

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672  
5943 HOUSE LABOR & COMMERCE

347

# Federal Home Loan Bank of Seattle

# CORRESPONDENT

VOL. 4, NO. 1

MARCH 1990

## First Commercial Bank Joins FHLB

The Federal Home Loan Bank of Seattle has had the first commercial bank join its membership since the passage of FIRREA, which opened the door to commercial bank and credit union membership.

The National Bank of Bremerton, a \$24 million asset community bank in Bremerton, Washington is the first of two

commercial banks to join the FHLB system nationwide.

According to Ed Sheldon, the president of National Bank of Bremerton, "We believe that FHLB membership gives us increased options and will enable us to serve our customers better."

Under FIRREA, membership eligibility in the FHLB system

was expanded to include credit unions and commercial banks having a minimum of 10 percent of their total assets in residential mortgage loans.

National Bank of Bremerton's "pioneering" paves the way for future membership recruitment. Gary Martin, FHLB Marketing Officer, is responsible for generating new membership in the Seattle FHLB. ✪

## New TB-13 Analysis

The Bank's Investment Banking Services Group, headed by Senior Vice President Pat McJoynt, announced a new product offering recently: TB-13 Analysis. No, TB-13 is not a new form of tuberculosis, but its focus (interest rate risk) can be equally life threatening for some institutions.

The Office of Thrift Supervision's Thrift Bulletin 13 re-

quires all institutions to implement a formalized quarterly review of interest rate risk exposure. The new TB-13 Analysis is designed to be an effective, reasonably priced management tool. It not only provides information needed to comply with TB-13, but also furnishes detailed analysis for active management of interest rate risk exposure.

With TB-13 Analysis, you receive a quarterly report which shows both changes in net interest income and the market value of your portfolio equity in rising and falling interest rate environments. The report is customized to your institution, and you receive an additional packet showing peer group averages for comparison purposes.

Timeliness of the information is important, so your quarterly TB-13 reports will be mailed to you no later than fifteen working days after your Thrift Financial Report is "clean."

Our TB-13 Analysis is available at a very reasonable cost to your institution. The first report is \$500, and \$450 for each quarter thereafter. Subscriptions to this service may be charged to your FHLB Demand Account.

If you would like to subscribe to or request additional information about the Bank's TB-13 Analysis, feel free to call John Zmolek at (206) 340-2472 or Robin Hyerstay at (206) 340-2471 in the Investment Banking Services Group. ✪

### In This Issue:

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# Making Housing Affordable

*Ed. Note: The last issue of The Correspondent featured an article on our Community Investment Fund (CIF) advances. The Seattle FHLB has set aside \$250 million for this specially priced credit program for financing affordable housing and community development in the 12th District.*

*Continuing our focus on housing finance, this issue highlights the Affordable Housing Program.*

## What is the Affordable Housing Program?

The Affordable Housing Program is a Congressionally mandated program to make available credit, at below market rates, for the purchase, construction or rehabilitation of affordable housing.

## How does it work?

The Affordable Housing Program, as established by FIRREA, requires each Federal Home Loan Bank to set aside 5% of its net income to subsidize advances to members who make loans on qualifying projects. The Federal Home Loan Bank of Seattle will have approximately \$4.066 million available for interest rate subsidies in 1990.

By 1995 the contribution will increase to 10% of our net income. The contribution is the total amount of the interest rate subsidy we'll be providing to our members on advances for funding affordable housing, not the total advances available.

Advances will be made to members at 200 to 500 basis points below standard advance rates. The maximum spread allowed the lender is 200 basis points, but normal fees may be charged.

## How do I know if a project qualifies?

Advances subsidized through the Affordable Housing Program can be used to fund the purchase, construction, or rehabilitation of single or multi-family housing. In order to qualify, the homebuyers' income must not exceed 80% of area median income, or in the case of rental properties, a project must have at least 20% of the units set aside for very low-income families. All projects are approved by Judith Chaney, Community Investment Officer.

How can the FHLB help me promote the availability of these loans in my community?

The Board of Directors of each FHLB has appointed an Advisory Council from community-based housing organizations in its states. The Advisory Council meets quarterly and its responsibilities include: reviewing program policies, marketing the program to qualifying organizations, and sharing information on housing needs in their states.

The first Advisory Council meeting was held in early January. The Council recommended establishing specific amounts of the subsidy to be set aside for each state and for rural areas of Washington and Oregon. If the state set aside is not committed by September 30, 1990, the funds will be available to qualifying projects located elsewhere in the district.

My institution has enough liquidity. Can I still participate in the Affordable Housing Program if I don't borrow from the Bank?

Yes. Members who choose not to borrow from the FHLB may participate in the Affordable Housing Program by originating mortgages at below-market interest rates and completing an interest-rate swap with the Bank.

Who regulates the Affordable Housing Program?

The Affordable Housing Program is subject to regulation by the Federal Housing Finance Board, and the regulations should be available soon. These regulations will determine application and reporting requirements.

How can I apply?

We expect that the first applications will be due in early May, and we're requesting letters of interest from members and non-profit housing developers now. For more information on how the Affordable Housing Program can benefit your community, please contact Judith Chaney, Community Investment Officer at (206) 340-8737, or Kimberly Jenkins, Housing Analyst at (206) 340-8702. \*

## Federal Home Loan Bank of Seattle

### *Profile*

**Size:** \$10 billion

**Strength:** 7% capital to assets; Triple A rated by Moody's and S&P;  
Federal Agency status

**Profitability:** Dividends averaged 12.6% over last five years; 1990 dividends,  
under current FHLB System policy, will be approximately 100  
basis points over Fed funds

**Mission:** Promote housing finance through services to community-based  
housing lenders

**Ownership:** Stock held by 101 member financial institutions

**Services Offered:** Fixed and variable rate credit up to 20 year terms; commitment  
programs enabling member to lock in rates up to six months

Interest rate swaps and caps

Letters of credit

Community Investment Fund (CIF), Affordable Housing Program  
loans, and other community investment programs

Overnight deposit accounts

Hard dollar interest bearing corporate demand accounts

Wire transfers

Certificate of deposits, 1 - 366 days

Securities safekeeping

Public funds collateral accounts

Retail check processing services

Official checks, money orders, cashier's checks

Federal Reserve settlement services

Management information services: financial services library,  
economic and financial research, deposit market share and  
other peer group reporting and seminars

## Federal Home Loan Bank of Seattle

### Organizational Structure

- Charter:

- One of twelve regional banks operating under federal charter. Privately owned by member financial institutions.

- Oversight Agency for FHLB Seattle and other eleven FHLBs:

- Federal Housing Finance Board (FHFB)

- FHLB of Seattle Board of Directors:

- Nine CEOs elected from member institutions
- Six public interest directors appointed by FHFB

*(from AK  
Ed van Batten AK Fed)*

### Balance Sheet (\$ in millions)

	<u>12/31/89</u>	<u>12/31/88</u>
Advances (Member borrowings)	\$9,005	\$9,628
Cash & Investments	1,819	1,101
Other	110	113
<b>Total Assets</b>	<b>\$10,934</b>	<b>\$10,842</b>
Consolidated Obligations	\$9,074	\$9,067
Member Deposits	921	661
Other Liabilities	206	249
<b>Total Liabilities</b>	<b>\$10,201</b>	<b>\$9,977</b>
<b>Equity</b>	<b>\$733</b>	<b>\$865</b>

(b) A creditor of a bank may not obtain any preference in the payment of or security for the creditor's debt by attachment, garnishment or other legal proceedings. All attachments, garnishments and judicial proceedings levied or taken against a bank shall be considered to be for the benefit of all creditors alike.

(c) A pledge, assignment or transfer of any of the assets of a bank in violation of this section is null and void against the creditors of the bank. (§ 3.172 ch 129 SLA 1951; am § 1 ch 108 SLA 1953; am § 5 ch 63 SLA 1969)

**Sec. 06.05.265. Liability of directors for excessive loans.** A loan in violation of AS 06.05.200 — 06.05.260 makes the officers and directors of the bank jointly and severally liable to the bank for the loan. (§ 3.162 ch 129 SLA 1951)

**Sec. 06.05.270. Investments.** (a) In addition to loans and acquisitions expressly authorized by this chapter, a state bank may deal in, underwrite, and invest in for its own account

(1) direct or guaranteed obligations of the United States, either directly or in the form of securities of, or other interests in, an open-end management type investment company or investment trust registered under 15 U.S.C. 80a-1 — 80a-64 (Investment Company Act of 1940), if

(A) the portfolio of the investment company or investment trust is limited to obligations of the United States government and repurchase agreements fully collateralized by the obligations; and

(B) the investment company or investment trust takes delivery of the collateral directly or through an authorized custodian;

(2) general obligations of the State of Alaska and its political subdivisions;

(3) general obligations of a state of the United States or its political subdivisions;

(4) revenue obligations of the State of Alaska or its political subdivisions subject to the limitation of (b) of this section;

(5) revenue obligations of a state of the United States or its political subdivisions subject to the limitation of (b) of this section;

(6) obligations of instrumentalities of the United States government including, but not limited to Federal Intermediate Credit Banks, Federal Land Banks, the Federal National Mortgage Association, and Banks for Cooperatives;

(7) commercial paper of prime or equivalent quality as rated by a recognized national rating service subject to the limitation of (b) of this section;

(8) secured corporate obligations rated within the three highest grades of a national rating service subject to the limitation of (b) of this section;

(9) obligations of the International Bank for Reconstruction and Development, the Inter-American Development Bank, or the African Development Bank, subject to the limitation of (b) of this section;

(10) stock in the Federal National Mortgage Association or a Federal Reserve Bank.

(b) A state bank may not underwrite or invest for its own account an amount exceeding 15 per cent of its combined capital, surplus and undivided profits in any one issue of securities authorized in (a) (4) and (5) of this section or with any one obligor of the securities authorized in (a) (7), (8) and (9) of this section.

(c) A state bank may purchase or sell, without recourse, any security upon the order of a customer and for the customer's account. (§ 1 ch 205 SLA 1968; am §§ 5, 6 ch 56 SLA 1971; am § 19 ch 169 SLA 1978; am § 2 ch 7 SLA 1988)

*Effect of amendments.* — The 1988 amendment, in subsection (a), substituted "Development, the Inter-American Development Bank, or the African Development Bank" for "Development or the Inter-American Development Bank" in

paragraph (9) and, in paragraph (1), added subparagraphs (A) and (B) and added the language at the end of the introductory paragraph beginning with "either directly."

**Sec. 06.05.275. Miscellaneous and incidental banking practices.** (a) A bank may issue and confirm letters of credit authorizing the principal or beneficiary to draw upon the institution or its correspondents. A letter of credit shall expire by its terms within one year of date of issuance, but may be renewed on written request of the principal.

(b) A bank may discount, invest in, negotiate and issue trade acceptances and bank acceptances if

(1) the terms of the draft require presentation for payment within 180 days of issuance, exclusive of days of grace, and it is drawn to finance the purchase of goods with maturity and payment in accordance with the terms of the purchase agreement;

(2) the terms of the draft require presentation for payment within 180 days of issuance, exclusive of days of grace, and it is secured by shipping documents transferring or securing title to goods, or by receipt of a licensed or bonded warehouse securing title to readily marketable goods;

(3) the draft is drawn by a bank outside the continental limits of the United States for the purpose of furnishing dollar exchange for trade and its terms require presentation for payment within 90 days of issuance.

(c) A bank may make available its data processing equipment or perform data processing services on such equipment for other banks and bank customers if the bank is adequately insured against any additional liability incurred through the sale of the services. (§ 10 ch 157 SLA 1970)

**Sec. 06.05.005. General powers of department.** The department may

(1) implement by regulation any provision of this chapter, and define any term not defined in this chapter, but a regulation may not conflict with any law;

(2) restrict the withdrawal of deposits from a state bank where the department finds that extraordinary circumstances make restriction necessary for the proper protection of the depositors;

(3) authorize a state bank

(A) to participate in a public agency created under the laws of this state or of the United States, for the purpose of affording advantages or safeguards to banks or to depositors and to comply with all requirements and conditions imposed upon such participants;

(B) [Repealed, § 54 ch 169 SLA 1978.]

(4) [Repealed, § 54 ch 169 SLA 1978.] (§ 2.104 A ch 129 SLA 1951; am § 1 ch 157 SLA 1970; am § 54 ch 169 SLA 1978)

**Cross references.** — For other powers of the department, see AS 06.01.020 and 06.01.030. **Collateral references.** — 10 Am. Jur. 2d, Banks, § 1 et seq. 9 C.J.S. Banks and Banking § 1 et seq.

**Sec. 06.05.010. Notice and hearing.** [Repealed, § 54 ch 169 SLA 1978. For current law, see AS 06.01.030.]

**Sec. 06.05.015. Powers over state banks.** The department may require a state bank to

(1) maintain its accounts in accordance with regulations it may adopt, considering the size of the organization;

(2) observe methods and standards which it may adopt for determining the value of various types of assets;

(3) charge off the whole or part of an asset which has not been lawfully acquired;

(4) write down an asset to its market value;

(5) record liens and other interests in property;

(6) obtain a financial statement from a prospective borrower to the extent that the bank can do so;

(7) obtain insurance against damage to real estate taken as security;

(8) search, or obtain insurance of, the title to real estate taken as security;

(9) maintain adequate insurance against other risks as the department determines necessary and appropriate for the protection of depositors and the public;

(10) charge off that portion of an asset classified as loss in the FDIC report of examination or the state report of examination;

(11) charge off all debts owed to the bank in which interest due has been unpaid for a period of six months unless the debt principal is

[collection -  
3AAC 01.210]

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

F O BOX D  
JUNEAU, ALASKA 99811-0800  
PHONE: (907) 465-2500

April 30, 1990

Honorable Lloyd Jones  
Alaska State Senate  
P.O. Box V  
Juneau, AK 99811

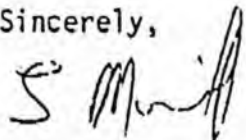
Attention Charlie Miller

Dear Senator Jones:

Re: A Senate Bill Entitled: "An Act relating to  
the investments of financial institutions."

To our knowledge, the above-proposed legislation would only affect the program administered by the Division of Banking, Securities and Corporations, within the Department of Commerce and Economic Development.

Sincerely,



Larry Merculieff  
Commissioner

LM/WFK/mst1512m  
043090a

SCR

21

(7)

Date Referred: March 10, 1989

FURTHER REFERRALS:

Date of Committee Action: 4-18-89

The LABOR & COMMERCE Committee considered:

SCR 21

SENATE CONCURRENT RESOLUTION NO. 21

Relating to the small business incubator program and to the Matanuska-Susitna Business Development Center Task Force.

RECOMMENDATIONS:

- be replaced with \_\_\_\_\_  the same title
- have attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

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

- |                                                          |                                                           |
|----------------------------------------------------------|-----------------------------------------------------------|
| ATTACHES NEW FISCAL NOTE(s):<br>(Dept)                   | APPROVES PREVIOUS:<br>(Date/Dept)                         |
| <input type="checkbox"/> fiscal impact _____             | <input type="checkbox"/> fiscal note(s) _____             |
| <input type="checkbox"/> <u>zero</u> fiscal note _____   | <input type="checkbox"/> <u>zero</u> fiscal note(s) _____ |
| <input type="checkbox"/> <u>zero</u> with analysis _____ | <input type="checkbox"/> <u>zero</u> fn/analysis _____    |

SIGNING DO PASS:

\_\_\_\_\_ David Douley  
 \_\_\_\_\_ Gruenberg  
 \_\_\_\_\_ Tinkelstein  
 \_\_\_\_\_ Leman  
 \_\_\_\_\_ Boucher  
 \_\_\_\_\_ Boyer

SIGNING:  
(Check approp. column)

	Do Not Pass	No Rec	Amend
_____ Collins		<input checked="" type="checkbox"/>	
_____			
_____			
_____			
_____			
_____			
_____			

\_\_\_\_\_ David Douley  
 Chairman's signature



United States  
Department  
of Agriculture

Rural  
Electrification  
Administration

Office  
of the  
Administrator

Exhibit 8  
Washington,  
D.C.  
20250

DFK  
3AR  
Dink  
File

OCT 31 1988

SUBJECT: 7 CFR Part 1709, Subpart B, Rural Economic  
Development Loan and Grant Program

TO: REA Borrowers

Attached for your information is a copy of the subject draft regulation that the Rural Electrification Administration (REA) published in the Federal Register on October 27, 1988. The program will provide zero interest loans and grants to RE Act borrowers for the purpose of promoting rural economic development and job creation projects. If you wish to submit comments, please forward them to Mr. Blaine D. Stockton, Jr., Assistant Administrator - Management, Rural Electrification Administration, Room 4063-South Building, U.S. Department of Agriculture, Washington, D.C. 20250. The Federal Register notice states that comments must be received by November 28, 1988. The comment period has been extended an additional 30 days and closes on December 28, 1988.

*Jack Van Mark*

JACK VAN MARK  
Acting Administrator

Attachment

RECEIVED

NOV 14 1988

MTA REA CERTIFICATION/  
CONTRACT ADMIN. DEPT.

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: SCR 21  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Econ. Dev.  
Title: Small Business Incubator Program BRU: Business Development  
Sponsor: Szymanski Components: \_\_\_\_\_  
Requester: Senate Labor & Commerce Committee

EXPENDITURES / REVENUES : (Thousands of Dollars)

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

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

There are a number of existing federal and state grant programs that could provide funding for the small business incubator. Department of Commerce and Economic Development staff have offered to provide technical assistance on this project.

Prepared by: Tom Lawson, Acting Director Phone: 465-2017  
Division: Business Development Date: 3/2/89  
Approved by Commissioner: Larry Mercurieff Phone: 465-2500  
Agency: Department of Commerce & Economic Development Date: 3/2/89

Distribution (by preparer):

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

page \_\_\_\_ of \_\_\_\_

SCR 21: SMALL BUSINESS INCUBATOR PROGRAM

Background

The Matanuska-Susitna Regional Economic Development Corporation established the Business Development Center Task Force. The task force has developed a proposal for a small business incubator to serve the Matanuska/Susitna Valley.

The premise behind a small business incubator is to assist new or young firms through a critical growth period. This is accomplished by the incubator offering low cost facilities, technical and administrative assistance, and possibly appropriate financing. The small business incubator concept has been tremendously successful across the country with more than 300 incubators in operation. However, no incubators are operating in Alaska at present.

