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CLERK'S OFFICE
APPROVED
Date: 8-30-05

Submitted by: Chair of the Assembly at the
Request of the Mayor
Prepared by: Department of Economic &
Community Development
For reading: August 9, 2005

ANCHORAGE, ALASKA
AO NO. 2005-109

AN ORDINANCE APPROVING BORROWING UP TO FIVE MILLION DOLLARS (\$5,000,000) UNDER THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S SECTION 108 LOAN GUARANTEE PROGRAM, AND SECURING REPAYMENT THEREOF WITH THE MUNICIPALITY'S PRESENT AND FUTURE COMMUNITY DEVELOPMENT BLOCK GRANTS AND BROWNFIELDS ECONOMIC DEVELOPMENT INITIATIVE GRANTS; APPROPRIATING FIVE MILLION DOLLARS (\$5,000,000) IN GUARANTEED LOAN FUNDS AND TWO MILLION DOLLARS (\$2,000,000) IN BROWNFIELDS ECONOMIC DEVELOPMENT INITIATIVE GRANT FUNDS TO FEDERAL CATEGORICAL GRANT FUND (241); AND APPROVING A COMBINED LOAN AND GRANT OF TWO MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$2,800,000) TO ANCHORAGE COMMUNITY LAND TRUST.

WHEREAS in October 2003, the United States Department of Housing and Urban Development ("HUD") approved a TWO MILLION DOLLAR (\$2,000,000) Brownfields Economic Development Initiative ("BEDI") grant to the Municipality under Section 108(q) of Title I of the Housing and Community Development Act of 1974, as amended (the "Act"), 42 U.S.C. §5308(q), conditioned upon the Municipality's receipt of FIVE MILLION DOLLARS (\$5,000,000) in loan guarantees under Section 108 of the Act, *see* 24 CFR Part 570, Subpart M ("Section 108 Loan Guarantee Program"), *see also* AR No. 2004-61, approved April 13, 2004; and

WHEREAS in 2004, HUD approved a Section 108 guaranteed loan up to FIVE MILLION DOLLARS (\$5,000,000) ("Guaranteed Loan Funds"), repayable with interest at variable and fixed rates over a twenty-year period and secured, *inter alia*, by a pledge of present and future Community Development Block Grant ("CDBG") and BEDI grant funds received by the Municipality, *see* 24 CFR §570.705(b)(2); and

WHEREAS the Guaranteed Loan Funds and BEDI grant funds may be used only for eligible activities specified in 24 CFR §570.703, as amended, for the economic development and revitalization of Mountain View, *see* the Municipality's 2003 Neighborhood Revitalization Strategy for Mountain View; and

1 WHEREAS, Anchorage Community Land Trust was formed for purposes of commercial
2 revitalization of Mountain View and acquired rights to purchase the Sadler's Building in Mountain
3 View (161 South Klevin Street); and
4

5 WHEREAS, Anchorage Community Land Trust requested a grant of EIGHT HUNDRED
6 THOUSAND DOLLARS (\$800,000) in BEDI grant funds and a loan of TWO MILLION
7 DOLLARS (\$2,000,000) in Guaranteed Loan Funds, repayable with interest over the corresponding
8 twenty-year period of the Municipality's repayment of Guaranteed Loan Funds, and secured by a
9 second deed of trust on the Sadler's Building (at an estimated 63% loan-to-value ratio), together
10 with an assignment of leases and rents, and security interests in machinery, equipment, and other
11 personal property; now, therefore,
12

13 THE ANCHORAGE ASSEMBLY ORDAINS:
14

15 **Section 1.** The Municipality of Anchorage is authorized to borrow up to FIVE MILLION
16 DOLLARS (\$5,000,000) under the Section 108 Loan Guarantee Program, and to pledge its CDBG
17 and BEDI grant funds to secure repayment thereof.
18

19 **Section 2.** FIVE MILLION DOLLARS (\$5,000,000) in Guaranteed Loan Funds and the TWO
20 MILLION DOLLAR (\$2,000,000) BEDI grant are appropriated to the Federal Categorical Grant
21 Fund (241) administered by the Community Development Division, Office of Economic and
22 Community Development Department, to be used for economic development and revitalization of
23 Mountain View in accordance with applicable federal law and regulation.
24

