

CLERK'S OFFICE

APPROVED

Date: 4-13-04

Submitted by: Chairman of the Assembly
at the Request of the Mayor
Prepared by: Economic and Community
Development
For reading: March 16, 2004

Anchorage, Alaska
AR No 2004- 61

A RESOLUTION TO APPROVE THE APPLICATION TO THE US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR \$5,000,000 IN SECTION 108 LOAN GUARANTEES, INCLUDING AN INITIAL LOAN OF \$2,000,000 TO DENALI FAMILY SERVICES.

WHEREAS, the US Department of Housing and Urban Development (HUD) Section 108 loan guarantee program offers local jurisdictions the opportunity to provide low interest loans to promote economic development and other Community Development Block Grant- (CDBG-) eligible activities; and

WHEREAS, in October of 2003, HUD conditionally awarded the Municipality of Anchorage a Brownfields Economic Development Initiative (BEDI) grant of \$2,000,000 to be used in conjunction with \$5,000,000 in HUD Section 108 loan guarantees, based on a BEDI application submitted by the Municipality of Anchorage in July of 2003 for an Economic and Community Development Fund for the Mountain View Arts and Cultural District (the Mountain View Fund); and

WHEREAS, the Mountain View Fund was included in the 2004 Housing and Community Development Consolidated Annual Action Plan (2004 Action Plan); and

WHEREAS, the 2004 Action Plan was made available to the public on November 19, 2003, public testimony was heard before the Housing & Neighborhood Development (HAND) Commission on December 10, 2003, written comments on the plan were accepted through December 22nd, 2003, the HAND Commission recommended approval of the plan on January 14th, and the Municipal Assembly approved the plan on March 2nd, 2004; and

WHEREAS, details on an initial proposed \$2,000,000 loan from the Mountain View Fund to Denali Family Services for purchase and renovation of the Sadler's Building in Mountain View, to be renamed the Randy Smith Center, were made available to the public on December 27th, 2003, public testimony was heard before the HAND Commission on January 14th, 2004, written comments on the loan application were accepted through January 27th, 2004, and the HAND Commission recommended approval of the loan application on February 11th, 2003; and

WHEREAS, in addition to prudent collateral guarantees provided by Mountain View Fund borrowers, (Denali Family Services and all future borrowers), the Municipality's Community Development Block Grant (CDBG) entitlement provides an additional guarantee to HUD for repayment of Section 108 loans; and

1 WHEREAS, the Mountain View Fund will promote the arts and cultural district concept
2 and provide a needed low-interest loan program to entities wishing to locate and create jobs in
3 Mountain View, a key component of the Neighborhood Revitalization Strategy for Mountain
4 View.

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6 NOW, THEREFORE, the Anchorage Assembly Resolves:

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8 Section 1. To approve submission of the application to HUD for \$5,000,000 in Section
9 108 loan guarantees and for \$2,000,000 in a Brownfields Economic Development Initiatives
10 grant from the US Department of Housing and Urban Development for use in the Economic and
11 Community Development Fund for the Mountain View Arts and Cultural District;

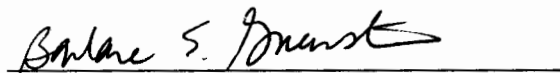
12
13 Section 2. To approve and award the initial loan to Denali Family Services, Inc. for up to
14 \$2,000,000 for the purchase and renovation of the Sadler's Building in Mountain View, to be
15 renamed the Randy Smith Center;

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17 Section 3. This resolution shall take effect immediately upon passage and approval by
18 the Anchorage Municipal Assembly.

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20 PASSED AND APPROVED by the Anchorage Assembly this 13th day
21 of April, 2004.

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25 ATTEST:

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32 Chairman

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32 Municipal Clerk

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

AM No. 249 -2004

Meeting Date: March 16, 2004

1 **From:** Mayor

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3 **Subject:** AR No. 2004- 61 : A resolution to approve application to the US
4 Department of Housing and Urban Development for \$5,000,000 in Section
5 108 loan guarantees, including an initial loan of \$2,000,000 to Denali
6 Family Services.
7

8 The purpose of the attached resolution is to approve application to the US Department of
9 Housing and Urban Development for \$5,000,000 in Section 108 loan guarantees and
10 \$2,000,000 in Brownfields Economic Development Initiatives (BEDI) grant for the
11 purpose of creating an Economic and Community Development Fund for the Mountain
12 View Arts and Cultural District (the Mountain View Fund).
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14 The Municipality of Anchorage submitted the \$2,000,000 BEDI application in July 15,
15 2003 which was conditionally awarded by HUD in October, 2003. HUD conditioned the
16 grant on the Municipality's successful application for \$5,000,000 in Section 108 loan
17 guarantees to be used in conjunction with the BEDI grant for Mountain View Fund
18 purposes.
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20 This application to create a \$5,000,000 Section 108 Loan Fund, enhanced by \$2,000,000
21 of BEDI grant funds (to be used primarily as a loan loss reserve) is being submitted in
22 order to assist the Municipality of Anchorage in creating a redevelopment fund to finance
23 revitalization efforts in Mountain View, Anchorage's most distressed neighborhood. The
24 revitalization effort includes, as a key component, the creation of an Arts and Cultural
25 District along Mountain View's commercial corridor. The Mountain View Fund would,
26 in turn leverage private foundation grant funding and private debt financing, and be used
27 to acquire land and construct mixed-use commercial and artist live-work space on key
28 sites in Mountain View. The complete application to HUD for the Section 108 loan
29 guarantees is included as an attachment to this Memorandum.
30