*\$1,000 from Lawrence*

Analysis of Resolution

The resolution supports the small business incubator concept and the business development efforts of the Matanuska-Susitna Business Development Center Task Force.

The Department of Commerce and Economic Development supports the small business incubator program in concept. Staff have met with task force members and have offered technical assistance as well as identified potential funding sources.

*Larry Mercurieff*  
Larry Mercurieff, Commissioner  
Department of Commerce and Economic  
Development

Date: 3/3/89

LM/LW/dgl3470D - *New or young small business thru*  
030389a *critical growth periods*

- *Offering low cost facilities, technical and administrative assistance,*
- *Over - 300 incubators in operation in law 48 - now new -*



# Alaska State Legislature

Senator Mike Szymanski

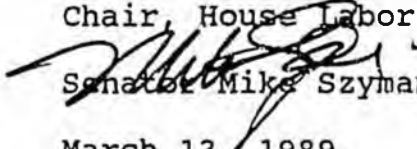
While in Session:  
P.O. Box V  
State Capitol, Room 11  
Juneau, Alaska 99811  
(907) 465-4978/4979  
FAX (907) 465-7652

During Interim:  
3111 C Street, Suite 510  
Anchorage, Alaska 99503  
(907) 561-7617

165 E. Parks Highway  
Legislative Information Office  
Wasilla, Alaska 99687  
(907) 376-MIKE

## MEMORANDUM

To: Representative Dave Donley  
Chair, House Labor & Commerce Committee

From:  Senator Mike Szymanski

Date: March 13, 1989

Subject: Request for Committee Hearing on SCR21  
Small Business Incubator Program

I formally request a hearing be held at your earliest convenience in House Labor & Commerce Committee on Senate Concurrent Resolution 21, A Resolution relating to the organization of a small business incubator program.

Attached are copies of the following backup materials:

Senate Concurrent Resolution 21  
Fiscal Note from the Department of Commerce & Economic  
Development

Position Paper  
Borough Assembly Document, Proposed Budget for Pilot Program  
REDCOR Document, The Matanuska-Susitna Business Development  
Center

The Frontiersman article, dated January 25, 1989  
The Anchorage Times article, dated January 25, 1989  
MEA'S Power Line article, dated December 1988

If you need additional reference material, I have the complete file in my office.

Senate District E

Mat-Su • So. Anchorage • Bird/Indian • Girdwood • Whittier • Nikiski • Cooper Landing • Hope • Seward • Cordova • Valdez



# Alaska State Legislature

Senator Mike Szymanski

While in Session:  
P.O. Box V  
State Capitol, Room 11  
Juneau, Alaska 99811  
(907) 465-4978/4979  
FAX (907) 465-2652

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3111 C Street, Suite 510  
Anchorage, Alaska 99503  
(907) 561-7617

165 E. Parks Highway  
Legislative Information Office  
Wasilla, Alaska 99687  
(907) 376-MIKE

## POSITION PAPER

### SCR21

#### A Resolution Related to the Organization of A Small Business Incubator Program

The Regional Economic Development Corporation (REDCOR) has been exploring the feasibility of a Small Business Incubator Program for the Matanuska-Susitna Borough. This type of program has been very successful throughout the lower forty-eight states by providing professional, technical and financial assistance to small businesses during their "start-up" phase.

The Purpose of a Small Business Incubator program is to create jobs and diversify the local economy.

The Borough's economic development and economic stability depends on small businesses. Statistics show that small businesses provide a far greater number of jobs than larger ones do.

The Incubator program will be designed so as not to directly compete with other established local businesses, but rather to bring in new businesses that provide services and products that are needed but not currently provided locally.

The concept of a Small Business Incubator program has received a lot of community support, and small business entrepreneurs have joined together to share their expertise and have established the Matanuska-Susitna Business Development Center Task Force. The Task Force is charged with the overall coordination and administration of the project in addition to its implementation.

SCR21 requests that the Alaska State Legislature support the small business incubator concept and the business development efforts of the Matanuska-Susitna Development Center Task Force.

Senate District E

Mat-Su • So. Anchorage • Bird/Indian • Girdwood • Whittier • Nikiski • Cooper Landing • Hope • Seward • Cordova • Valdez

SCR 21: SMALL BUSINESS INCUBATOR PROGRAM

Background

The Matanuska-Susitna Regional Economic Development Corporation established the Business Development Center Task Force. The task force has developed a proposal for a small business incubator to serve the Matanuska/Susitna Valley.

The premise behind a small business incubator is to assist new or young firms through a critical growth period. This is accomplished by the incubator offering low cost facilities, technical and administrative assistance, and possibly appropriate financing. The small business incubator concept has been tremendously successful across the country with more than 300 incubators in operation. However, no incubators are operating in Alaska at present.

*\$1,600 from donations*

Analysis of Resolution

The resolution supports the small business incubator concept and the business development efforts of the Matanuska-Susitna Business Development Center Task Force.

The Department of Commerce and Economic Development supports the small business incubator program in concept. Staff have met with task force members and have offered technical assistance as well as identified potential funding sources.

*Larry Mercurieff*  
\_\_\_\_\_  
Larry Mercurieff, Commissioner  
Department of Commerce and Economic  
Development

Date: 3/3/89

LM/LW/dgl3470D  
030389a

*New or young small businesses thru  
critical growth periods*

- Offering low cost facilities, technical and administrative assistance,
- Only - 300 incubators in operation in low 48 - none now -

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: SCR 21  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Econ. Dev.  
Title: Small Business Incubator Program BRU: Business Development  
Sponsor: Szymanski Components: \_\_\_\_\_  
Requester: Senate Labor & Commerce Committee

EXPENDITURES / REVENUES : (Thousands of Dollars)

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

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

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

FUNDING: (Thousands of dollars)

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

POSITIONS:

FULL TIME	0	0	0	0	0	0
PARTTIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

There are a number of existing federal and state grant programs that could provide funding for the small business incubator. Department of Commerce and Economic Development staff have offered to provide technical assistance on this project.

Prepared by: Tom Lawson, Acting Director Phone: 465-2017  
Division: Business Development Date: 3/2/89

Approved by Commissioner: Larry Marculieff Phone: 465-2500  
Agency: Department of Commerce & Economic Development Date: 3/2/89

Distribution (by preparer):

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

page \_\_\_\_ of \_\_\_\_

SUBJECT: Small Business  
Incubator Program

For Agenda of: 12/20/88 No. AM88-626

ATTACHMENTS:

Route to	Dept/Committee/Individual:	Initials:	Remarks
	(Please Review & return when routing complete to: originator)		
1	Planning Division		Originator
2	Planning Director		
	Assessor		
	Public Works Director		
3	Finance Director	<i>[Signature]</i>	
4	Attorney		
5	Manager	<i>[Signature]</i>	12/16/88
	Mayor		

SUMMARY STATEMENT:

The Regional Economic Development Corporation (REDCOR) has been exploring the feasibility of a Small Business Incubator Program for the Matanuska-Susitna Borough. This type of program has been very successful throughout the lower forty-eight states by providing professional, technical and financial assistance to small businesses during their "start-up" phase.

The Purpose of a Small Business Incubator program is to create jobs and diversify the local economy.

The Borough's economic development and economic stability depends on small businesses. Statistics show that small businesses provide a far greater number of jobs than larger ones do. Currently, our Borough does

FISCAL ACTION (TO BE COMPLETED BY FINANCE) FISCAL IMPACT? YES OR NO

AMOUNT REQUESTED \$ 8,800.00 FUNDING SOURCE *Community Development Activities*  
FROM ACCOUNT # 203-610-425.10 PROJECT # *N/A*  
TO ACCOUNT # *N/A* PROJECT # *N/A*

VERIFIED BY: *[Signature]* 12/16/88 CERTIFIED BY: *[Signature]*

RECOMMENDED ACTION: The REDCOR Small Business Incubator Task Force respectfully request approval of the attached budget.

Approved by: *[Signature]*  
John Hale, Borough Manager

*Inaccurate*

not have large scale industrial type facilities; therefore, we have no choice but to depend on the small businesses to help stabilize and diversify our continually declining economy.

The incubator program will be designed so as not to directly compete with other established local businesses, but rather to bring in new businesses that provide services and products that are needed but not currently provided locally and to focus on "value added" type businesses.

The concept of a Small Business Incubator program has received a lot of community support, and small business entrepreneurs are excited about the possibilities of economic growth and diversity this type of facility could bring to the Borough. Attached is additional information for your review.

A Small Business Incubator Task Force has been formed comprised of approximately fourteen members with a wide range of professional and business expertise. The Task Force is charged with the overall coordination and administration of the project through its implementation. The Task Force meets on Thursdays at 5:00 P.M. in the Planning Department's Conference Room.

Economic Development Specialists knowledgeable about incubators recommend that before proceeding with such a project that an analysis of the market potential for an incubator be completed and also that sites of other successful incubator facilities be visited to learn from their success and mistakes.

Most of the work for this program will continue to be done by volunteers and SBI Task Force members. However, there are minimal out-of-pocket expenses that require funding in order to continue with the initial steps of this program. We have confirmed that Federal, State and local grants and other sources of funding are available for implementation and operation of this type of project, and we are continuing our efforts to secure funding through these programs.

## THE MATANUSKA-SUSITNA BUSINESS DEVELOPMENT CENTER

### A Small Business Incubator

#### 1. OVERVIEW

The Matanuska-Susitna Regional Economic Development Corporation (REDCOR) has been exploring the benefits of a local small business development program based upon the concept of small business incubation. With the formation of an incubator committee by the Mat-Su Borough and REDCOR in November of 1988 and the recent appropriation of \$16,000 from the Borough's Economic Development Fund, this program is now on the road to becoming a reality. The committee, known as the "Matanuska-Susitna Business Development Center Task Force", is comprised of seventeen members who have a wide range of both private and public sector business expertise (see exhibit 1).

Thus far, the efforts of the Task Force have been relatively low profile: general concept familiarization; development of the mission statement, goals and objectives (see exhibit 2); targeting funding sources; and establishment of a tentative project schedule and budget. Despite this low profile approach, these efforts have already attracted the interest of a number of anxious entrepreneurs with ideas like: hardwood toys; French fries and dehydrated potatoes; gold nugget jewelry manufacturing; reindeer ranching; and gourmet (yuppie) sauerkraut.

The small business incubator concept has been tremendously successful across the country, in many cases turning dying communities into active commercial and industrial centers. Today, over 300 incubators are in operation throughout the lower 48 states, many of which are serving small cities and rural towns with problems much like our own. Like many other rural areas across this nation, the Mat-Su Borough has high unemployment, lacks economic diversification and exports its young people, who leave because there are no opportunities here. The Mat-Su Borough had the highest unemployment rate in

Alaska during 1987 at 18.8 percent.<sup>1</sup> The slight reduction in 1988 to 15.7% was due not to an improved economy but to less people.

Our local business economy is built around providing retail services to the public sector and each other. To illustrate the point, we need only consider the primary local employers: Borough schools; Borough, State and Federal government; utility companies; the hospital; and the grocery chains. Our top 10 employers are government organizations or service companies.

A healthy environment for small business is absolutely essential to effective community development.<sup>2</sup> Unfortunately, in Alaska we have tended to look at small businesses as service or retail outlets only. We rely instead on the "big hits" to drive our economy. There's this dangerous tendency to believe that all we have to do is wait for the oil price to go up, win the Olympic bid, gain a Navy "home" port, or build a natural gas pipeline, then everything will be just fine again.

Like many third world countries, our economy produces little that isn't exported as a raw natural resource. Sometimes all we export is our name. On shelves across America (including Alaska) you can find "Alaska (brand) Fish Fertilizer", complete with a totem pole, the big dipper and Renton, Washington address.

Why is the "Mat-Su Business Development Center" so important to our economic future? Because it is one of our best hopes for employment opportunities now and for stable economic growth in the future. It will help to move us from

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<sup>1</sup> At the same time, Anchorage and Fairbanks had unemployment rates of 7.1% and 11.8% respectively.

<sup>2</sup> Nationally, small business accounts for more jobs than big business, and generates more than half of all major innovations. According to the Small Business Administration, small firms and inventors are 2.4 times more productive per employee and 24 times more productive per research and development dollar.

an economy based upon consumption to one based upon production. It will help change our perception of small business by cultivating the entrepreneurial spirit of our people. This program is aimed at the latent entrepreneur whose dream needs a chance to leave the kitchen table, "cottage industries" whose products should be outgrowing the basements and garages, and seasoned businesses with a vision to expand to national and international export markets.

OK, so what is a "Small Business Incubator"? Simply stated, small business incubation is a flexible method of encouraging the development of new businesses and fostering local economic development. Incubators are facilities in which a number of new and growing businesses operate under one roof with affordable rents, shared services and equipment, and access to a wide range of professional, technical and financial programs. An incubator provides an environment where a new business is assured a maximum chance at successfully surviving the "start-up" phase of its growth cycle. It's sort of a "pressure cooker" for small business development. Some will argue that we don't need to provide a new or growing businesses with floor space and business advice because we have no shortage of vacant floor space in the valley and there are state and federal business programs in existence. If it were that simple, there would be no shortage of new business ventures and employment opportunities today. What the facility provides is somewhat like the role of critical mass in a nuclear reaction.

Our battle for economic strength and vitality will be won with small victories, by encouraging and assisting the entrepreneurial efforts of our greatest natural resource, our people. This will be a broad based effort that harnesses the combined energies and resources of government, private enterprise, community organizations, and educational institutions. The ultimate objective of this program is to give the Matanuska-Susitna region that one elusive ingredient so necessary for long term economic health and stability. That missing ingredient is diversity.

## 2. OBJECTIVE

Because the economic problems we face in Alaska and in the Mat-Su Borough demand swift and decisive action, the Matanuska-Susitna Business Development Center Task Force is seeking immediate financial assistance to launch a six month pilot program by April 1, 1989 to run during the second half of the (federal) fiscal year. During this pilot program period, the Business Development Center will operate in accordance with our adopted mission "to assist new enterprises by providing a dynamic, synergistic environment that nurtures the development of private businesses from conception to ultimate independence while also enhancing and supporting the development of established businesses". The Business Development Center will complete or make significant progress toward meeting the following objectives:

- \* *Establish a tenant targeting and recruitment program that encourages labor-intensive firms to locate in the incubator facility.*
- \* *Provide individualized assistance tailored to fit specific needs of both new and existing businesses.*
- \* *Establish a flexible facility management approach.*
- \* *Establish an advisory board of professionals to provide technical, financial, accounting, marketing and clerical support services to small businesses; develop a public and community support network whereby support services could be provided at a reduced or even no charge.*
- \* *Assist businesses in the preparation of plans and strategies that will increase the likelihood of success.*
- \* *Identify products and services not readily available locally and recruit businesses that would provide them (import substitution).*
- \* *Enhance our region image as a center of productivity by working together with the Mat-Su College (UAA) to implement small business and entrepreneurial education programs.*
- \* *Focus on businesses with a high degree of entrepreneurial spirit and potential for early results that would generate recognition for the region and the "incubator" program.*
- \* *Begin to create marketing outlets for local products and services by developing an aggressive marketing program and providing coordination between local producers and Alaskan, national and international distributors and retailers.*

- \* *In cooperation with existing programs, provide training and placement programs for the<sup>3</sup> local work force that offer shared cost benefits to local businesses.*
- \* *Establish a venture capital advisory group to locate and attract venture capital and provide loan and venture capital packaging assistance.*

Prior to the end of the pilot program period, the Business Development Center will complete a comprehensive market analysis, establish operational standards, and provide a detailed progress report which will accompany any request for continuing project funding.

### 3. GENERAL (TARGET) PROGRAM DESCRIPTION

- 3.1 Concept: The Matanuska-Susitna Business Development Center will be a locally designed incubator where new and small fledgling businesses receive valuable assistance in management, marketing, and financing. The Center will provide cost-efficient space for both office and light assembly/manufacturing type businesses. Administrative shared services such as copying, word processing, bookkeeping, and phone answering will also be available.
- 3.2 Developers: The Center is a joint effort of the local government (Matanuska-Susitna Borough) and the Matanuska-Susitna Regional Economic Development Corporation (REDCOR), a non-profit corporation which is charged with promoting the area to potential business and industrial interests. The Matanuska-Susitna Borough is actively seeking new growth to meet the dual challenges of expanding our region's economic base and creating jobs for our people.

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<sup>3</sup> The American Improvement Matrix (AIM) employment program will work with the "incubator" to provide such services and will coordinate efforts with the JTPA program and future Alaskan Job Corps Center.

- 3.3 Operating Status: The Center is to be a non-profit corporation.
- 3.4 Opening Date: The objective is to incorporate the Center by April 1, 1989 and open a facility by June 1, 1989.
- 3.5 Business Market Area: State, National and International
- 3.6 Possible Funding Sources:
- a) Economic Development Administration (EDA)
  - b) Housing and Urban Development (HUD)
  - c) Rural Electrification Administration (REA)
  - d) Employment and Training Administration (JTPA)
  - e) Farmers Home Administration (FmHA)
  - f) Small Business Administration (SBA)
  - g) State of Alaska: Department of Economic Development
  - h) Mat-Su Borough Economic Development Fund
  - i) Foundation and Corporate Grants
- 3.7 Leasable Space: 10,000 plus square feet
- 3.8 Number of Business Spaces: 15+
- 3.9 Space Usage: Single office to light assembly/manufacturing
- 3.10 Base Rent and Support Services: Office rental charges would begin at about \$150.00 (minimum) per month and vary according to business type and office size. There will be a nominal one time administrative fee (\$25.00) to apply for space or seek consultation. The following services may be included:
- a) Professional Office Environment
  - b) Directory Listing
  - c) Secretarial/Clerical Services
  - d) Word Processing
  - e) Telephone Answering Service
  - f) Janitorial Service
  - g) Utilities
  - h) Copy Machine
  - i) Facsimile (FAX) Machine
  - j) Conference Room with Audio-Visual
  - k) Business (PC) Computer Access and Software
  - l) Postage Machine and Parcel Support Services

- m) Managerial and Technical Assistance with Business Plan Development, Market Research, Financing
- n) Information Center (Library) Use
- m) Bookkeeping Assistance
- o) Shared Light Assembly/Manufacturing Area

3.11 Additional Support Services: Small Business Assistance Network

- a) Mat-Su College (UAA) Educational Programs
- b) Matanuska-Susitna Regional Economic Development Corporation (REDCOR)
- c) Matanuska-Susitna Borough - Planning Dept.
- d) American Improvement Matrix (AIM) Employment Program
- e) Anchorage Center for International Business (ACIB)

3.12 Estimated New Job Creation: 20 (11 inside and 9 outside incubator)

3.13 Tenant Selection Guidelines:

- a) The use of incubator space by retail business is inappropriate due to the nature of the facility and the availability of alternative space in the immediate area. This does not preclude on site retail sale of merchandise produced by program participants.
- b) Prospective tenants currently located in other facilities in the Mat-Su region that are proposing an extension of their existing business will not be accepted. Neither will the Center consider space for a satellite office of business based outside the Mat-Su that is not committed to staffing the office from the local work force. This does not prevent an existing business from occupying space for a new or related venture or from using other services offered by the Business Development Center.
- c) Service and manufacturing businesses that intend to compete exclusively in the local market may be discouraged but not necessarily excluded from incubator space. In keeping with the Center's philosophy to foster strong economic growth and job creation in the Mat-Su region, certain start-up businesses that fall into this category may be identified as types that would benefit from the incubator format without creating hardships for similar existing businesses. The Center acknowledges the facts that (1) not all tenant businesses must be unique in nature and that (2) the growing Mat-Su economy will be able to absorb additions to certain business types.
- d) Preference will be given to businesses that (1) intend to market beyond the confines of the Mat-Su area and Alaska, that (2) make "value added" use of local natural resources, that (3) are unique to the local economy, and/or (4) will employ large numbers of local people. This preference may take the form of prime office space, reduced rents, and subsidized or additional services.