25 **Section 3.** The Municipality of Anchorage is authorized to award an EIGHT HUNDRED
26 THOUSAND DOLLAR (\$800,000) grant (from the \$2,000,000 BEDI grant) to Anchorage
27 Community Land Trust to be used for acquisition of the Sadler Building in Mountain View (161
28 South Klevin Street).
29

30 **Section 4.** The Municipality of Anchorage is authorized to grant a TWO MILLION DOLLAR
31 (\$2,000,000) business loan (from the \$5,000,000 Guaranteed Loan funds) to Anchorage Community
32 Land Trust, repayable with interest at such rate(s) and in such manner, and secured with such
33 collateral in such amounts, all as required by applicable federal law and regulation, to be used for the
34 acquisition and reconstruction of the Sadler Building in Mountain View (161 South Klevin Street).
35

36 **Section 5.** The Mayor, or his designee, be and hereby is authorized to do all acts and execute all
37 documents, including promissory notes and pledges of CDBG and BEDI grant funds, all upon such
38 terms and conditions as deemed to be in the best interests of the Municipality and as necessary or
39 appropriate in order to implement this ordinance.
40

41 **Section 6.** This ordinance shall be effective immediately upon passage and approval of this

1 ordinance.

2
3 PASSED AND APPROVED by the Anchorage Assembly this 28th day of August, 2005.
4

5
6
7 Anna J. Fairclough
8 Chair of the Assembly
9

10 ATTEST:

11
12
13 Robert S. Givens
14 Municipal Clerk
15

16

17 <u>Department Appropriation</u>	
18 Economic and Community Development	
19 Section 108 Loan Guarantee	\$5,000,000
20 Brownfields Economic Development Initiative	<u>\$2,000,000</u>
21 Total Department Appropriation	\$7,000,000



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 562-2005

Meeting Date: August 9, 2005

1
2
3 **From:** Mayor

4
5 **Subject:** AN ORDINANCE APPROVING BORROWING UP TO FIVE MILLION
6 DOLLARS (\$5,000,000) UNDER THE UNITED STATES DEPARTMENT OF
7 HOUSING AND URBAN DEVELOPMENT'S SECTION 108 LOAN
8 GUARANTEE PROGRAM, AND SECURING REPAYMENT THEREOF
9 WITH THE MUNICIPALITY'S PRESENT AND FUTURE COMMUNITY
10 DEVELOPMENT BLOCK GRANTS AND BROWNFIELDS ECONOMIC
11 DEVELOPMENT INITIATIVE GRANTS; APPROPRIATING FIVE MILLION
12 DOLLARS (\$5,000,000) IN GUARANTEED LOAN FUNDS AND TWO
13 MILLION DOLLARS (\$2,000,000) IN BROWNFIELDS ECONOMIC
14 DEVELOPMENT INITIATIVE GRANT FUNDS TO FEDERAL
15 CATEGORICAL GRANT FUND (241); AND APPROVING A COMBINED
16 LOAN AND GRANT OF TWO MILLION EIGHT HUNDRED THOUSAND
17 DOLLARS (\$2,800,000) TO ANCHORAGE COMMUNITY LAND TRUST.
18
19

20 In October, 2003, the Department of Housing & Urban Development (HUD) awarded \$2,000,000 in
21 BEDI funds to the Municipality of Anchorage, conditioned on a subsequent award of \$5,000,000 in
22 Section 108 funds for the Municipality's Mountain View Redevelopment Loan Fund (Mountain
23 View Fund). In 2004, HUD approved the Section 108 award of \$5,000,000 in Guaranteed Loan
24 Funds. The ordinance addresses both the \$5,000,000 Section 108 Guaranteed Loan Funds and the
25 \$2,000,000 BEDI grant. The Assembly approved the Municipality's application for these funds on
26 April 13, 2004. (See AR 2004-61 and AM 249-2004.)
27

28 The \$5,000,000 in Guaranteed Loan Funds is a loan repayable to HUD, with interest at variable and
29 fixed rates over a twenty-year period and secured by a pledge of present and future CDBG and BEDI
30 grant funds received by the Municipality. (See 24 CFR §570.705(b)(2).) The \$2,000,000 BEDI
31 grant is a grant to the Municipality for use in conjunction with the Section 108 loan. Both sources
32 together constitute the Mountain View Fund.
33

