activities are feasible and achievable, taking into consideration the size and resources of the community and the budget and work schedule proposed, and can be conducted consistent with applicable state and federal requirements;
- ° the applicant has described how funding from various sources will be coordinated and directed;
- ° the applicant has demonstrated adequate pre-planning to ensure that project activities can commence quickly if funds are awarded and that firm commitments exist for the other resources to be involved in the project;
- ° the applicant has addressed potential environmental concerns and there appear to be no significant problems;
- ° the applicant has identified (or developed position descriptions for) the person or persons who will be responsible for day-to-day grant management or has identified any contracted services to be utilized in carrying out the project;
- ° the applicant has considered the assistance agreement to be entered into between the local government and the firm to be assisted, including items such as performance standards, methods for monitoring compliance, and actions that may be taken if the assisted firm is unable to meet the terms of the REDI assistance;
- ° if the applicant has under the former CDBG or RDA grant programs, had above average or superior project management responsibilities; and
- ° if program income is proposed to be retained locally, the applicant has developed a sound plan for the use and administration of any program income which will result from the project, such as, funding additional economic development projects.

F. FEDERAL & STATE REGULATIONS

To a private business person, many of the federal and state regulations associated with the program may seem more applicable to traditional public sector projects. However, it is the responsibility of all REDI grant applicants to comply with applicable federal and state laws, executive orders and regulations affecting their projects. (The major federal requirements which may apply are listed in Appendix B, Statement of Assurance.) These requirements address issues such as financial management, labor practices, environmental impacts, civil rights, fair housing and acquisition and relocation. Compliance with these and other requirements will become specific conditions of the grant contract between the department and the grant recipient. Certain requirements will also apply to the agreement between the local government and any business or agency which will receive REDI assistance through a loan or grant.

Applicants should carefully review these requirements and consider their potential impacts when designing their REDI project. These laws can have an affect on the costs and complexity of the project and the schedule for completion. Applicants should also be aware that it will take at least two months before any funds will actually be received, if after the Preapplication is accepted and the decision is made to fund the Final Application. This delay occurs because several activities must take place in the interim. For example, the contract between the grantee and the department must be prepared, and if applicable, the grantee must conduct a review of environmental factors, and all details for assuring proper management of the project and the expenditure of public funds must be completed.

G. DAVIS-BACON REQUIREMENTS

Federal Davis-Bacon and the state's "mini Davis-Bacon" wage and labor requirements should be given careful consideration when planning REDI-funded projects. Projects which involve construction, remodeling, site development, major equipment installation or other similar activity which involves the use of contracted labor and services may have to comply with Davis-Bacon requirements. The additional costs associated with Davis-Bacon wage rates should be considered when calculating project costs and when obtaining estimates from potential contractors.

In a recent U.S. Department of Justice ruling regarding Davis-Bacon coverage of projects funded partially or in total by Title I funds, the following specific applications were given:

1. Real property acquisition-federal funds financing of land acquisition clearly does not require payment of Davis-Bacon wages for those employed in privately-funded construction on the site.

2. Purchase of equipment, machinery and fixtures to be installed- the use of federal funds to purchase materials equipment, machinery, or other fixtures installed during the construction work does not trigger Davis-Bacon coverage when no federal funds are used to pay for the construction work itself.

3. Purchase of materials- Materials to be incorporated in construction constitute part of the construction work and their financing with Federal funds triggers Davis-Bacon applicability; however, where materials have an independent use so that "installation" most accurately describes their introduction into the structure, the DOJ opinion indicates that, as with machinery and equipment, their mere purchase with federal funds does not trigger Davis-Bacon requirements

4. Architectural and Engineering fees- under the DOJ ruling federal financing of architectural and engineering services does not trigger Davis-Bacon requirements.

5. Other services (legal, accounting, construction management, etc.)- federal financing of such other services does not trigger Davis-Bacon wage requirements.

6. Other nonconstruction items; e.g. furniture purchases business licenses, and real estate taxes, including tenant allowances for such items- federal financing of tenant allowances for purchasing furniture and obtaining business licenses does not trigger Davis-Bacon requirements, and does not impose those requirements when federal funds are used to pay for any activity other than construction work.

Additionally, Davis-Bacon wage rates would not apply in cases where: A contractor that bids successfully on the project is a sole proprietor and the work will be performed entirely by the owner, without additional employees (sole proprietors must submit documentation indicating they are the owners.

Davis-Bacon wage rates also do not apply to the assisted entity's existing work force or to newly hired low and moderate income persons when they are occupied at their regular duties as described in their regular job description. When applying for assistance, an entity may plan to utilize its existing labor force for minor, incidental work on project activities only when no separate contracts to perform the work involved for the project activities are entered into by the entity. The laborers cannot conduct work that is required to be done by licensed or certified persons (e.g., electricians, carpenters or plumbers).

Determining the applicability of Davis-Bacon wage rates to your REDI project can be complex. Contact the department's regional office staff during the planning stages of a proposed project for guidance and assistance.

XII. DEFINITIONS

AWARD:

REDI funds given as either a grant or a loan.

COOPERATIVE AGREEMENT:

A Cooperative Agreement is intended to provide a vehicle for eligible and ineligible applicants to work together to apply for grant funds. For example, a borough may submit an application for a community within its jurisdiction for a project. The borough must possess the statutory powers to provide the services envisioned for the completed project.