- e) In addition to the other factors mentioned above, manufacturing tenants will be screened with consideration given to the environmental impact of the business as related to the facility's ability to (1) accommodate the movement of materials and people, (2) handle waste, ventilation and noise, and (3) be compatible with other tenants and the surrounding community.

3.14 Informational Contacts:

- a) Correspondence - Matanuska-Susitna Borough Planning Department, Box 1608, Palmer, Alaska, 99645, Attn: Mary Utter
- b) Task Force Chair - Karl Eric Rye, Tel: 907-745-9583
- c) Planning Subcommittee Chair - Jim Gonski, Tel: 907-745-4255
- d) Funding Subcommittee Chair - Erma Perry, Tel: 907-373-1333
- e) Education Subcommittee Chair - Harold Newcomb, Tel: 907-376-5346

4. PROPOSED PILOT PROGRAM SCHEDULE ("C" Indicates complete)

<u>C</u> ... Establish Task Force .....	11/15/88
<u>C</u> ... Define Mission, Goals and Objectives .....	12/01/88
<u>C</u> ... Prepare Conceptual Program of Work .....	12/15/88
<u>C</u> ... Identify possible SBI Locations .....	12/15/88
<u>C</u> ... Gain Assembly Support for Conceptual Plan .....	01/30/89
<u>C</u> ... Hold Community Meetings on Conceptual Plan .....	01/30/89
_ ... Begin Negotiations for SBI Facility .....	02/15/89
_ ... Conduct Market Analysis .....	02/28/89
_ ... Prepare Preliminary Financial Feasibility .....	02/28/89
_ ... Apply for Federal and/or Other Funding .....	03/15/89
_ ... Obtain Non-Profit Corporate Status for SBI (Organization) ....	04/01/89
_ ... Assembly Approval of Final SBI Program .....	04/30/89
_ ... Receive Approval of Primary Funding .....	05/01/89
_ ... Open Facility and Implement Pilot SBI Program .....	06/01/89
_ ... Provide Detailed Progress Report to Funding Source(s) .....	08/31/89
_ ... Begin Full SBI Program Operation .....	10/01/89

Matanuska-Susitna Business Development Center Task Force

Karl Erik Rye (Project Leader), REDCOR and Matanuska Telephone .....	745-9583
Gladys Dixon, Mat-Su Economic Development Corp. (REDCOR) .....	373-0831
John Duffy, Mat-Su Borough - Planning Director .....	745-9661
Minnie Fisher, Business and Professional Women's Association .....	376-1442
Jim Gonski, Mat-Su College and Financial Resources Group .....	745-4255
Ralph Hulbert, Palmer Historical Society .....	745-4586
Don Loesche, REDCOR .....	892-7111
John Loyd, Matanuska Telephone - Marketing .....	745-3211
Jim McGowan, REDCOR - Executive Director .....	345-3298
Harold Newcomb, REDCOR and Wasilla Realty .....	376-5346
Erma Perry, AIM Youth Employment Program .....	373-1333
Bruce Scott, Matanuska Electric .....	745-3231
Dave Soulak, Palmer City Manager .....	745-3271
John Stein, Wasilla City Mayor .....	373-9055
Bruce Strand, Key Bank .....	373-6100
Mary Utter, Mat-Su Borough Planning Dept. ....	745-9664
Chuck Vancura, Valley Hospital .....	745-4813

Planning Sub-committee

Jim Gonski (chair)  
 John Duffy  
 Don Loesche  
 Karl Rye  
 Dave Soulak  
 Mary Utter

Funding Sub-committee

Erma Perry (chair)  
 Gladys Dixon  
 Ralph Hulbert  
 Jim McGowan  
 Bruce Strand  
 Mary Utter

Education Sub-committee

Harold Newcomb (Chair)  
 Minnie Fischer  
 John Loyd  
 Bruce Scott  
 John Stein  
 Mary Utter  
 Chuck Vancura



Box 873542, Wasilla, AK 99687

January 9, 1989

**THE MATANUSKA-SUSITNA BUSINESS DEVELOPMENT CENTER**

**A Small Business Incubator**

**Mission Statement**

The Matanuska-Susitna Business Development Center mission is to assist new enterprises by providing a dynamic, synergistic environment that nurtures the development of private businesses from conception to ultimate independence while also enhancing and supporting the development of established businesses.

**Goals and Objectives**

**1. Job Creation & Retention**

- A. Establish a tenant targeting and recruitment program that encourages labor-intensive firms to locate in the incubator facility.
- B. Provide individualized assistance tailored to fit specific needs of both new and existing businesses.
- C. Maintain a flexible facility management approach.
- D. Provide a complete program of professional, technical, financial, accounting, marketing and shared office support to tenants.
- E. Assist businesses in the preparation of plans and strategies that will increase the likelihood of success.

**2. Economic Diversification**

- A. Promote businesses that would diversify and strengthen the local economy and help the local businesses maintain a competitive edge by providing products and services not currently available.
- B. Support and foster indigenous new businesses.

**3. Fill Gaps Identified in the Local Economy**

- A. Identify products and services not readily available locally and recruit businesses that would provide them.
- B. Encourage firms that specialize in "import substitution" products and services.
- C. Encourage businesses that capitalize on local products and natural resources.
- D. Encourage and promote local businesses that commit to "local hire" practices.
- E. Promote the export of "value added" natural resource products.

**4. Enhance Community's Image as a Center of Productivity**

- A. Implement aggressive outreach marketing and education programs.
- B. Capitalize on public relations opportunities.
- C. Sponsor periodic trade shows.
- D. Focus on businesses with a high degree of entrepreneurial spirit and potential for early results that would generate recognition for the region and the incubator program.
- E. Support the well planned development of industrial parks and commercial facilities.

**5. Create Marketing Outlets for Community Products and Services**

- A. Implement an aggressive marketing program for local products and services.
- B. Provide assistance and coordination between local producers and state, national and international distributors and retailers.

**6. Expand the Local Tax Base**

- A. Encourage firms to locate, expand and/or startup in the area.
- B. Encourage state and local government to offer incentives to businesses (particularly "value added" resource product industries) that locate, expand and/or startup in the area.
- C. Encourage and support the development of large-scale projects, i.e., Hatcher Pass Ski Resort, Wishbone Hill Coal Development, and Point MacKenzie Port projects.

- D. Enhance and maintain high quality lifestyle to attract people to locate to the area.
- E. Provide educational and training programs that develop a competitive work force.

**7. Create Local Investment Opportunities in High-Growth Companies**

- A. Sponsor periodic venture capital conferences and enterprise forums.
- B. Establish a venture capital advisory group to locate and attract venture capital.
- C. Provide loan and venture capital packaging assistance.
- D. Assist businesses to "go public" through the issuance of stocks and bonds or creation of limited partnerships.

**8. Assist in Meeting Capital Needs**

- A. Encourage low interest loans with flexible repayment plans, i.e., depending on earnings/profits.
- B. Encourage debt-equity investment programs, short-term notes on accounts receivable, etc.
- C. Secure state, federal and local grant funding wherever available.
- D. Encourage businesses that have low to moderate start-up capital requirements.
- E. Develop a public and community support network whereby support services could be provided at a reduced or even no charge.

Kaye

Exhibit 3

JOHN C STEVENS MISSISSIPPI CHAIRMAN

ROBERT C BYRD WEST VIRGINIA	MARY O MATFIELD OREGON
WILLIAM PROXMIRE WISCONSIN	TID STEVENS ALASKA
DAHME E MOULTE HAWAII	LOWELL P WECKER IN CONNECTICUT
ERNEST F HOLLINGS SOUTH CAROLINA	JAMES A MCCLURE IDAHO
LAWTON CHILES FLORIDA	JAKE GARN UTAH
J BENNETT JOHNSTON LOUISIANA	THAD COCHRAN MISSISSIPPI
QUENTIN N BURDICK NORTH DAKOTA	ROBERT W GASTEN IN WISCONSIN
PATRICK J LEAHY VERMONT	ALFONSO M D'AMATO NEW YORK
JIM BASSER TENNESSEE	WARREN RUDDMAN NEW HAMPSHIRE
DENNIS DUNCAN ARIZONA	ARLEN SPECTER PENNSYLVANIA
DALE BUMPERS ARKANSAS	PETE V DOMINICI NEW MEXICO
FRANK R LAUTENBERG NEW JERSEY	CHARLES E GRASSLEY IOWA
TOM HARCHER IOWA	DON NICHALES OKLAHOMA
BARBARA A MIKULSKI MARYLAND	
HARRY REID NEVADA	

United States Senate  
 COMMITTEE ON APPROPRIATIONS  
 WASHINGTON, DC 20510-6025

*Bus Dev. Center*

FRANCIS J SULLIVAN STAFF DIRECTOR  
 J KEITH KENNEDY MINORITY STAFF DIRECTOR

December 17, 1987

*Kaye-Kitchell*

Leo C. Kaye  
 HC 30 Box 12934  
 Wasilla, Alaska 99687

Dear Leo:

Thanks for your letter concerning the establishment of a Small Business Incubator in the Mat-Su Valley.

I have contacted the Small Business Administration on your behalf to obtain any additional information on sources of start-up funds and advice for organizing a Small Business Incubator. I will keep you informed of any developments.

I appreciate your comment expressing support for ANWR. I will continue to do all I can at the federal level to permit environmentally sensitive exploration and development of the Arctic National Wildlife Refuge's coastal plain.

With best wishes,

Cordially,

*Ted Stevens*  
 TED STEVENS

MATANUSKA-SUSITNA BOROUGH  
ASSEMBLY RESOLUTION SERIAL NO. 89- 020

A RESOLUTION OF THE ASSEMBLY OF THE MATANUSKA-SUSITNA BOROUGH SUPPORTING  
THE CONCEPT OF A SMALL BUSINESS INCUBATOR PROGRAM

WHEREAS, the Matanuska-Susitna Borough residents and businesses continue to be adversely affected by the current economic recession; and

WHEREAS, a group of concerned local professional and private citizens of the Borough have joined together to share their expertise; and

WHEREAS, the Matanuska-Susitna Business Development Center Task Force was established in November, 1988; and

WHEREAS, the purpose of this Task Force is to provide assistance and expertise in the development and implementation of a Small Business Incubator Program; and

WHEREAS, the purpose of a Small Business Incubator program is to create jobs and diversify the local economy; and

WHEREAS, a Small Business Incubator facility would provide professional, technical and financial assistance to small businesses during their "start-up" phase; and

WHEREAS, the Borough's economic development and economic stability depends primarily on small businesses; and

WHEREAS, Federal, State and local funding sources are available for implementation and operation of Small Business Incubator facilities; and

WHEREAS, the Matanuska-Susitna Borough Assembly believes that every effort should be made to improve and stabilize the Borough's economy.

NOW, THEREFORE, BE IT RESOLVED that the Assembly of  
Matanuska-Susitna Borough supports the concept of a Small Busin  
Incubator Program; and

PASSED AND APPROVED by the Assembly of the Matanuska-Susit  
Borough this 17 day of January, 1989.

Dorothy A. Jones  
Dorothy A. Jones, Borough Mayor

ATTEST:

Linda Dahl  
Linda Dahl, Borough Clerk

Reso 89-020

MATANUSKA-SUSITNA BOROUGH  
PLANNING COMMISSION RESOLUTION 89-16

A RESOLUTION OF THE PLANNING COMMISSION OF THE MATANUSKA-SUSITNA BOROUGH  
SUPPORTING THE CONCEPT OF A SMALL BUSINESS INCUBATOR PROGRAM

WHEREAS, the Matanuska-Susitna Borough residents and businesses continue to be adversely affected by the current economic recession; and

WHEREAS, a group of concerned local professional and private citizens of the Borough have joined together to share their expertise; and

WHEREAS, the Matanuska-Susitna Business Development Center Task Force was established in November, 1988; and

WHEREAS, the purpose of this Task Force is to provide assistance and expertise in the development and implementation of a Small Business Incubator Program; and

WHEREAS, the purpose of a Small Business Incubator program is to create jobs and diversify the local economy; and

WHEREAS, a Small Business Incubator facility would provide professional, technical and financial assistance to small businesses during their "start-up" phase; and

WHEREAS, the Borough's economic development and economic stability depends primarily on small businesses; and

WHEREAS, Federal, State and local funding sources are available for implementation and operation of Small Business Incubator facilities; and

WHEREAS, the Matanuska-Susitna Borough Planning Commission believes that every effort should be made to improve and stabilize the Borough's economy.

NOW, THEREFORE, BE IT RESOLVED that the Planning Commission of the Matanuska-Susitna Borough supports the concept of a Small Business Incubator Program; and

PASSED AND APPROVED by the Planning Commission of the Matanuska-Susitna Borough this 16<sup>th</sup> day of January, 1989.

John Duff  
John Duff, Planning Director

ATTEST:

Mary Utter  
Mary Utter, Planning Clerk

A RESOLUTION OF THE CITY OF PALMER  
PLANNING AND ZONING ADVISORY COMMISSION

A RESOLUTION OF THE PLANNING AND ZONING ADVISORY COMMISSION OF THE CITY OF PALMER SUPPORTING THE SMALL BUSINESS INCUBATOR PROGRAM DEVELOPMENT EFFORTS OF THE MATANUSKA-SUSITNA BUSINESS DEVELOPMENT CENTER TASK FORCE.

WHEREAS, residents and businesses within the City of Palmer and Matanuska-Susitna Borough continue to be adversely affected by the current economic recession; and

WHEREAS, through the leadership of the Matanuska-Susitna Regional Economic Development Corporation (REDCOR), a group of concerned local professional and private citizens of the Borough have joined together to share their expertise; and

WHEREAS, the Matanuska-Susitna Business Development Center Task Force was established in November, 1988; and

WHEREAS, the purpose of this Task Force is to provide assistance and expertise in the development and implementation of a Small Business Incubator Program; and

WHEREAS, the purpose of a Small Business Incubator Program is to create jobs and diversify the local economy; and

WHEREAS, a Small Business Incubator facility would provide professional, technical and financial assistance to small businesses during their "start-up" phase; and

WHEREAS, the Task Force proposes to establish a Small Business Incubator facility within the City of Palmer; and

WHEREAS, the City and Borough economic development and stability depends primarily on small businesses; and

WHEREAS, Federal, State and local funding sources are available for implementation and operation of Small Business Incubator facilities; and

WHEREAS, the City of Palmer Planning and Zoning Advisory Commission believes that every effort should be made to improve and stabilize the City and Borough economy.

NOW, THEREFORE, BE IT RESOLVED that the Planning and Zoning Advisory Commission of the City of Palmer supports the Small Business Incubator concept and the development efforts of the Matanuska-Susitna Business Development Center Task Force; and

BE IT FURTHER RESOLVED that the Commission urges the support of the Palmer City Council for the Small Business Incubator concept and the Task Force.

Passed and approved by the Planning and Zoning Advisory Commission of the City of Palmer this 12th day of January, 1989.

  
KARL ERIC RYE, CHAIRMAN

  
DAVID L. SOULAK, CITY CLERK

RESOLUTION: NO. 89-1

A RESOLUTION OF THE MAT-SU CONVENTION AND VISITORS BUREAU SUPPORTING THE SMALL BUSINESS INCUBATOR CONCEPT AND THE DEVELOPMENT EFFORTS OF THE MATANUSKA-SUSITNA BUSINESS DEVELOPMENT CENTER TASK FORCE.

WHEREAS, Tourism in the borough has slowed due to lack of infrastructure including businesses with a high degree of entrepreneurial spirit; and

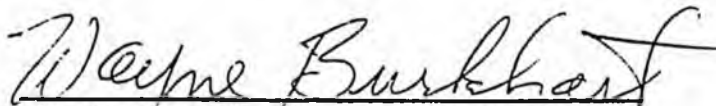
WHEREAS, visitors to Alaska seek our local products, natural resources and 'Alaska Grown'; and

WHEREAS, the visitor industry is in need of hospitality training programs that develop a competitive work force; and

WHEREAS, tourism on an international level is assisting in the creation of a 'GLOBAL ECONOMY'!

NOW, THEREFORE, BE IT RESOLVED that the MAT-SU CONVENTION AND VISITORS BUREAU supports the Small Business Incubator concept and the development efforts of the Matanuska-Susitna Business Development Center Task Force.

PASSED and APPROVED by the MSCVB  
January 26, 1989.