34 The Mountain View Fund will assist the Municipality and the community in financing revitalization
35 efforts in Mountain View, Anchorage's most distressed neighborhood. The revitalization effort
36 includes, as a key component, the creation of an Arts and Cultural District along Mountain View's
37 commercial corridor. The Mountain View Fund will leverage private foundation grant funding and
38 private debt financing to acquire land and construct or rehabilitate existing buildings to promote
39 mixed-use commercial and housing uses on key sites in Mountain View.
40

1 The initial outlay of the Mountain View Fund includes a loan of \$2,000,000 in Guaranteed Loan
2 Funds and a grant of \$800,000 of BEDI funds to the Anchorage Community Land Trust (ACLT) for
3 the Sadler's Building Project, for a total of \$2,800,000. The complete project package submitted to
4 HUD is attached as Attachment C. The ACLT will acquire and renovate the Sadler's Building, a
5 50,000 square foot warehouse and all environmentally hazardous materials will be properly
6 mitigated. Denali Family Services (DFS), a nonprofit organization will be the anchor tenant for the
7 building, occupying 22,667 square feet. The balance of the building will be rented to other tenants,
8 including a local business incubator, which will benefit from very low rents. The building is planned
9 to be renamed the "Randy Smith Center."

10
11 Once renovated, the building will be able to offer occupancy and rental rates well below the current
12 market for Class B space, despite the environmental mitigation required. Projected occupancy costs
13 to DFS and partnering social service organizations are at \$1.35 SF with current market rates at about
14 \$1.75 SF. A portion of the basement level square footage has been projected at \$.50 SF to
15 accommodate a business incubator. There will be new jobs created as a result of the project with at
16 least fifty-one percent (51%) available to low and/or moderate-income persons. The term of the
17 grant will begin on the date approved by the Mayor through December 31, 2007 for building
18 completion, and through December 31, 2012 for job creation performance.

19
20 Section 108 loans are guaranteed to HUD by the Municipality's CDBG entitlement. To protect the
21 Municipality's CDBG resource, the Municipality has underwriting guidelines to review all loans for
22 soundness and collateral requirements ensuring other sources will be available if a loan should
23 default. All loan applications to the Mountain View Fund will be reviewed not only for CDBG-
24 eligibility, but also for ability to repay. To assist with this effort, the National Development Council
25 assisted in developing loan underwriting guidelines for the Mountain View Fund, and performed the
26 initial review of this project for compliance with these guidelines. In addition to these safeguards, an
27 operating/loan loss reserve is written into the Sadler's Building Project which does not need to be
28 repaid to HUD.

29
30 Section 108 programs must be included in the Municipality's *Housing and Community Development*
31 *Consolidated Annual Action Plan*. This program, and the Sadler's Building Project, is included in
32 the Municipality's *2005 Action Plan*, approved by the Assembly on November 9, 2004. (See
33 AR 2004-267 and AM 788-2004.)

34
35 This project is conditioned upon an exception by HUD of conflict of interest rules, as allowed in 24
36 CFR Part 570.611(d). Potential conflicts are scheduled to be publicized as required on July 31,
37 2005. (See Exhibit B.)

38
39 There is no economic effect to general government under this ordinance. The cost to administer the
40 loan program, estimated at \$120,000, will be covered by loan fees collected at each loan closing.
41 Appropriation of the loan fees will come before the Assembly after receipt. Costs to administer the
42 BEDI grant program will be charged to the CDBG (grant-funded) program.

43
44 THE ADMINISTRATION RECOMMENDS APPROVAL OF AN ORDINANCE APPROVING
45 BORROWING UP TO FIVE MILLION DOLLARS (\$5,000,000) UNDER THE UNITED STATES

1 DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S SECTION 108 LOAN
2 GUARANTEE PROGRAM, AND SECURING REPAYMENT THEREOF WITH THE
3 MUNICIPALITY'S PRESENT AND FUTURE COMMUNITY DEVELOPMENT BLOCK
4 GRANTS AND BROWNFIELDS ECONOMIC DEVELOPMENT INITIATIVE GRANTS;
5 APPROPRIATING THE FIVE MILLION DOLLARS (\$5,000,000) SECTION 108 FUNDS AND
6 TWO MILLION DOLLARS (\$2,000,000) IN BROWNFIELDS ECONOMIC DEVELOPMENT
7 INITIATIVE GRANT FUNDS TO THE FEDERAL CATEGORICAL GRANT FUND (241); AND
8 APPROVING A COMBINED LOAN AND GRANT IN THE TOTAL AMOUNT OF TWO
9 MILLION EIGHT HUNDRED THOUSAND DOLLARS (\$2,800,000) TO ANCHORAGE
10 COMMUNITY LAND TRUST.