31 The Section 108 program includes an initial project to loan \$2,000,000 to Denali Family
32 Services (DFS) for the Sadler Building Project. The Sadler Building, a 60,000 sf
33 warehouse, is soon to be vacated by the owner and will be available for purchase by DFS.
34 The building will be re-named the Randy Smith Center, after the local resident and
35 community activist. The 60,000 SF building will be remodeled and approximately
36 23,816 SF will be occupied by Denali Family Services with the balance rented to other
37 tenants. The 23,816 SF of space represents increased space for the agency to
38 accommodate its growth. The balance of the building will be subleased to other
39 partnering social service organizations until needed.
40

41 Once renovated, the building will be able to offer occupancy and rental rates well below
42 the current market for Class B space. Projected occupancy costs to Denali and partnering
43 social service organizations are at \$1.43 SF with current market rates at about \$1.75 SF.
44 A small amount of subleased space for arts groups may rent for as low as \$.75 to generate

art-tenant interest. There will be new jobs created as a result of the project with at least 51% made available to low and/or moderate-income households. Up to \$250,000 in BEDI grant funds will be used as a loan loss reserve and to pay HUD fees for this project. The Section 108 loan will also leverage approximately \$3,000,000 in private loans, and \$2,631,200 in owner contributions and grants.

Section 108 loans are guaranteed to HUD by the Municipality's Community Development Block Grant (CDBG) entitlement. To protect the Municipality's CDBG resource, the Municipality has underwriting guidelines which review all loans for soundness and collateral requirements that ensure other sources will be available if a loan should default. As such, all loan applications to the Mountain View Fund must be reviewed not only for CDBG-eligibility, but also for ability to repay. To assist with this effort, the Chuck DePew of the National Development Council has assisted in developing loan underwriting guidelines for the Mountain View Fund, and continues to provide technical assistance to the Municipality's Community Development Division in the underwriting of loan applications and in the technicalities of the loan program. In addition to these safeguards, the \$2,000,000 BEDI grant is available to the program to be used primarily as a loan loss reserve which does not need to be repaid to HUD.

Section 108 programs must be included in the Municipality's Housing and Community Development Consolidated Annual Action Plan. Consistent with federal regulations, availability of the draft 2004 Action Plan, including the Section 108 and BEDI funds, was noticed through the *Anchorage Daily News* and the *Anchorage Chronicle* and through electronic mailing. The draft 2004 Action Plan was made available on November 19, 2003 with written comments accepted on the plan through December 22. A public hearing on the second draft was held before the Housing and Neighborhood Development Commission on December 10. All comments were considered in the final draft of the plan and in the Housing and Neighborhood Development (HAND) Commission recommendation. The final draft of the plan includes summaries of the comments received, together with responses to each comment. The 2004 Action Plan was approved by the Assembly on March 2nd, 2004.

In addition, details on the initial loan proposal of \$2,000,000 to Denali Family Services, Inc. for purchase of the Sadler's Building in Mountain View (to be renamed the Randy Smith Center), were published in the *Anchorage Daily News* on December 27th, 2003 and in the *Alaska Star* on January 1, 2004, and by electronic mailing distributed on December 22, 2003. The complete loan application was available via the Municipality's website beginning on December 22, 2003.

THE ADMINISTRATION RECOMMENDS ADOPTION OF THE ATTACHED ASSEMBLY RESOLUTION.

Prepared by: Carma E. Reed, Manager, Community Development Division

Concur: Mary Jane Michael, Director, Office of Economic and Community Development

Concur: Denis C. LeBlanc, Municipal Manager

Respectfully submitted: Mark P. Begich, Mayor

Content Information**Content ID :** 001611**Type:** AR_AllOther - All Other Resolutions

Title: A resolution to approve application to the US Department of Housing and Urban Development for \$5,000,000 in Section 108 loan guarantees, including an initial loan of \$2,000,000 to Denali Family Services.

Author: reedce**Initiating Dept:** DCD**Review Depts:** ECD**Description:** Section 108 loan guarantee application to HUD**Keywords:** Section 108 BEDI HUD**Date Prepared:** 3/4/04 9:58 AM**Director Name:** Mary Jane Michael

Assembly Meeting 03/16/04
Date MM/DD/YY:

Workflow History

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
DCD_SubWorkflow	3/4/04 10:03 AM	Approve	reedce	Public	001611
AllOtherARWorkflow	3/4/04 10:03 AM	Checkin	reedce	Public	001611
ECD_SubWorkflow	3/4/04 10:54 AM	Approve	thomasm	Public	001611
MuniManager_SubWorkflow	3/8/04 11:38 AM	Approve	katkusja	Public	001611
MuniMgrCoord_SubWorkflow	3/8/04 11:41 AM	Approve	katkusja	Public	001611

CONSENT AGENDA - *INTRODUCTION*

2004 MAR - 8 PM 3:29
 62:8 Wd - 8-8004002
 6/10/04