  
Wayne Burkhardt, President MSCVB



## CITY OF WASILLA

290 E. HERNING AVE.  
WASILLA, ALASKA 99687  
PHONE: 373-9050

### RESOLUTION NO. WR89-06

A RESOLUTION OF THE CITY COUNCIL OF WASILLA, ALASKA SUPPORTING THE SMALL BUSINESS INCUBATOR CONCEPT AND THE DEVELOPMENT EFFORTS OF THE MATANUSKA-SUSITNA BUSINESS DEVELOPMENT CENTER TASK FORCE

WHEREAS, residents and businesses within the City of Wasilla and Matanuska-Susitna Borough continue to be adversely affected by the current economic recession; and

WHEREAS, through the leadership of the Matanuska-Susitna Regional Economic Development Corporation (REDCOR), a group of concerned local professional and private citizens of the Borough have joined together to share their expertise; and

WHEREAS, the Matanuska-Susitna Business Development Center Task Force was established in November, 1988; and

WHEREAS, the purpose of this Task Force is to provide assistance and expertise in the development and implementation of a Small Business Incubator Program; and

WHEREAS, the purpose of a Small Business Incubator Program is to create jobs and diversify the local economy; and

WHEREAS, a Small Business Incubator facility will provide professional, technical and financial assistance to small businesses during their "start-up" phase; and

WHEREAS, the Task Force will be seeking to establish a Small Business Incubator facility in the Wasilla area; and

WHEREAS, the City and Borough economic development and stability depends primarily on small businesses; and

WHEREAS, Federal, State and local funding sources are available for implementation and operation of Small Business Incubator facilities; and


WHEREAS, the Wasilla City Council believes that every effort should be made to improve and stabilize the City and Borough economy.

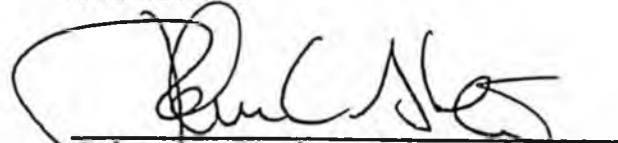
NOW, THEREFORE BE IT RESOLVED that the Wasilla City Council supports the Small Business Incubator concept and the development efforts of the Matanuska-Susitna Development Center Task Force.

I certify that a resolution in substantially the above form was passed by a majority of those voting at a duly called and conducted meeting of the governing body of the City of Wasilla this 23 day of January, 1989.

ATTEST:

APPROVED:

  
\_\_\_\_\_  
Erling P. Nelson, C.M.C.  
City Clerk

  
\_\_\_\_\_  
John C. Stein, Mayor

(Seal)

A RESOLUTION OF THE PALMER CHAMBER OF COMMERCE BOARD OF DIRECTORS SUPPORTING THE SMALL BUSINESS INCUBATOR CONCEPT AND THE DEVELOPMENT EFFORTS OF THE MATANUSKA-SUSUTNA BUSINESS DEVELOPMENT CENTER TASK FORCE

---

WHEREAS, residents and businesses within the Matanuska-Susitna Borough continue to be adversely affected by the current economic recession; and

WHEREAS, Under the leadership of the Matanuska-Susitna Regional Economic Development Corporation (REDCOR), concerned local professionals and private citizens have joined together to share their expertise; and

WHEREAS, the Matanuska-Susitna Business Development Center Task Force was established in November, 1988; and

WHEREAS, the purpose of this Task Force is to provide assistance and expertise in the development of a Small Business Incubator Program; and

WHEREAS, the purpose of a Small Business Incubator Program is to create jobs and diversity the local economy; and

WHEREAS, a Small Business Incubator facility would provide professional, technical and financial assistance to small businesses during their "start-up" phase; and

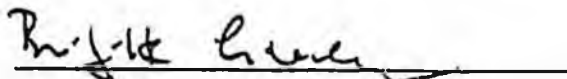
WHEREAS, the Borough's economic development and stability depends primarily on small businesses; and

WHEREAS, Federal, State and Local funding sources are available for implementation and operation of Small Business Incubator facilities; and

WHEREAS, the Palmer Chamber of Commerce believes that every effort should be made to improve and stabilize the Borough's economy.

NOW, THEREFORE, BE IT RESOLVED that the Palmer Chamber of Commerce supports the Small Business Incubator concept and the development efforts of the Matanuska-Susitna Business Development Center Task Force.

PASSED AND APPROVED by the Palmer Chamber of Commerce Board of Directors this 18th of January, 1989.



Brigitte Lively, President

**A RESOLUTION OF THE MAT-SU DEMOCRATS (DISTRICT 16) SUPPORTING THE SMALL BUSINESS INCUBATOR CONCEPT AND THE DEVELOPMENT EFFORTS OF THE MATANUSKA-SUSUTNA BUSINESS DEVELOPMENT CENTER TASK FORCE**

---

WHEREAS, residents and businesses within the Matanuska-Susitna Borough continue to be adversely affected by the current economic recession; and

WHEREAS, Under the leadership of the Matanuska-Susitna Regional Economic Development Corporation (REDCOR), concerned local professionals and private citizens have joined together to share their expertise; and

WHEREAS, the Matanuska-Susitna Business Development Center Task Force was established in November, 1988; and

WHEREAS, the purpose of this Task Force is to provide assistance and expertise in the development of a Small Business Incubator Program; and

WHEREAS, the purpose of a Small Business Incubator Program is to create jobs and diversity the local economy; and

WHEREAS, a Small Business Incubator facility would provide professional, technical and financial assistance to small businesses during their "start-up" phase; and

WHEREAS, the Borough's economic development and stability depends primarily on small businesses; and

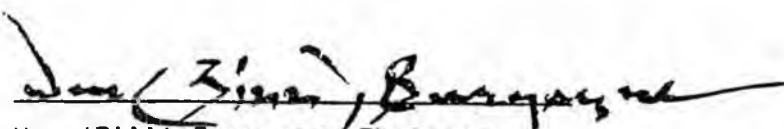
WHEREAS, Federal, State and Local funding sources are available for implementation and operation of Small Business Incubator facilities; and

WHEREAS, District 16 Democrats believe that every effort should be made to improve and stabilize the Borough's economy.

NOW, THEREFORE, BE IT RESOLVED that the Mat-Su Democrats (District 16) support the Small Business Incubator concept and the development efforts of the Matanuska-Susitna Business Development Center Task Force; and

BE IT FURTHER RESOLVED in order to assist in the establishment of a Small Business Incubator Program in the Matanuska-Susitna Borough, individual members of the Mat-Su Democrats have donated the sum of \$300.00 dollars to REDCOR for express use by the Task Force.

PASSED AND APPROVED by the Mat-Su Democrats January 12, 1989.

  
Wm. (Bill) Burgoyne, Chairman

NOTE:  
A Similar Resolution of the District 16 Republic was passed, but the copy has yet to be rec

# ices rk

It answers questions in the wholesale markets were watching closely to see what others were doing. It points out that the majors are raising prices," said one union owner. "The way up, but it's history. They could go down."

and some retail gas under \$2 since Oct. 7, when the majors dropped their price to 1.02 to 99.7 cents. The price hike hurts the Alaska economy, mainly based on oil production.

Prices could reflect a world oil price reduction agreement by OPEC. Alaska crude is \$17.50 on the spot market after dropping to



FRONTIERSMAN/PISTON IMAGES

Gas prices are looking up and so may the state economy.

# Business incubator gets funds

## Assembly votes to spend \$16,000

By ERIC TROYER

The Mat-Su Borough Assembly voted last week to spend \$16,000 to help start a small business incubator program.

Of the total amount \$5,000 is earmarked for a preliminary market analysis and \$11,000 is for three people to visit other incubator programs. The funding was passed 6-1 with Assemblyman Ted Smith dissenting.

"I'm not comfortable with \$11,000 to send a bunch of people Outside to some unspecified locations that may or may not help the program," he said.

Smith made a motion to cut the \$11,000, but no one would offer a second so the motion died.

After the vote, Borough Planning Director John Duffy said the people would probably visit incubator programs in Pueblo, Colo., Everett, Wash., and Portland, Ore. The planning department will manage the funds.

Assemblyman Norm Levesque said if started the program would be the first of its kind in Alaska.

"Maybe for once we'll show some leadership," he said.

Assemblywoman Eleanor Malapanes pointed out that once started the program could be eligible for some federal funds.

The incubator program has been championed by the Regional Economic Development Corporation. The program's goal is to help small businesses get started by providing professional, technical and financial assistance.

REDCOR has a 14-member task force that is studying the idea of the program. Two members of the task force as well as a member of the borough will visit the other incubator programs.

The market analysis will help determine how much and what kind of space and expertise is needed for the program.

The Assembly also voted unanimously to support the concept of a "Forest Stewardship Agreement Act" proposed by REDCOR, stepping away from actually supporting the act. Forest stewardship is management of timber as a renewable resource.

Assemblywoman Rose Palmquist said she was concerned that backing away from the act might slow down legislation on forest stewardship.

But Smith, a former state forestry department head, argued that the bill had a number of problems and needed to be refined.

"I don't think this bill is the one we should specifically support," he said.

# Program gets disaster test

and of like the fire during its fire drills late if you wait unhappens," said Lt. of the Alaska National

disaster emergency is located on Bogard the state Division of Services shares a with the Alaska National Representatives of departments were on

hand to pretend that a disaster like the 1986 Mat-Su flood had struck part of Alaska.

Cowper kicked things off at 10 a.m. on Saturday when his voice emerged from the mobile homes which serve as headquarters for the Division of Emergency Services.

"We have him on Memorex, as opposed to real life," Haller said.

The tape recorded message was

carried through MTA telephone lines to the Emergency Broadcast System, which includes dozens of radio and television stations and RATNET, the Rural Alaska Television Network.

For the first time, the test included a toll-free telephone number which listeners were encouraged to call, so that officials could tell just how well their disaster test worked.

# Bears join Trooper program

zes, dressed in caps with hearts on their with ribbons around

John Murphy, head detachment, has all bears at work.

of an accident on the way on my way to The woman had two with her, two and d... an Anchorage ived and he had two trunk. As soon he s to the children they talking and playing her while I finished c with their mother." rough Mayor Dor- and other officials ears of their own at ent.

times I could use it Jones said, laugh-

is 85 miles a day na to her office in as often come across

accidents. "There's nothing worse than seeing a child who is scared, crying and unsure of what's going on," she said. "Buddy Bears will help."

The Palmer Emblem Club, an affiliate of the Elks, is helping to coordinate the program in the Valley.

The program's organizers plan to collect enough bears to last a year. Already close to 500 bears and a variety of other small stuffed animals, including a small child's donation of her baby doll and blanket, have been contributed.

The Buddy Bear Patrol accepts donations of new or like-new teddy bears under 12 inches tall. Other small stuffed animals are accepted, Olson.

Vivian Heilman at the Caboose Lounge recently issued a challenge to all Mat-Su bars to meet or beat her pledge of 100 bears for the patrol. "It's working," she said. "they're starting to respond."

She is already on her way to her first 100 bears. "I cleaned out my kids' closets and came up with 28 bears!"

Donated bears can be dropped off in a collection basket near a display window in the mall. Each morning the bears are collected and placed in the window.

Other collection points around the borough include Blossoms & Bygones in Palmer (where another window will be filled with donations), the Cottonwood Creek Public Safety Building, Sutton Fire Hall, Wasilla Fire Hall, Sunshine Clinic at Mile 98 Parks Highway, Willow Elementary, the EastLake Mall in Big Lake, and MTA's offices in Palmer and Wasilla.

Monetary contributions to the program are also accepted. Send contributions to: Mat-Su Buddy Bear Patrol, C/O Palmer Emblem Club 338, P. O. Box 516, Palmer 99645.

# Business

## Group eggs on business incubator program

By BILL KELDER  
Times Valley Bureau

WASILLA — In an attempt to revitalize the Matanuska-Susitna Borough's sagging economy, the Regional Economic Development Corp., or Redcor, is trying to start a small business incubator program in the borough.

"One thing we've found in our research is that it is better to start small, grow and keep growing, than it is to start big," said Karl Rye, a planner for the Matanuska Telephone Association and a member of Redcor's board of directors.

— The incubator program is designed to

help new businesses get started by providing a location, and business and marketing expertise and advice.

The program has been established in several U.S. communities and has been successful, Rye said.

"It's a very complex program that can be greatly successful," said Mike Siemlon, the federal Small Business Administration's director of business development in Anchorage. He said only about 10 percent of new businesses in America succeed, "but under the incubator program they have something like a 75 percent success rate."

Essentially, he said, the incubator program is run by businesses and other people in a local community. "The degree of success depends to a large extent on the competence and commitment of those people," Siemlon said. "It also usually requires a long-term investment on the part of the community sponsoring the program, and seed money for a capital fund that is dedicated to the project."

Rye said the incubator program is still in the conceptual stage. Even so, he convinced the Matanuska-Susitna Borough Assembly last week to approve \$18,000 in seed money for the project. The money is

allocated to the borough's planning department, which will oversee how it is spent on the incubator project.

"We've contacted Gov. Steve Cowper's office on this and Sen. Ted Stevens' office in Washington, D.C., and both have expressed support for the concept," Rye said Tuesday.

Working with Rye is Erma Perry. Perry directs the Valley's AIM (American Improvement Matrix) program, a non-profit operation that tries to train and place young adults and minorities in permanent jobs.

See Business, page D-8

## Business: Manufacturing in community

Continued from page D-4

"We've talked to Sen. Stevens about the possibility of using the AIM program here in conjunction with the small business incubator program. He was very positive about the possibility of getting some additional federal funding for the program because of that," Perry said. "Stevens has his staff working on it now."

What Rye and Perry hope to do is locate an empty site in the borough that would serve as the start-up facility for the program.

"We would place new businesses in the facility, where they would share the lease at low rates, and share office equipment and supplies to help keep their initial overhead down to get them started," Rye said. "They

would also have access to a wide range of professional, technical and financial programs.

"The bottom line is that the incubator program is nothing more than people in a community helping to stimulate their economy by encouraging new businesses to start up there," Rye said.

Perry said the federal AIM program could help even more if it's possible to work the two programs together.

Under the AIM program, training costs are paid by the program, along with part of an employee's workman's compensation payments.

Rye said a panel would be formed to take business ideas from the community and recommend which should be part of the program. He said the new businesses would not compete with

existing businesses.

"We're not looking at taking another piece out of the Mat-Su borough's economic pie, we're looking at trying to make that pie bigger," he said.

Initially, Rye hopes the program can help get a small manufacturing business, or a number of them, going in the borough. "But we'll listen to any good proposal," he said.

The incubator program draws on the experience and expertise of the people in the community it serves, Siemlon said. "If they know what they're doing, the program can work fine. If not, well . . ."

By focusing the program's initial efforts on manufacturing, Rye said he hopes to turn the Valley's economy around. "It

will help us move from an economy based upon consumption to one based upon production," Rye said. "And it can provide job opportunities, on a small scale, much quicker than some of the large development projects that have been proposed."

The incubator concept is supported by the Palmer Chamber of Commerce, the borough and the Palmer Planning Commission.

Siemlon said Alaskans will have an opportunity to learn more about the incubator program in March. Mary Jean Rynn, the executive director of Evergreen Development Co. in Seattle, will give a daylong seminar on the incubator program at the Anchorage Hilton Hotel on March 2.



# ME A's POWER LINES



Vol. III, No. 34

Published by Matanuska Electric Association, Inc.

December 1988

## *Program could create new jobs*

# ME A considers 'incubating' businesses

**M**EA is in negotiations with a Mat-Su development corporation to see if the co-op's former headquarters building could be used to house a small-business incubator program, designed to develop new businesses and create jobs.

The co-op's Board of Directors on Nov. 15 directed staff to negotiate an agreement with the Mat-Su Regional Economic Development Corp. (REDCOR) to rent or lease MEA's office building on East Elmwood Avenue in downtown Palmer. But directors also said that other, better offers for the building, if any, should be brought before the board.

General Manager Jim Palin said the empty building costs MEA approximately \$56,000 a year in depreciation, interest payments, insurance and maintenance costs. The building, which is for sale, has been vacant since MEA moved in July 1987 into a new headquarters building adjacent to the Palmer Industrial Park.

According to information provided the board by REDCOR representative Karl Rye of Palmer, incubators are facilities in which a number of new and growing businesses operate under one roof, sharing services and equipment. The businesses pay low rents, at least

initially, and have access to a wide range of professional, technical and financial programs intended to help them succeed.

Rye said REDCOR intends to approach the Mat-Su Borough Assembly, the state and local businesses to obtain the funding for a local small-business incubator program. Although there are



ME A Vice President Barbara J. "Tamie" Miller of Wasilla receives her Director's Certificate from National Rural Electric Cooperative Association (NRECA) Executive Director Bob Bergland. Miller completed 15 hours of NRECA courses on planning, finance and management to earn the certificate.

not yet any in Alaska, incubator programs are in place throughout the Lower 48.

Incubators may be "start-up" firms, or may include a mix of new and growing businesses — research and development, assembly and light manufacturing, advanced technology, service and retail. Rye said that service or retail firms that would directly compete with established local businesses usually are not considered for incubation projects.

To help them succeed, the businesses usually share a wide range of office facilities and services, the cost of which may be too burdensome for a business struggling to get on its feet. These shared services may include secretarial support, automated office equipment, maintenance and security services, day care programs, utility costs and telecommunication equipment or even laboratory equipment and facilities.

Incubator tenants also receive professional assistance in developing or modifying a business plan, on accounting and taxes, financing, planning and research, marketing and advertising, exporting, procurement contracts and other legal matters.

## *To have safe holidays, you better 'watts' out*

**D**uring one of the most joyous times of the year, people have lost their homes, and sometimes their lives, by failing to keep safety at the forefront of their holiday celebrations, said MEA Safety Director Al Stevens.

"MEA wants you to have a joyful season, not a tragic one," he said. "Christmas trees placed too close to baseboard heaters or fireplaces have made their owners homeless. You should place the tree away from any heating or drying sources, and make sure it doesn't block any doorways or exits."

Stevens offered these other holiday safety tips:

Dried-out trees and needles are ex-

tremely flammable, so select a fresh tree. The butt should be sticky with sap. (To test, scrape the bottom with a knife.) Keep the tree fresh by mounting it in a water-holding stand. If you use an artificial tree, make sure it is fire-resistant.

Use only lights and electrical cords that bear the "UL" marker, which indicates they meet safety standards. Inspect light strings and cords for fraying, bare wire, loose connections and broken sockets. "Light sockets and strings are so hard to repair, you're probably better off replacing them," Stevens says.