Also, an eligible jurisdiction may apply for a grant which another eligible or ineligible applicant may operate or administer, if a Cooperative Agreement is formalized outlining each entity's responsibility.

FIRM PRIVATE COMMITMENT:

An agreement by a private party taking part in the Rural Economic Development Initiative program to carry out an activity specified in the grant application. The private party must document that they have the level of equity necessary to carry out the activity. Finally, the private party must actually demonstrate that the necessary money and resources have been committed for the project.

FIRM PUBLIC COMMITMENT:

An agreement by a public party taking part in the Rural Economic Development Initiative Program to carry out the activities specified in the grant application. The party must commit all necessary resources to the program. The commitment may take the form of a local government resolution, a Cooperative Agreement, or a letter from a federal or state agency.

INFRASTRUCTURE:

"Infrastructure" shall refer to the following categories of public facilities:

(a) Public Utilities including water and sewage, electrical intertie and fuel/gas distribution systems;

(b) Transportation including local service roads and trails, airport improvement, barge, and subsistence access;

(more)

(c) Fixed Plant, including manufacturing facilities, transmitters, generators, etc.; and

(d) Buildings and Structures including storage facilities, warehouses, aircraft facilities, fire stations, docks, clinics, daycare facilities, etc.

LEVERAGE:

Funds used in conjunction with a REDI grant to increase the amount of available resources for a project are considered "leveraged funds." These may include public and private funds, services, materials, labor, or other items related to the project. Program Income may be counted if the intent is to use it for community development purposes. The amount of leverage must be given in dollars.

LOW AND MODERATE INCOME:

The State of Alaska has chosen as a priority the federal objective to provide the maximum benefit to low and moderate income (LMI) persons. To meet this objective, each applicant must demonstrate how the community's project will benefit low and moderate income persons. The following guidelines will be used in determining, on a case-by-case basis, projects which benefit low and moderate income households using the HUD Section 8 income definition: (See Appendix E for Low and Moderate Income information.)

COMMUNITY-WIDE BENEFIT

The project which benefits the community as a whole also benefits low and moderate income families, providing that the median family income for the community falls below the income limits established by the census area; or

AREA BENEFIT:

The project serves an area where at least 60 percent of the residents are low and moderate income persons and provides services for such persons.

PROGRAM INCOME:

Funds derived from reimbursement of REDI funds are considered program income to the project, to the extent the costs were initially paid with REDI funds. Examples include (but are not limited to): economic development loan repayments and interest earnings; proceeds from the disposition of real property; and proceeds from special assessments. Income generated by an entity assisted with REDI funds is not considered to be program income.

PUBLIC / PRIVATE:

The process by which local governments in partnership with private business, join together to develop, fund and benefit from a development activity.

APPENDICES

- APPENDIX A Cooperative Agreements
- APPENDIX B Environmental Review Record and Statement of Assurance
- APPENDIX C Sample Resolutions for Submission of Final Application
- APPENDIX D State Audit Regulations
- APPENDIX E Low and Moderate Income Chart for Communities
- APPENDIX F DCRA Regional Office Locations and Contact Information
- APPENDIX G Citizen Participation Plan Assurance

APPENDIX A Cooperative Agreements

RESOLUTION REGARDING A COOPERATIVE AGREEMENT BETWEEN
A COMMUNITY AND A FOR-PROFIT ENTITY

AN AGREEMENT BETWEEN THE _____¹
AND THE _____²

WHEREAS, _____¹ and/or ² (has, have)
identified need in the community to expand economic
opportunities, and

WHEREAS, _____¹ contemplates
submitting (on behalf of)(jointly with) _____²
an application for REDI Grant funding from the Alaska
Department of Community and Regional Affairs for the purposes
of economic development, and

NOW, THEREFORE, it is mutually agreed, on this _____ day
of _____ 198____, between the _____¹
and the _____² as follows:

The areas this agreement will need to cover are those that REDI
grant funds will be used for.

Suggestions are:

Site control,
Expansion, or
Increased employment.

Also, the amount of the for-profit's contribution, access to
records, nondiscrimination of amendments to the agreement will
need to be addressed by this agreement.

It also will need to be signed by both parties to the agreement.

-
- (1) Name of applicant or organization
 - (2) Name of for-profit entity
 - (3) Type of business for-profit entity is engaged in, or pro-
poses to enter into
 - (4) Date of agreement

Resolution; Cooperative Agreement
between Two Entities, Same Community
Page 2

Nothing contained in this agreement shall deprive any municipality of any power or zoning, development control or other lawful authority which it presently possesses.

PASSED AND APPROVED BY THE _____

(5)

on _____ (2) _____, 19 _____ (2) _____.

IN WITNESS THERETO:

By: _____ (6)

Signature and title

Attest: _____ (7)

Signature and title

REPEATED FOR EACH PARTY TO THE AGREEMENT

-
- (1) Number of resolution
 - (2) Date resolution adopted
 - (3) Name of parties involved
 - (4) Name of lead applicant
 - (5) Governing body of the organization (Council, Assembly, Board of Directors)
 - (6) Chief Administrative Officer (Mayor, Manager, President)
 - (7) Secretary of Clerk of the Organization
 - (8) Individual who will be responsible for the application

APPENDIX B Environmental Review Record
 and Statement of Assurance