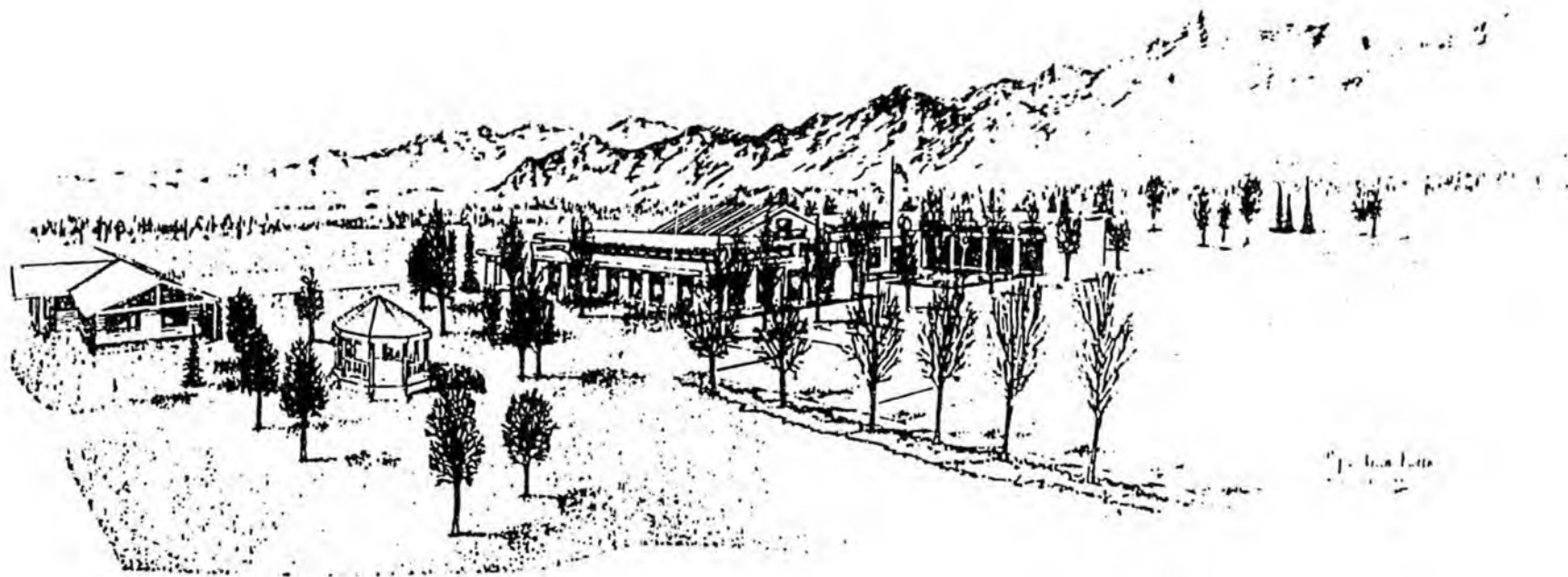
If you have a metal tree, use only indirect lighting. If lighting cords are

placed directly on metal trees, they can become "charged" and dangerous.

Use only fireproof or fire-resistant decorations. Don't decorate your tree with small ornaments that look like food or candy, but aren't; small children might eat them.

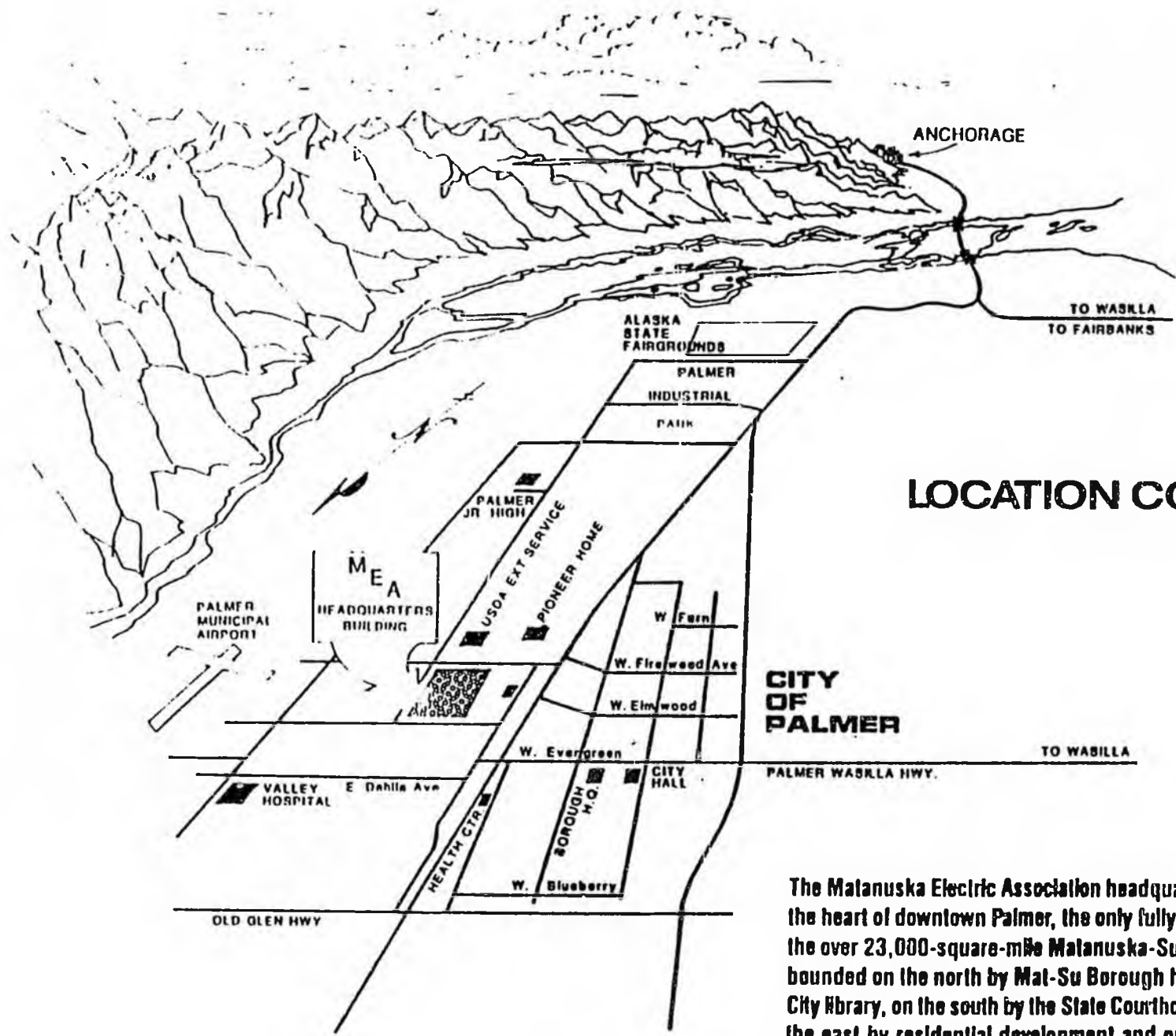
Dispose of wrapping paper safely. Tossing it into stoves and fireplaces is dangerous. The paper flares easily and burns "hot," and has caused household fires.

As a final safety precaution, you might consider unplugging light cords when no one is around to guarantee that all's well — particularly if you have active pets that could be tempted to knock over the tree.



**GRAPHIC B**

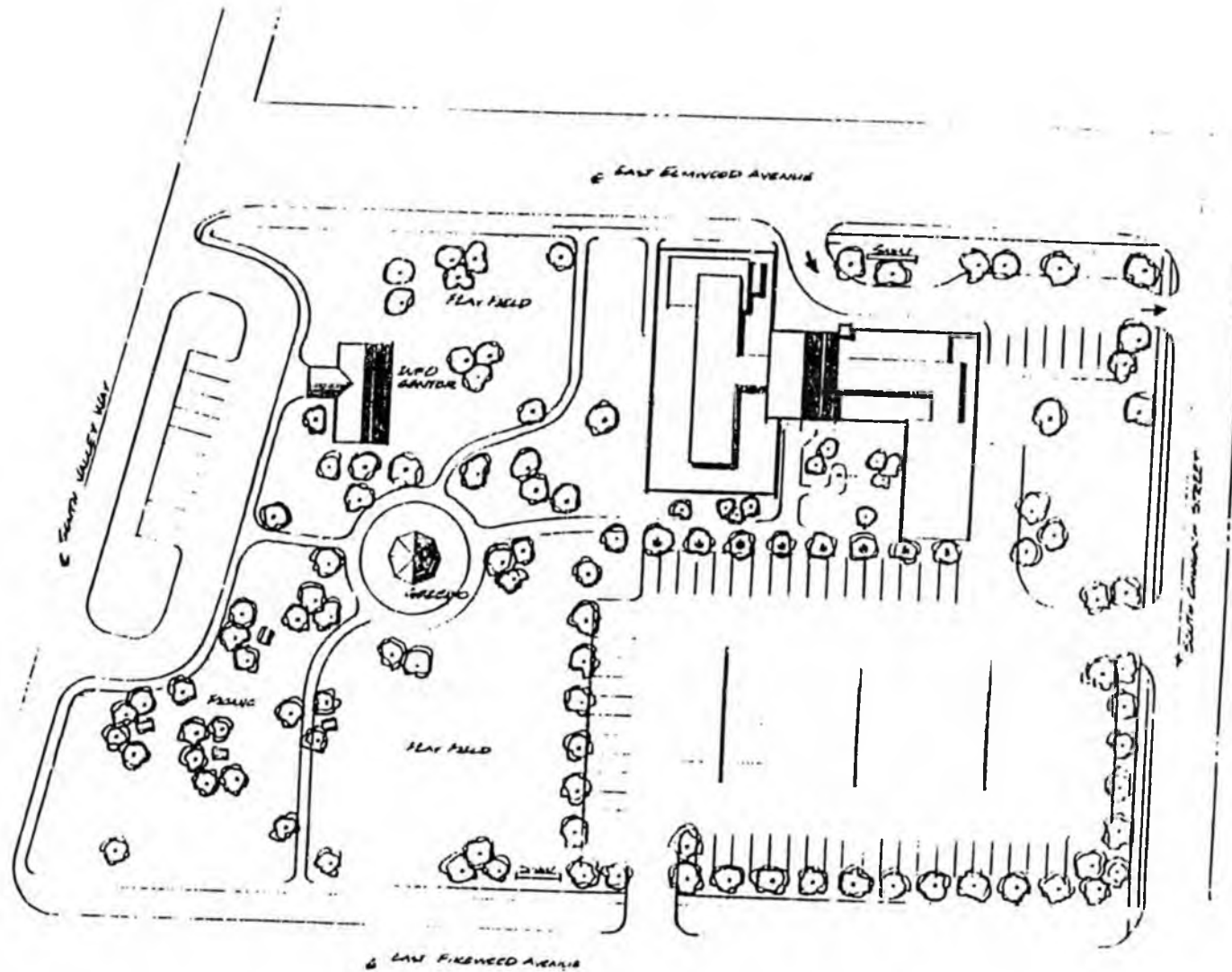
**An illustrated design for the entry way, landscaping and gazebo for public use.**



## LOCATION COUNTS

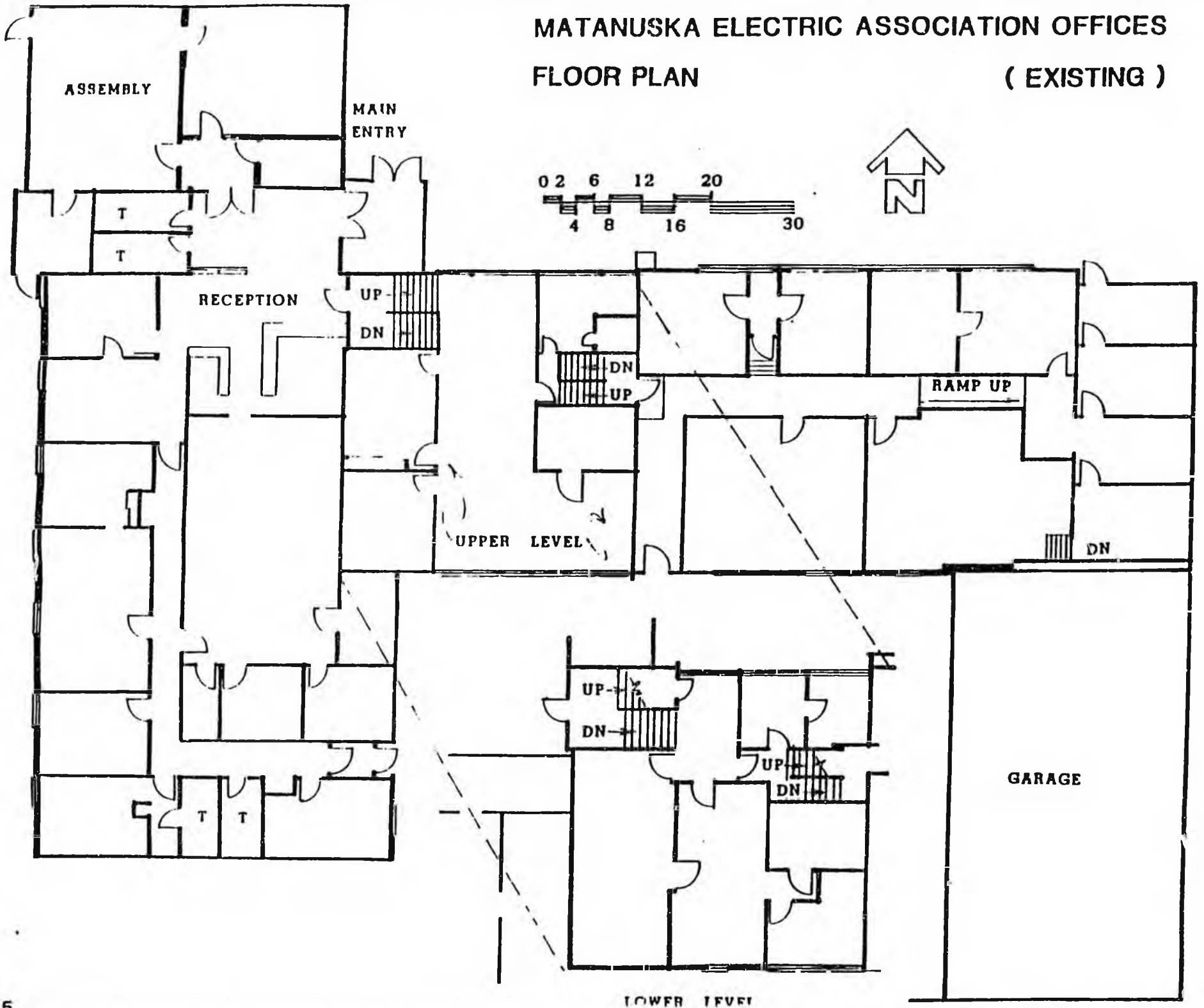
The Matanuska Electric Association headquarters building is located in the heart of downtown Palmer, the only fully serviced home rule city in the over 23,000-square-mile Matanuska-Susitna Borough. The site is bounded on the north by Mat-Su Borough headquarters and the new City Library, on the south by the State Courthouse and Pioneer Home, on the east by residential development and on the west by the Palmer Visitor Information Center and downtown business district.

The Glenn Highway is the major north-south road.



**AN ADAPTIVE REUSE OF MAT. ELECTRIC ASSOC. BUILDING**

MATANUSKA ELECTRIC ASSOCIATION OFFICES  
FLOOR PLAN  
( EXISTING )





United States  
Department  
of Agriculture

Rural  
Electrification  
Administration

Office  
of the  
Administrator

Exhibit 8  
Washington,  
D.C.  
20250

DFK  
JAR  
Dink  
File

OCT 24 1988

SUBJECT: 7 CFR Part 1709, Subpart B, Rural Economic  
Development Loan and Grant Program

TO: REA Borrowers

Attached for your information is a copy of the subject draft regulation that the Rural Electrification Administration (REA) published in the Federal Register on October 27, 1988. The program will provide zero interest loans and grants to RE Act borrowers for the purpose of promoting rural economic development and job creation projects. If you wish to submit comments, please forward them to Mr. Blaine D. Stockton, Jr., Assistant Administrator - Management, Rural Electrification Administration, Room 4063-South Building, U.S. Department of Agriculture, Washington, D.C. 20250. The Federal Register notice states that comments must be received by November 28, 1988. The comment period has been extended an additional 30 days and closes on December 28, 1988.

*Jack Van Mark*

JACK VAN MARK  
Acting Administrator

Attachment

RECEIVED  
NOV 14 1988  
MTA REA CERTIFICATION/  
CONTRACT ADMIN. DEPT.



# Representative Dave Donley, Chair House Labor & Commerce Committee

DATE: 4-18-89

PLACE: C#17

SUBJECT OF MEETING:  
 HB 96      HB 168  
 HB 284      HB 13      AB 166  
 SCR 21  
 SB 82      SSR 41

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT WHICH BILL?
✓ ED CRANE	CFAB	5260 LUPIN PL. ANC	99507	562-7556	276-2007	(Y) N	SB 82
✓ Bob Bartholomew	DOTMPF	P.O. Box 2 Juneau		463-3237	465-3911	(Y) N	HB 284
✓ Tom Lawson	DCED	PO Box 0 Juneau	99811		465-2012	Y (N)	SCR 21 Available for Q
✓ Paul Roller	D.O.F	Pouch 0 " "	99811		465-7515	(Y) N	SCR 41
✓ MARTHA FISCHBACH	SELF	Box 34496, JUN	99803	364-2675	465-8828	(Y) N	HB 96 - Vet
✓ ROFAUNK HORSCHER	Assoc Fencel A.S.A	10360 Nigh Rd	99515	522-1155	522-5289	(Y) N	HB 284
✓ Karl OHL	Sen. Zharoff	P.O. Box V, Juneau	99811		465-3473	(Y) N	SB 82
✓ Resa Terrell	A.G.C. of Alaska	134 No. Franklin	99801	584-1741		(Y) N	HB 284
✓ Randall Burns	Dept. of Commerce	P.O. Box 0-211 Juneau, AK 99811			465-2535	(Y) N	HB 96
✓ Dean Paddock	Self	Box 20312 Juneau 99802		788-14231	463-4970	(Y) N	SB 82
✓ Scott Burgers	AML	217 2nd St Suite 200 Juneau 99801			6-1325	(Y) N	HB 284

SCR

27

# HOUSE COMMITTEE REPORT

(7)

Date Referred: April 24, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 5.2.89

The LABOR & COMMERCE Committee considered:

SCR 27

SENATE CONCURRENT RESOLUTION NO. 27

[STATE HOUSING POLICY]

Urging the Alaska Housing Market Council to develop a statewide housing policy for the decade of the 1990's.

**RECOMMENDATIONS:**

- [ ] be replaced with \_\_\_\_\_ [ ] the same title
- [ ] have attached amendment(s) [ ] a new title
- [  ] do pass
- [ ] do not pass
- [ ] no recommendation
- [ ] individual recommendations
- [ ] additional referral to the \_\_\_\_\_ Committee

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

ATTACHES NEW FISCAL NOTE(S):  
(Dept)

APPROVES PREVIOUS: (Date/Dept)

- [ ] fiscal impact \_\_\_\_\_
- [ ] zero fiscal note \_\_\_\_\_
- [ ] zero with analysis \_\_\_\_\_


- [  ] fiscal note(s) \_\_\_\_\_
- [ ] zero fiscal note(s) \_\_\_\_\_
- [ ] zero fn/analysis \_\_\_\_\_

**SIGNING DO PASS:**

**SIGNING:**  
(Check approp. column)

David Donley Donley  
Mark Boyer Boyer  
Cliff Boucher Boucher  
Frank Finkelstein Finkelstein  
Max Gruenberg Gruenberg

	Do Not Pass	No Rec	Amend
<u>Steven A. Leman</u> Leman	<input checked="" type="checkbox"/>		
<u>Virginia Collins</u> Collins	<input checked="" type="checkbox"/>		

  
 \_\_\_\_\_  
 Chairman's Signature

STATE OF ALASKA  
1989 LEGISLATIVE SESSION

BILL VERSION: SCR 27  
PUBLISH DATE: 4/4/89

FISCAL NOTE

REQUEST:

Revision Date: 4-4-89 Agency Affected: Commerce & Economic Dev.  
Title: Urging AHMC to develop a statewide housing policy BRU: Alaska Housing Market Council  
Sponsor: Senate Sp. Comm., Banking & Economic Development  
Requester: Senate Labor & Commerce

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	9.5	16.3				
TRAVEL	32.9	32.0				
CONTRACTUAL	1.7	2.1				
SUPPLIES	.2	.2				
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	44.3	50.6	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

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

FUNDING: (Thousands of dollars)

GENERAL FUND	44.3	50.6				
FEDERAL FUNDS						
OTHER						
TOTAL	44.3	50.6				

POSITIONS:

FULL-TIME			0	0	0	0
PART-TIME						
TEMPORARY	1	1				

ANALYSIS: (Attach a separate page if necessary.)

The amounts shown in this fiscal note are for informational purposes only. As funding for the development of a statewide housing policy is included within AHMC's operating budget, no new funds are required.

Prepared by: Glenda Straube, Executive Director  
Division: Alaska Housing Market Council

Phone: 563-3325  
Date: 4-3-89

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

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

Distribution (by preparer):

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

ALASKA HOUSING MARKET COUNCIL  
HOUSING POLICY DEVELOPMENT COMMITTEE  
SCR 27

	<u>FY 89</u>	<u>FY 90</u>
<b>EXPENDITURES:</b>		
Salaries	\$8,956	\$15,373
Benefits	549	942
(One temporary full-time staff person)		
Total Personal Services	9,505	16,315
Total Travel	32,911	32,028
(Air fare and per diem for six meetings in Anchorage, three meetings in Juneau, one meeting in Fairbanks, one meeting in Homer, and one meeting in Bethel)		
Total Contractual (Meeting Room Costs)	1,740	2,120
Total Supplies (Misc. Office Supplies)	<u>150</u>	<u>150</u>
<b>TOTAL EXPENDITURES:</b>	<u>\$44,306</u>	<u>\$50,613</u>

SCR

28

# HOUSE COMMITTEE REPORT

(7)

Date Referred: April 24, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: \_\_\_\_\_

The LABOR & COMMERCE Committee considered: CSSCR 28(FIN)am

CS FOR SENATE CONCURRENT RESOLUTION NO. 28 (Finance) am  
[HOUSING FINANCE TASK FORCE]

Establishing a Housing Finance Task Force to review and recommend changes to publicly-assisted residential finance programs.

**RECOMMENDATIONS:**

- [ ] be replaced with \_\_\_\_\_ [ ] the same title
- [ ] \_\_\_\_\_ [ ] a new title
- [ ] have attached amendment(s)
- [ ] do pass
- [ ] do not pass
- [  ] no recommendation
- [ ] individual recommendations
- [ ] additional referral to the \_\_\_\_\_ Committee

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

ATTACHES NEW FISCAL NOTE(s): (Dept) APPROVES PREVIOUS: (Date/Dept)

- [ ] fiscal impact \_\_\_\_\_ [ ] fiscal note(s) \_\_\_\_\_
- [ ] zero fiscal note \_\_\_\_\_ [  ] zero fiscal note(s) \_\_\_\_\_
- [ ] zero with analysis \_\_\_\_\_ [ ] zero fn/analysis \_\_\_\_\_

**SIGNING DO PASS:**

*Donley* Donley  
*Boucher* Boucher  
*Gruenberg* Gruenberg  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**SIGNING:**

(Check approp. column)

	Do Not Pass	No Rec	Amend
<i>Karen Leman</i> Leman	<input checked="" type="checkbox"/>		
<i>Mark Boyer</i> Boyer	<input checked="" type="checkbox"/>		
<i>Virginia M. Collins</i> Collins	<input checked="" type="checkbox"/>		
<i>John Tinkelschtein</i> Tinkelschtein	<input checked="" type="checkbox"/>		

*Donley*  
 \_\_\_\_\_  
 Chairman's Signature

PO BOX V  
JUNEAU, AK 99811

SJR8



As your attorney, Mr. Galactic, I have some good news and bad news about the sale of your home. The good news is, you finally have an offer on your property...



The bad news is, the offer is \$98,000 less than what you owe the bank....



However, the good news is, the mortgage insurer has agreed to pay its portion of the shortfall...



The bad news is, your assets are history once you pay closing costs, attorney's fees, real estate commissions and accrued interest...



However, the good news is, once you pay these costs you will have satisfied your mortgage obligation...



The bad news, I'm afraid, is that the IRS considers the insolvent's participation as income to you and will tax your taxes off in 1990...



The good news is, the bank and the IRS will forgive your debts upon your death from a massive coronary!

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ALASKA JOURNAL of Commerce  
58311 Row

# Senator Rick Uehling

Downtown, Elmendorf, Northeast Anchorage



## MEMORANDUM

Co-Chairman, Senate Finance Committee  
International Trade & Tourism Committee  
State Affairs Committee

To: Representative Dave Donley  
Chairman, House Labor and Commerce Committee

From: Senator Rick Uehling  
Co-Chairman, Senate Finance Committee

Re: CSSCR 28 (Fin) am, Establishing a Housing Finance Task Force

Date: April 24, 1989

This resolution will create a Task Force to assist the legislature in reviewing the operations and structures of Alaska's residential finance programs.

Our state currently has dozens of active programs designed to assist Alaskans seeking the best possible home purchase financing. These programs exist under a variety of agencies, public corporations and authorities.

The Task Force will specifically examine the need for continued state home loan subsidies. Subsidy rates have been established over the years without a comprehensive legislative or administrative policy. A thorough review of all state programs offering below market rates for home loans is overdue. The Task Force will also explore the possibilities of combining, restructuring, privatizing or eliminating specific programs and entire agencies.

As an example of the complexity of the issue, I have attached excerpts from recent annual reports of the Alaska Housing Finance Corporation and DCRA's Housing Assistance Loan Program. I do not doubt that these reports are appropriate for CPAs or the managers of these programs, but they are not useful oversight tools for the legislature.

The Task Force will be able to focus its attention during the interim on the complex situation that has developed over the last 15 years. It will have, in addition to six legislative members, the necessary administrative expertise to support a concentrated review of these home loan functions. A report will be generated and should assist this legislature during the second session.

Please call my office if there is additional information I can provide for you. Thank you for your consideration.

attachments

# HOUSING ASSISTANCE LOAN PROGRAM



Nome



Bethel



Kotzebue



Haines



Kodiak



Dillingham

## 1988 ANNUAL REPORT



State of Alaska  
Steve Cowper, Governor

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



*STEVE COWPER, GOVERNOR*

**Forward**

The requirement for an annual report to the Legislature is set out as in AS 44 47 530. It has been our desire to go beyond this statutory requirement in providing both the Legislators and the housing consumer with an overview of our annual activities. A list of our officers is included and we welcome your comments and questions on our programs.



November 15, 1988

The Department of Community and Regional Affairs (DCRA) is pleased to present the Sixth Annual Housing Assistance Revolving Loan Fund (HALF) Report. At a time when most Alaskan financial institutions are experiencing unparalleled financial setbacks, DCRA's Housing Assistance Section has maintained a fine record of relatively low delinquency while continuing to provide a critical statewide service to help meet rural housing demands.

In its efforts to provide financing for safe affordable new rural housing, the Housing Assistance Section benefits not only individual borrowers, but also businesses such as material suppliers, transportation companies, local banks and other financial institutions, appraisers and title companies. New home construction creates jobs for framers, drywallers, plumbers, finish carpenters, electricians and other construction workers in those parts of the state where jobs are often hard to find.

The Supplemental Housing Construction Program which is administered by the Housing Assistance Section provides a very important element in the rural housing industry. Through this program DCRA has worked very closely with the Regional Housing Authorities to combine state monies with federal HUD funds to bring over \$20 million of mutual self-help public housing to Alaska this past year.

The 1987 Alaska Legislature directed DCRA to develop a study of rural Alaska housing needs. The completed study, performed in cooperation with Rural Cap, was presented to the Legislature, Federal HUD office, and Congressional offices in March of 1988. This comprehensive study was instrumental in providing an additional 36 units of mutual self-help housing to be slated for Alaska by the HUD office. This translates to \$3.5 million additional federal dollars coming into the state.

For the last eight years, the Housing Assistance Program has provided important financial support for residential single family and multi-family housing in rural Alaska. For over 10 years, the state has been providing energy conservation programs, first in the Department of Commerce and Economic Development and then in the Department of Community and Regional Affairs. This last year, these two critical programs were brought into closer coordination in conjunction with the merger of two departmental divisions to create the new Rural Development Division. To further promote the degree of coordination between these programs, the energy and housing sections have been relocated to work side by side.

One significant result of this increased coordination was that the Housing Assistance program led in designing an implementation of the Statewide Lighting and Thermal Efficiency Standard. This lead was then followed by Alaska Housing Finance Corporation, the largest secondary mortgage market in Alaska, in an effort to comply with the Standard.

The housing and energy programs also actively participate in and promote the Alaska Craftsman Homebuilders Program. This program provides Alaskan homebuilders training in the fine art of arctic construction techniques. To increase their understanding of energy efficient construction techniques, the department's loan personnel traveled to Whitehorse, Canada to study arctic construction firsthand through the Canadian R-2000 program. This trip also proved to be an opportunity to promote an international exchange of technology in the area of arctic construction to insure that both countries were on the leading edge of arctic construction methods.

As a result of the continually declining state operating budget the Housing Assistance Section is being called upon by other state agencies to provide support, promotion, collection, and other loan activity in the remote parts of the state. A Memorandum of Agreement with the Department of Commerce and Economic Development is the basis for our continuous cooperation in the "Made in Alaska" program and for a new revolving loan program in which the section is also being asked to participate.

A similar working agreement with the Alaska Power Authority has led to a closer working relationship on village projects. That coordination has already led to the timely and effective removal of life threatening conditions in at least one village.

DCRA continues its policy of working with rural Alaskans to develop appropriate programs which can help people continue to live and work in their own communities. Despite current economic problems, we are confident in the future of Alaska and in our own ability to positively contribute to the future growth and prosperity of the state.

Sincerely,

David G. Hoffman  
Commissioner

SB 1 passes. Creates Housing Assistance  
Division \$10,000,000 appropriated  
to Nonconforming Loan Fund.  
Division also receives Senior  
Citizen Housing Development Fund  
from Division of Community Planning

First office  
opens in  
Anchorage

First loan processes  
Dillingham, Nome  
regional offices open

Kotzebue  
regional  
office  
opens

1980 Legislative  
Session

August  
1980

February  
1981

March  
1981



November 30, 1988

Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811

Dear Legislators:

It is my pleasure to present this sixth Annual Report of the Housing Assistance Revolving Loan Fund. Fiscal year 88 saw many changes in the Housing Assistance Loan Program caused by both internal and external forces.

Internally, we completed the merger of the Housing Assistance Division and the Community Development Division into the Rural Development Division. This was done with the passage by the Legislature of Executive Order 69 in March 1988 and Administrative Order 107 issued by the Governor's Office in April 1988.

With this merger came many new opportunities for the Housing Assistance Loan Program. The Loan Program staff spent many hours assisting the Energy Conservation staff of the Rural Development Division on the implementation of the Energy Conservation Standard for New Residential Buildings and the Energy Rated Homes Program for Rural Alaska.

Although many economists are predicting the end of this economic recessionary period it will still be awhile before the State real estate market begins to see an end to its recession. As a result of this, the loan program has had to weather many economic storms this year. We saw the closure of three of our seller-servicers by the Federal Deposit Insurance Corporation (FDIC) and the merger of our largest seller-servicer with another financial institution. This required the Loan Program staff to spend many hours working with the FDIC and the new servicer of the loans to account for all the funds, notify all the borrowers involved, and get all the files physically transferred from one location to another.

Bethel regional office opens

HB 148 passes mandating 80% rural fund emphasis for nonconforming loans. \$40,000,000 appropriated to the Nonconforming Loan Fund for FY 82. Supplemental Housing Development Fund authorized within division to augment HUD Indian housing units

Fiscal year closes. 99 loans closed. Rural/urban activities nearly equal

Fairbanks regional office opens

May 1981

1981 Legislative Session

June 1981

September 1981

Due to the diversity of our portfolio throughout the State we have not seen as severe a problem with default and foreclosure as other mortgage investors in the State. Our delinquency rate has averaged 5.99 percent over the last year and our number of foreclosed properties in our inventory has remained at about 48. We have tried to liquidate our real estate owned by having a fair market appraisal done and selling the properties for the value determined by the independent fee appraiser. When it is not feasible to sell the property we will rent the property. It is our policy to rent the properties for the fair market rent for similar units in the specific community involved.

The Housing Assistance Loan Program is now in its ninth year of operation. Partly due to the economic condition and partly due to the age of the program we are in the maturity stage of our growth. We are not seeing the phenomenal growth spurts we did in the early 1980's in loan demand. However, we are seeing a steady demand for loans at about 250 requests per year. It is rewarding to know that more families in Rural Alaska have better housing because this loan program exists today. As cited in the Rural Housing Needs Assessment completed by Rural Cap for the Department earlier this year, this is only a drop in the bucket of the number of housing units needed in Rural Alaska. We feel really good about the fact that we are able to help in this way to meet this need.

As reported last year, the Department of Community & Regional Affairs and the Department of Commerce and Economic Development established a policy of cooperation which allowed the DCRA field personnel to assist the DCED personnel with their programmatic work in the Rural areas of Alaska. Staff from DCRA has spent many hours helping with fishing loan applications, modifications of fishing loans, vessel inspections, counseling of delinquent borrowers, and inspecting businesses for certification in the Made in Alaska program. This has resulted in cross training between the two Departments and increased travel for DCRA staff but it has been a small price to pay relative to service to Alaskans in the areas we serve.

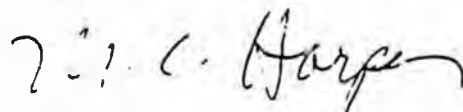
During the last year the Department attempted to change some of the statutes governing the Housing Loan Program. These changes came at the request of the loan program staff and the Joint Committee on Economic Recovery of the Legislature. Unfortunately, these changes did not pass the last session of the Legislature. These changes would have given the Loan Program more flexibility to modify existing loans for borrowers experiencing financial distress due to the economic recession. The Department plans to ask the Legislature again this year for these necessary changes to our Statutes. In the meantime, the Loan Program staff are doing whatever is possible within the existing Statutes to help our borrowers keep their homes.

In the coming year the Department will continue to network with other Departments doing similar work in the Rural areas. We hope this will better utilize our funds and the resources and skills available within State government to better serve the people of Alaska.

As I reported in my letter to the Legislature last year, the Housing Assistance Loan Program continues to be counter to all other real estate industry measurements for other lending and secondary mortgage markets. We continue to have a modest number of delinquent loans and little growth in our inventory of real estate owned.

Please call me if I can be of any assistance to you.

Sincerely,



Michael C. Harper  
Director

Original management team  
leaves. Interim manager  
appointed

February  
1982

New  
management  
team  
appointed

April  
1982

SB 666 passes. HUD receives rural owner-occupied and rural nonowner-occupied programs from AHFC. The sum of \$45,000,000 is appropriated to the newly consolidated Housing Assistance Loan Fund. An 80% emphasis in the nonconforming loan program is maintained. New definition of rural is passed for fiscal year 1983

1982 Legislative  
Session

## Housing Assistance Section Background

The Housing Assistance Division was created by the 1980 Legislature (Chapter 120, SLA 1980), to administer the Nonconforming Housing Loan Program. Loan funds were to be distributed on a statewide basis with emphasis on rural Alaska. Administration of these loans was primarily through seller-servicer agreements with financial institutions. The initial mandate from the Legislature was twofold; (1) to form a central office and five regional offices and (2) to offer loans for nonconforming housing. First-year loan funds were appropriated at \$10 million.

The 1981 Legislature continued funding the Nonconforming Program at a rate of \$40 million and directed the Division to divide such funds between rural and urban Alaska at an 80 percent: 20 percent ratio. The Legislature further directed the Division to offer funds directly to eligible borrowers who could not otherwise get service in rural Alaska (Chapter 82, SLA 1981). This mandate is known as direct lending and has been instituted by the Division.

The Nonconforming Loan Fund was renamed the Housing Assistance Loan Fund during the 1982 Legislature (Chapter 113, SLA 1982). This fund combined the Nonconforming Loan Program with the AHFC Rural Mortgage Purchase Programs for both owner-occupied and nonowner-occupied loans. An FY '82 appropriation to the newly combined Housing Assistance Loan Fund (HALF) was in the amount of \$45 million bringing total appropriations to date to \$95 million.

The HALF was given another \$45 million by the 1983 Legislature and another new program. The new program was called the Homeownership Assistance Fund. The object of this program is to make homeownership a reality for the low-to-moderate income segment of the state's population by subsidizing a portion of the interest payment on the loan. Regulations were drafted and became final on September 22, 1985.

The 1984 Legislature redefined rural again. The Division took the definition to a cartographer to insure the delineating lines were drawn correctly since the definition was based on nautical miles from the boundaries of Anchorage and Fairbanks. The new definition based on the maps provided by the cartographer included Homer and Anchor Point as rural locations.

In January 1985, the Division was working on new rural definitions to present to the Legislature. It was discovered during this process that the cartographer had erred in the maps he drew and that the Homer and Anchor Point locations should not have been included in the rural area.

The Division stopped accepting applications for loans from the affected areas on January 22, 1985. The 1985 Legislature redefined rural basically returning to the FY '84 definition based on road or rail access to Anchorage or Fairbanks.

Additionally, the 1985 Legislature transferred the authority for making nonconforming loans in urban areas from the Housing Assistance Division to the Alaska Housing Finance Corporation.

The 1985 Legislature appropriated \$4 million from the General Fund to the revolving loan fund and allowed the Division to revolve the FY '85 and FY '86 principal and interest repayments to the fund as additional sources of loan funds for FY '86.

In 1986, the Alaska Legislature enacted legislation appropriating \$70 million from the Housing Assistance Loan Fund to the State of Alaska, General Fund. The transfer occurred on December 1, 1986.

The 1987 Legislature appropriated \$2.5 million from the General Fund to the Revolving Loan Fund which enabled the Division to maintain available funding for the housing loan demand in rural Alaska.

Further, the FY '87 Legislature directed the Housing Assistance Division to coordinate and consolidate the work efforts of the Division with the Department of Commerce and Economic Development. This has been accomplished through a memorandum of Agreement between both Departments. The Division's loan staff is actively in rural Alaska with the outreach of both Department programs.

In FY '88 the Housing Assistance Division merged with the Division of Community Development creating the Rural Development Division. The combining of these programs will allow us to better serve the Alaskan people by more effectively and efficiently utilizing the existing programs.

Fiscal year 1982 audit period closes. Only 275 loans outstanding. Large carryover in funds. Audit exceptions noted. New management begins work on corrections

Division regulations drafted. Public hearings held. Regulations filed with Attorney General

New Governor elected. Transition team reviews division activities

New Commissioner appointed to manage department activities. New division management retained. Division handbooks of loan and grant programs published. Brochures printed

June  
1982

Fall  
1982

November  
1982

January  
1983

## Housing Assistance Section Loan Programs

### Rural Owner-Occupied Program

The rural owner-occupied program provides financing to qualified borrowers for the construction, purchase, or rehabilitation of a unit which will be used as the borrower's principal residence. The program covers detached single-family and duplex housing. Under this program, loans will not be made to professional builders who will not occupy the unit(s) or to compensate the borrower for his, her labor.

### Rural Nonowner-Occupied Program

The rural nonowner-occupied program provides financing to qualified borrowers for the construction, purchase or rehabilitation of rental housing units. The project may involve two or eight units in a single community or specific area outside a community and up to 16 units in areas demonstrating extraordinary need.

### Home Ownership Assistance Fund (HOAF)

This program provides assistance to persons of lower and moderate income to purchase or construct single family, owner-occupied dwellings where the mortgage loan on the dwelling is originated or purchased by the Division under the Rural Owner Occupied Program. The HOAF program provides a subsidy which reduces the annual interest rate paid on a mortgage loan to a minimum of six percent.



Sherrie Ace, Loan Examiner, Hank Hodge, Loan Manager and Duane Wise, Loan Examiner.



Chuck Akers, Deputy Director

Lt. Governor  
McAlpine adopts  
division  
regulations

Contract approved to  
develop and implement  
automated mortgage loan  
accounting

HB 302 passes. 80% rural emphasis shifted to entire Housing Assistance  
Loan Fund appropriation. The sum of \$45,000,000 is proposed for fiscal year 84  
programs. Legislation creates a Home Ownership Assistance Program (deep subsidy)  
loan and a low-income rental housing construction grant fund to take effect 1/1/84.  
Annual Report to the Legislature on the loan portfolio is required. Housing  
Demonstration project funded with legislative grant for owner/builder townhouses

April  
1983

June  
1983

1983 Legislative  
Session

## Independent Auditors' Report

Mr. Mike Harper  
Director of Rural Development Division  
Housing Assistance Section  
State of Alaska  
Department of Community and Regional Affairs:

We have audited the accompanying balance sheets of the Housing Assistance Loan Fund as of June 30, 1988 and 1987 and the related statements of revenues, expenditures, other financing sources (uses) and changes in fund balances for the years then ended. These financial statements are the responsibility of the Housing Assistance Loan Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Assistance Loan Fund at June 30, 1988 and 1987, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

*Paul Maurice Ward & Co.*

September 26, 1988  
Anchorage, Alaska

Fiscal year 1983 closes. Appropriation for next fiscal year posted after fiscal year begins. Portfolio growth exceeds 300% of prior years' activities. 7% staff increase received.

Fiscal year 1983 audit begins. New programs drafted. Proposed regulations out for public hearings. Division three staff for new Southeast Regional Office. Senior management change in department. Acting Commissioner appointed.

New grant program became effective under AS 64.47.635. This grant program is known as the State Assisted Rental Housing Construction Program.

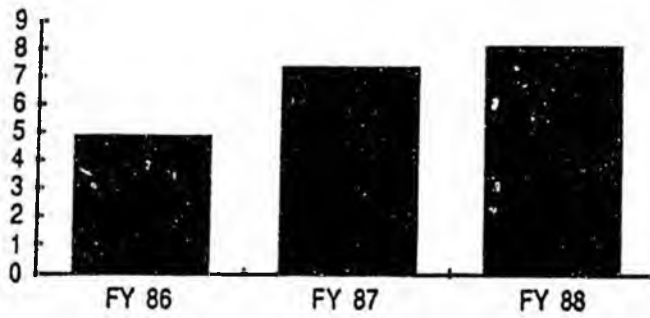
Home-ownership Assistance Fund effective 1/1/84

June 1983

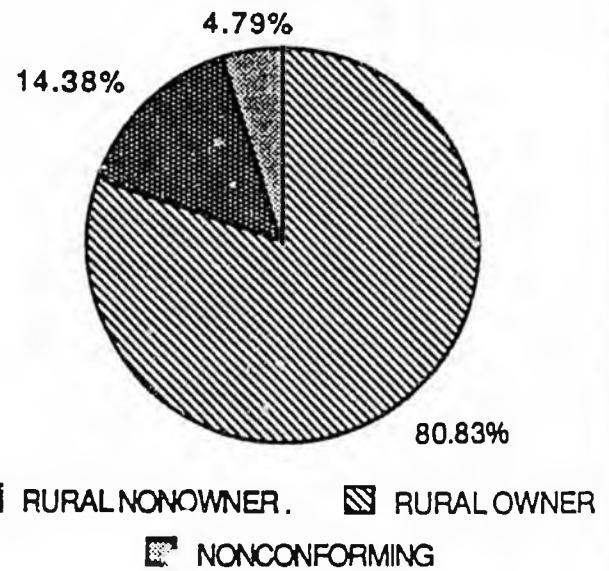
November 1983

January 1984

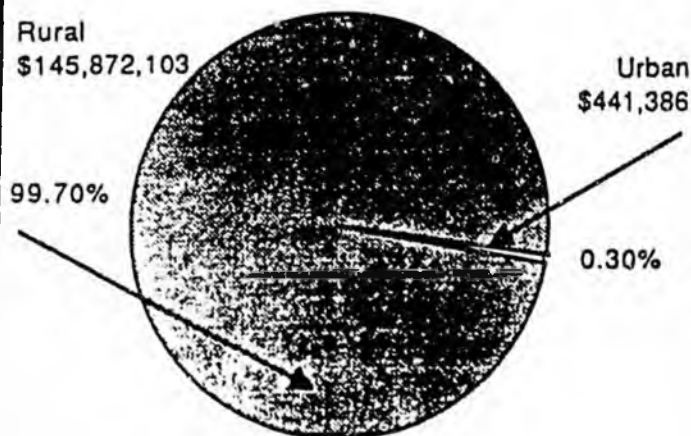
PERCENTAGE OF LOANS GREATER THAN ONE MONTH DELINQUENT



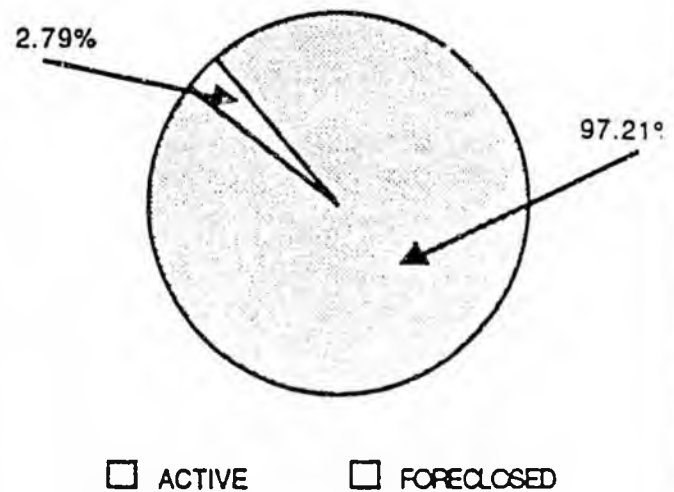
LOANS BY PROGRAM as of 6/30/88



RURAL/URBAN BREAKOUT as of 6/30/88



LOAN PORTFOLIO COMPOSITION as of 6/30/88



The first grants totaling \$5 million were awarded under the State Assisted Rental Housing Construction Program

Started accepting HOAF applications

Special\* nonconforming money AHFC—\* special purchase program for nonconforming loans

March  
1984

April  
1984

May  
1984

**STATE OF ALASKA  
DEPARTMENT OF COMMUNITY  
AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE LOAN FUND**

**Balance Sheets**

**June 30, 1988 and 1987**

<u>Assets</u>	<u>June 30</u>	
	<u>1988</u>	<u>1987</u>
	(in thousands)	
Cash	\$ 18,468	20,896
Mortgage loans, net of allowance for loan losses	143,998	132,036
Notes receivable	36	—
Accrued interest receivable	1,183	1,020
Real estate owned	4,193	2,862
Other assets	21	27
	<u>\$ 167,899</u>	<u>156,841</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	161	199
Due to State of Alaska General Fund	2,197	—
Total liabilities	<u>2,358</u>	<u>199</u>
Fund balances:		
Title loss reserve	1,000	1,000
Operating loss reserve	100	100
Reserve for loans receivable	143,998	132,036
Reserve for real estate owned	4,193	2,862
Reserve for loan commitments	7,418	8,898
Unreserved	8,832	11,746
Total fund balances	<u>165,541</u>	<u>156,642</u>
Commitments	<u>                    </u>	<u>                    </u>
	<u>\$ 167,899</u>	<u>156,841</u>

See accompanying notes to financial statements.

June  
 1984

STATE OF ALASKA  
 DEPARTMENT OF COMMUNITY  
 AND REGIONAL AFFAIRS  
 HOUSING ASSISTANCE LOAN FUND

Statements of Revenues, Expenditures, Other  
 Financing Sources (Uses) and Changes in Fund Balances

Years ended June 30, 1988 and 1987

	<u>Years ended June 30</u>	
	<u>1988</u>	<u>1987</u>
	(in thousands)	
Revenues:		
Interest income	\$ 12,506	13,648
Rental income	182	80
Total revenues	<u>12,688</u>	<u>13,728</u>
Expenditures:		
General and administrative	1,351	1,073
Mortgage service fees	672	659
Provision for loan losses	1,493	633
Net real estate operations	574	436
Mortgage payment assistance subsidies	2	49
Total expenditures	<u>4,092</u>	<u>2,850</u>
Excess of revenues over expenditures	<u>8,596</u>	<u>10,878</u>
Other financing sources (uses):		
Appropriations from the State of Alaska General Fund	2,500	—
Transfer to the State of Alaska General Fund	(2,197)	(70,000)
Total other financing sources (uses)	<u>303</u>	<u>(70,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	8,899	(59,122)
Fund balances at beginning of year	<u>156,642</u>	<u>215,764</u>
Fund balances at end of year	<u>\$ 165,541</u>	<u>156,642</u>

See accompanying notes to financial statements.

With the start of a new fiscal year, the Housing Grants programs have appropriations of over \$165 million to award for projects statewide

Regulations on HOAF and State Assisted Housing Construction Program adopted. Minor changes in old regulations

Division awarded over \$7 million in grants to Senior Citizen Housing projects statewide

July  
1984

September  
1984

October  
1984

STATE OF ALASKA  
DEPARTMENT OF COMMUNITY  
AND REGIONAL AFFAIRS  
HOUSING ASSISTANCE LOAN FUND

Notes to Financial Statements

June 30, 1988 and 1987

(1) **Authorizing Legislation**

The Housing Assistance Loan Fund (Loan Fund) was created in 1982 by an act of the State of Alaska Legislature (Legislature).

The Loan Fund was established as a revolving loan fund and was placed under the administration of the Housing Assistance Division of the State of Alaska, Department of Community and Regional Affairs. Generally, the Loan Fund accomplishes its objectives by purchasing qualified loans from various mortgage loan servicers throughout the State of Alaska. Loan programs under the Loan Fund are initially funded by legislative appropriation. Continued funding is provided by revolving principal and interest repayments to the Loan Fund.

(2) **Summary of Significant Accounting Policies**

**Fund Accounting**

The State of Alaska maintains its accounts in accordance with the principles of fund accounting. A fund is a fiscal and accounting entity established by law to segregate and account for designated resources and activities. Housing Assistance Division loan programs are administered through the Loan Fund.

**Basis of Accounting**

The modified-accrual basis of accounting is followed by the Loan Fund. Under the modified-accrual basis of accounting, revenues are recorded when they become measurable and available to pay liabilities of the current period. Expenditures are recorded when the liabilities are incurred.

**Appropriations**

Appropriations from the State of Alaska to the Loan Fund are recorded as transfers during the period in which the funds become available for expenditure. Appropriations by the Legislature from the Loan Fund to the State of Alaska are recorded as transfers in the year appropriated.

**Loans**

Mortgage loans are carried at their unpaid principal balances.

**Real Estate Owned**

Real Estate owned consists principally of properties acquired through foreclosure and is carried at the lower of cost or estimated net realizable value. At the time the property is acquired, if the estimated net realizable value is less than the amounts outstanding on the loan, the difference is charged against the allowance for loan losses. Subsequent declines, if any, in estimated net realizable value and gains or losses upon final disposition of the property are charged to operations in the current period.

(Continued)

November 15 deadline for submittal of grant applications for the State Assisted Rental Housing Construction program. The Division awarded \$3.5 million in grants under this program

New Director appointed November 26, 1984

Redefinition of "Rural" CSSB 85

Transfer of Nonconforming Program to AHFC

November  
1984

November  
1984

May  
1985

June  
1985

### Allowance for Loan Losses

The Loan Fund maintains an allowance for potential loan losses. The level of this allowance is periodically reviewed by management, based upon an evaluation of the loan portfolio. The allowance is increased, as necessary, by a provision for loan losses which is charged to expenditures in the period that the loss exposure becomes known.

### Accrued Interest Receivable

Interest is accrued based upon the principal amount outstanding. In 1987, management discontinued accrual of interest on loans over ninety days delinquent because, in the opinion of management, collection of such interest income is doubtful.

### Pension Plan

All full-time employees of the Housing Assistance Division participate in the State of Alaska Public Employees' Retirement System. The State's policy is to fund pension costs accrued.

### (3) Nonaccrual Loans

Nonaccrual loans totaled \$9,767,000 at June 30, 1988 and \$7,413,000 at June 30, 1987. The loss of interest on nonaccrual loans amounted to \$879,000 and \$658,000 in 1988 and 1987, respectively.

### (4) Allowance for Loan Losses

A summary of the activity in the allowance for loan losses follows:

	<u>June 30</u>	
	<u>1988</u>	<u>1987</u>
	(in thousands)	
Balance at beginning of year	\$ 1,958	1,858
Provision for loan losses	1,493	633
Net loans charged off	<u>(770)</u>	<u>(533)</u>
Balance at end of year	<u>\$ 2,681</u>	<u>1,958</u>

Management believes that the allowance is currently adequate to absorb known and inherent risks in the loan portfolio.

### (5) Commitments

At June 30, 1988, the Loan Fund had outstanding commitments to purchase first mortgage loans of approximately \$7,417,700. First mortgage loan purchases totaled \$23,431,000 and \$33,779,000 for the years ended June 30, 1988 and 1987, respectively.

### (6) Reserve for Operating Expenses

The restricted operating loss reserve consists of funds appropriated by the legislature to reserve for legal expenditures and subsequent repairs incurred for properties received in foreclosure. As required by statute, the reserve is replenished periodically from the unreserved fund balance.

### (7) Title Loss Reserve

The restricted title loss reserve consists of funds appropriated by the Legislature to reserve for possible losses on loans for which the security is property in certain rural areas of Alaska where title has not yet been transferred from the United States Department of Interior. The initial appropriation to this reserve account was \$1,000,000. No title losses have been experienced under the program through June 30, 1988.

All unrestricted mortgage  
loan interest payments  
accrue to HAD retroactive  
to July 1, 1984

Start of new fiscal year (FY 86) housing  
grant programs have new appropriations  
of \$2.0 million for supplemental housing  
development. The Senior Citizen and  
low-income housing grant programs  
were not funded this fiscal year

Legislature approved sale of  
\$70.0 million of Portoro  
funds to AHFC to be deposited in  
State general fund

June  
1985

July  
1985

June  
1986

## Other Programs Administered by the Housing Assistance Section

The Senior Citizen Housing Development Fund provides grants to municipalities and public and private non-profit corporations for the development of safe, affordable senior citizen housing throughout the state.

The Low-Income Multiple-Family Housing Development Fund provides grants to municipalities and public and private non-profit corporations for the development of low-income rental housing throughout Alaska.

The Supplemental Housing Development Funds are provided to Regional Housing Authorities for site development work on HUD-approved housing projects. These grants allow HUD projects to stay within their allowable development costs, thus enabling their construction in rural Alaska. The grants are for development of roads, sewer and water, and electrical distribution systems.



Director Mike Harper, Hank Hodge, Loan Manager, Kay Graham, Housing Administrator, Steve McAlpine, Lt. Governor and Chuck Akers, Deputy Director.



Ninilchik Senior Center (Legislative Grant)



Senior Citizen Housing in Wrangell

AHFC purchased 966 home mortgage loans from the Housing Assistance Loan Fund

A Pilot Program was established to provide financing in the purchase of Turnkey III homes

David G. Hoffman named Commissioner

Michael C. Harper appointed Director

December 1986

January 1987

## State of Alaska Department of Community and Regional Affairs Housing Assistance Section



Hank Hodge, Loan Manager



Housing Assistance Anchorage Staff

### Anchorage

Mr. Michael Harper, Director  
Mr. Chuck Akers, Deputy Director  
Mr. Hank Hodge, Loan Manager  
Ms. Kathleen Graham, Housing Administrator  
949 East 36th Avenue  
(907) 561-0900 or 800-478-4585 (Toll Free)

### Dillingham

Mr. Bobby Andrew, Loan Examiner  
P.O. Box 295  
Dillingham, Alaska 99576  
(907) 842-2245

### Bethel

Loan Examiner  
P.O. Box 348  
Bethel, Alaska 99559  
(907) 543-3864



Bobby Andrew, Loan Examiner

(continued)

Start of new fiscal year (FY 87) housing grants have new appropriation of \$3.4 million for supplemental development. The senior Citizen and low-income housing grant programs were not funded this fiscal year

Adjustable Rate Mortgage (ARM) initiated for HOAF

New Governor Elected

July  
1986

September  
1986

November  
1986

## Fairbanks

Willis Greimann, Loan Examiner  
1001 Noble, Suite 430  
Fairbanks, Alaska 99701  
(907) 452-4468



Willis Greimann, Loan Examiner

## Juneau

Ms. Joyce Michaelson, Loan Examiner  
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Juneau, Alaska 99811  
(907) 465-2267



Joyce Michaelson, Loan Examiner

## Kotzebue

Ms. Sophie Ferguson, Loan Examiner  
P.O. Box 350  
Kotzebue, Alaska 99752  
(907) 442-3675



Sophie Ferguson, Loan Examiner

## Nome

Ms. Catherine Dickson, Loan Examiner  
P.O. Box 41  
Nome, Alaska 99762  
(907) 443-2655



Catherine Dickson, Loan Examiner

Governor Cowper signed  
Administrative order merging  
the Division of Community  
Development and Housing  
Assistance Division  
into Rural Development Division

Memorandum of  
Agreements signed  
with DCED

DCRA Completes  
Rural Housing  
Study — 6,700 more  
units need repair

5 Alaskan  
Financial  
Institutions  
close due to  
poor loans

March  
1987

June  
1987

March  
1988

1988



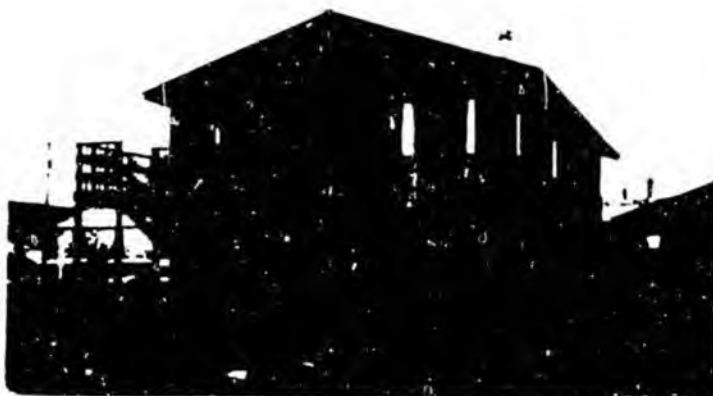
Remond Henderson, Director of Administrative Services  
and Paula Bartley, Receptionist



Cecilia Miller, Accounting Clerk and Teresa Glover,  
Accounting Technician



Nonowner-Occupied eight-plex in Haines



Rural Owner-Occupied Home in Nome



Rural Owner-Occupied Home in Galena

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For your information the following banks have signed our seller/servicer agreement  
and are now participating in the Housing Assistance Loan Program:

ALLIANCE BANK  
ALASKA FEDERAL SAVINGS  
ALASKA STATEBANK  
AVCP HOUSING AUTHORITY  
B.M. BEHREND'S BANK  
CITY MORTGAGE CORPORATION  
FEDALASKA FEDERAL CREDIT UNION  
FIRST BANK OF KETCHIKAN  
FIRST FEDERAL BANK  
FIRST NATIONAL BANK OF ANCHORAGE  
FIRST NATIONAL BANK OF FAIRBANKS  
HOME SAVINGS BANK  
INTERCONTINENTAL MORTGAGE CORPORATION  
KODIAK ISLAND HOUSING AUTHORITY  
KEY PACIFIC BANK  
LOMAS & NETTLETON COMPANY  
MT. MCKINLEY MUTUAL SAVINGS BANK  
NANA REGIONAL HOUSING AUTHORITY  
NATIONAL BANK OF ALASKA  
TLINGIT-HAIDA REGIONAL HOUSING AUTHORITY

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1988 Annual Report

# Independent Auditors' Report

The Board of Directors

Alaska Housing Finance Corporation:

We have audited the combined balance sheets of Alaska Housing Finance Corporation as of June 30, 1988 and 1987, and the related combined statements of revenues, expenses, retained earnings, and combined changes in financial position for the years then ended. These combined financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Alaska Housing Finance Corporation at June 30, 1988 and 1987, and the results of its operations and its changes in financial position for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining information (Schedules 1 through 27) are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operation, and changes in the financial position of the individual Funds. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

October 11, 1988

*Peat Marwick Main & Co.*

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- 50 Combining Statements of Changes in  
Financial Position

## Combined Balance Sheets

	June 30	
	1988	1987
	(in thousands)	
<b>Assets</b>		
Cash	\$ 5,304	10,056
Investments	1,528,154	1,256,983
Securities purchased from other funds under agreements to resell	6,000	-
Mortgage loans and mortgage backed securities, net of discounts and allowances for loan losses	3,671,840	3,958,578
Mobile home loans, net of allowance for loan losses	73,958	100,819
Accrued interest receivable	55,308	54,413
Claims receivable	80,198	28,920
Due from other funds	158,029	113,122
Real estate owned	221,327	146,840
Mobile homes owned	10,500	18,306
Other assets	29,587	20,732
	<b>\$ 5,840,205</b>	<b>5,708,769</b>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities:</b>		
Bonds and notes payable, net of discounts:		
Mortgage bonds and notes	\$ 4,009,699	3,991,067
Notes payable to State of Alaska	-	10,894
Commercial paper	69,257	4,973
Securities sold to other funds under agreements to repurchase	6,000	-
Accrued interest payable	57,490	51,578
Insurance fund reserve for loan losses	11,738	5,585
Due to other funds	158,029	113,122
Accrued expenses and other liabilities	19,456	10,414
Total liabilities	<b>4,331,669</b>	<b>4,187,633</b>
<b>Fund Equity:</b>		
<b>Contributed capital:</b>		
Security for outstanding obligations	829,740	728,742
Legislative appropriations not subject to pledge	204,131	305,129
Total contributed capital	<b>1,033,871</b>	<b>1,033,871</b>
<b>Retained earnings:</b>		
Designated as security for outstanding obligations or other purposes allowed within the respective fund	407,769	421,125
Undesignated	66,896	66,140
Total retained earnings	<b>474,665</b>	<b>487,265</b>
Total fund equity	<b>1,508,536</b>	<b>1,521,136</b>
Commitments		
	<b>\$ 5,840,205</b>	<b>5,708,769</b>

See accompanying notes to combined financial statements

## Combined Statements of Revenues, Expenses, and Retained Earnings

	Year Ended June 30	
	1988	1987
	(in thousands)	
<b>Revenues:</b>		
Interest income:		
Mortgages and loans	\$ 353,922	397,421
Investments	117,918	135,925
	471,840	533,346
Loan fees and other	25,206	21,179
<b>Total revenues</b>	<b>497,046</b>	<b>554,525</b>
<b>Expenses:</b>		
Interest	402,050	460,062
Mortgage service fees	14,052	14,975
General and administrative	6,105	3,805
Trustee fees, insurance and financing costs	13,850	16,053
Mortgage payment assistance subsidies	2,101	3,234
Provision for loan losses	36,620	12,528
Insurance fund losses	9,506	6,272
Write-down and net operating expenses associated with real estate and mobile homes owned	25,362	8,534
<b>Total expenses</b>	<b>509,646</b>	<b>525,463</b>
Net income (loss) before extraordinary item	(12,600)	29,062
Extraordinary item - loss on early extinguishment of debt	-	(8,134)
Net income (loss)	(12,600)	20,928
Retained earnings at beginning of year	487,265	466,337
<b>Retained earnings at end of year</b>	<b>\$ 474,665</b>	<b>487,265</b>

See accompanying notes to combined financial statements.

## Combined Statements of Changes in Financial Position

	Year Ended June 30	
	1988	1987
	(in thousands)	
<b>Sources of financial resources:</b>		
<b>Operations:</b>		
Net income (loss) before extraordinary item	\$ (12,600)	29,062
Extraordinary item - loss on early extinguishment of debt	-	(8,134)
Net income (loss)	(12,600)	20,928
<b>Items which do not use (provide) cash:</b>		
Net amortization of discounts, premiums and bond issuance costs	16,795	21,043
Depreciation	80	86
Increase in accrued interest receivable	(895)	(1,174)
Increase in claims receivable	(51,278)	(28,920)
Increase in accrued interest payable	5,912	6,028
Net increase in accrued expenses and other assets	(6,408)	(2,299)
Net increase for allowance for loan losses and write-down of real estate and mobile homes owned	54,691	18,213
Financial resources provided by operations	6,297	33,899
Loan principal repayments	448,448	309,817
Increase (decrease) in commercial paper and securities sold to other funds under agreements to repurchase	70,284	(202,573)
Net proceeds from sale of mortgage bonds	435,468	480,118
Decrease in cash	4,752	-
<b>Total sources of financial resources</b>	<b>\$ 965,249</b>	<b>1,121,261</b>
<b>Uses of financial resources:</b>		
Increase (decrease) in investments and securities purchased from other funds under agreements to resell	277,171	(774,424)
Acquisition of loans	249,890	733,004
Payment of mortgage bonds and notes	427,117	1,149,333
Purchase of office equipment and improvements	177	131
Payment of State of Alaska notes	10,894	12,141
Increase in cash	-	1,071
<b>Total uses of financial resources</b>	<b>\$ 965,249</b>	<b>1,121,261</b>

See accompanying notes to combined financial statements.

## Notes to Combined Financial Statements

June 30, 1988 and 1987

### 1. Authorizing Legislation and Funds

The Alaska Housing Finance Corporation (Corporation) was created in 1971 by an act of the State of Alaska Legislature (Legislature). The Corporation was established to assist in the financing, development and sale of dwelling units within Alaska. Generally, the Corporation accomplishes its objectives by functioning as a secondary market for qualified real estate and mobile home loans originated by financial institutions. In addition, the Corporation has special programs which are specifically designed to meet the housing needs of low and moderate income borrowers.

The Corporation is authorized, as approved by the Legislature, to issue its own bonds, bond anticipation notes and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. Certain bonds issued to finance residences for qualified veterans are guaranteed by the full faith and credit of the State of Alaska. All other obligations so issued shall not be deemed to constitute a debt of the State.

### 2. Summary of Significant Accounting Policies

#### Fund Accounting

The financial activities of the Corporation, which are restricted by the Corporation's Bond Resolutions and requirements from the Legislature, are recorded in various specific purpose funds and accounts as specified in such instruments or necessitated by appropriation requirements. Financial activities and resulting account balances which are not so restricted are recorded in the Corporation's Operating Fund. The Corporation's funds are considered to be enterprise funds for financial reporting purposes with revenues recognized when earned and expenses when incurred.

#### Investments

Investments purchased for long-term purposes and investments of a short-term nature are stated at cost, as adjusted for amortization of premium and accretion of discount. Gains or losses from the sale of investments are recognized upon realization. All investments are generally expected to be held to maturity and, therefore, fully realized.

#### Loans

Loans are carried at their unpaid principal balances, less net unamortized discount. Mortgage loans and mortgage backed securities (MBS) include Federal National Mortgage Association and Government National Mortgage Association and Federal Home Loan Mortgage Corporation mortgage backed securities of \$1,353,732,000 and \$1,328,011,000 at June 30, 1988 and 1987, respectively. The Corporation had agreements to repurchase individual mortgages if they become 90 days past due which secure approximately \$539,000,000 of the MBSs at June 30, 1988 and \$367,000,000 at June 30, 1987.

#### Real Estate Owned

Real estate and mobile homes owned consist principally of properties acquired through foreclosure and are carried at the lower of cost or estimated net realizable value. At the time the property is acquired, if the estimated net realizable value is less than the amounts outstanding on the loan, any difference is charged against the allowance for loan losses. Subsequent declines, if any, in estimated net realizable value are charged to expense. Upon final disposition of the property, resulting gains or losses are charged to operations in the current period. In determining the net realizable value of the property, the Corporation considers coverages available under mortgage and credit insurance and loan guarantees.

#### Allowance for Loan Losses

The Corporation maintains an allowance for potential loan losses. The level of this allowance is periodically reviewed by management, based upon an evaluation of the loan portfolio. The allowance is increased, as necessary, by a provision for loan losses and charged to expenses in the period that the loss exposure becomes known. Management believes that no significant losses in addition to those provided in the allowance for loan losses will occur due to the coverage provided by private mortgage or credit insurance, the Corporation's insurance funds, or various loan guarantee programs.

#### Reserve for Loan Losses

The Corporation maintains a reserve for loan losses in the insurance funds. The level of this reserve is periodically reviewed by management based upon an evaluation of the loan portfolio in the insured funds. The reserve is increased, as necessary, by a charge to expenses in the period the loss exposure becomes known.

#### Amortization and Depreciation

Mortgage discounts are amortized over the lives of the related mortgages on a method which approximates yield. The net unamortized discount on mortgages outstanding at June 30, 1988 and 1987 was approximately \$374,000 and \$373,000, respectively.

Discount and issuance expenses on debt are deferred and amortized on a method which approximates yield over the terms of the related issue.

Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Estimated useful lives are 5 to 20 years. Accumulated depreciation at June 30, 1988 and 1987 was approximately \$414,000 and \$423,000, respectively.

## Notes to Combined Financial Statements

### Accrued Interest Receivable on Loans and Properties

Interest is accrued based upon the principal amount outstanding. Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest income becomes doubtful. When payment of interest is provided for pursuant to the terms of mortgage and loan insurance or guarantees, accrual of interest on delinquent loans and real estate owned is continued.

### Commitment Fees

Loan commitment fees are recognized as revenue upon issuance of each specific mortgage commitment contract.

### Pension Plan

Substantially all full-time employees of the Corporation participate in the State of Alaska Public Employees Retirement System. The State's policy is to fund pension costs accrued.

### Legislative Appropriations Not Subject to Pledge

Legislative appropriations consist of that portion of capital contributions from the State of Alaska which is not pledged as security for outstanding obligations and are composed of the following (in thousands of dollars):

	June 30	
	1988	1987
General Account of Revolving Fund	\$ 88,992	\$189,990
Home Ownership Fund	103,381	103,381
Combined Insurance Fund	<u>11,758</u>	<u>11,758</u>
	<u>\$204,131</u>	<u>\$305,129</u>

### 3. Investments

A summary of investments at June 30, 1988 and 1987 follows (in thousands of dollars):

	June 30	
	1988	1987
U.S. Treasury securities	\$ 129,382	\$ 143,161
Securities of U.S. Government agencies and corporations	166,975	100,230
Mortgage backed securities (purchased on open market)	179,252	199,570
Certificates of deposit	460,159	241,430
Investment agreements	223,744	384,495
Commercial paper	265,267	17,287
Repurchase agreements	84,092	84,450
Money market funds	19,283	86,360
	<u>\$1,528,154</u>	<u>\$1,256,983</u>

At June 30, 1988, the Corporation held investments with maturities in excess of one year with a book value of \$296,658,000 and a market value of approximately \$310,766,000. These investments consisted of direct obligations of the United States, direct obligations of federal agencies, and bank investment securities.

Included in the General Account of the Revolving Fund is an investment in the net amount of \$7,000,000 in debt securities of the Corporation which may not be pledged, sold, assigned, or otherwise transferred without the written consent of a stock insurance company unless provided otherwise in the indenture.

## Notes to Combined Financial Statements

### 4. Allowance for Loan Losses and Insurance Fund Reserve for Loan Losses

A summary of the combined activity in the allowance for loan losses and the Insurance Fund reserve for loan losses follows (in thousands of dollars)

	Allowance for Loan Losses	Insurance Funds Reserve for Loan Losses	Combined
Balance July 1, 1986	\$18,450	-	18,450
Provision	12,528	6,272	18,800
Net Loans Charged Off	13,453	687	14,140
Balance June 30, 1987	\$17,525	5,585	23,110
Provision	36,620	9,506	46,126
Net Loans Charged Off	12,942	3,353	16,295
Balance June 30, 1988	<u>\$41,203</u>	<u>11,738</u>	<u>52,941</u>

Management believes that the allowance is currently adequate to absorb known and inherent risks in the loan portfolio after consideration of the various insurance and guarantee programs in effect.

In connection with the establishment of various lending programs, the State Mortgage Insurance Fund, Rural Housing Hazard Insurance Fund, Rural Housing Title Insurance Funds and Rental Account of the Housing Mortgage Insurance Fund were created for the exclusive purpose of insuring the acquired mortgages and the Corporation's interest in the related property. The activity in the Reserve for Loan Losses for these Funds is reflected above.

### 5. Mortgage Bonds and Notes Payable

With the exception of the State Guaranteed Bonds, the Corporation's obligations are not a debt of the State and the State is not directly liable thereon. The State Guaranteed Bonds are backed by the full faith and credit of the State. Bonds outstanding at June 30, 1988 and 1987 are as follows (in thousands of dollars):

	Original Amount	June 30 1988	1987
Housing Mortgage Bonds:			
1972 Series A, 5.4% to 5.8%, due 1988-2002	\$ 13,500	9,510	9,905
1973 Series A, 5.5% to 5.75%, due 1988-2002	13,000	9,205	9,590
1973 Series B, 5.8% to 7%, due 1988-2003	36,000	26,845	27,820
1975 Series A, 7% to 8.75%, due 1988-2005	35,000	28,370	29,175
1975 Series B, 7.3% to 7.75%, due 1988-2005	12,000	9,730	10,000
Total Housing Mortgage Bonds at par	109,500	83,660	86,490
Unamortized discount		(156)	(172)
Net Housing Mortgage Bonds		83,504	86,318