11
12 Prepared By: Carma E. Reed, Community Development Division, Community
13 Development and Economic Development

14 Approved by: Mary Jane Michael, Executive Director
15 Department of Economic & Community Development

16 Fund Certification: Jeffrey E. Sinz, Chief Fiscal Officer

17
18 9331-241-15285G-2005- \$2,000,000 (BEDI grant initial appropriation)

19 9325-241-15295G-2005- \$5,000,000 (Section 108 Loan Guarantee
20 initial appropriation)

21 Subject to Signed Grant and Loan Agreements

22
23 Current Award

24 3815-241-15285G-C05BEDI-2005 \$ 800,000 (Grant Award to ACLT)

25 Federal Grants - HUD - BEDI

26 3815-241-15295G-C05108A-2005 \$2,000,000 (Loan to ACLT)

27 Federal Loans – HUD – Section 108

28
29 Concur: Denis C. LeBlanc, Municipal Manager

30 Respectfully Submitted: Mark Begich, Mayor

31
32
33

Exhibit A

BEDI Funds Appropriation

The Administration recommends appropriation of the Brownfields Economic Development Initiative (BEDI) grant to the Office of Economic and Community Development.

BROWNFIELDS ECONOMIC DEVELOPMENT INITIATIVE (BEDI)

<u>REVENUE</u>	<u>ACCOUNT NAME</u>	<u>AMOUNT</u>
241-15285G-9331	Other Federal Grant Revenue	<u>\$2,000,000</u>
		Total: \$2,000,000
<u>EXPENDITURES</u>	<u>ACCOUNT NAME</u>	<u>AMOUNT</u>
241-15285G-3815	Contribution to Outside Organizations	<u>\$2,000,000</u>
		Total: \$2,000,000

The Administration recommends appropriation of the Section 108 Loan Guarantee loan to the Office of Economic and Community Development.

SECTION 108 LOAN GUARANTEE

<u>REVENUE</u>	<u>ACCOUNT NAME</u>	<u>AMOUNT</u>
241-15295G-9325	Section 108 HUD Loan Funds	<u>\$5,000,000</u>
		Total: \$5,000,000
<u>EXPENDITURES</u>	<u>ACCOUNT NAME</u>	<u>AMOUNT</u>
241-15295G-3815	Contribution to Outside Organizations	<u>\$5,000,000</u>
		Total: \$5,000,000

Exhibit B

Disclosures Related to the Sadler's Building Section 108 Loan Guarantee/BEDI Grant

Notice of Intent to Do Business with the Municipality
For publication on or before July 31, 2005

Mary Jane Michael

I am the Executive Director of the Office of Economic and Community Development (OECD). The Community Development Division (CDD) of the OECD has proposed to grant \$800,000 and award a loan of \$2,000,000 to the Anchorage Community Land Trust (ACLT) for purchase of the Sadler's Building, located on 161 South Klewin on Mountain View Drive utilizing Section 108 Loan Guarantees and Brownfields Economic Development Initiative grant funds from the US Department of Housing and Urban Development. This grant and loan will be considered by the Assembly on August 23, 2005. I served as the Municipality's appointed board member to the ACLT but resigned from the Board of that organization effective July 18, 2005. Neither I, nor anyone in my household, will receive any pecuniary benefit from this transaction.

Merten Bangemann-Johnson

I am the Economic and Resource Coordinator for the Office of Economic and Community Development (OECD). My services have been loaned by the Municipality of Anchorage to the Anchorage Community Land Trust to serve as interim Executive Director of that non-profit organization. The Community Development Division (CDD) of the OECD has proposed to grant \$800,000 and award a loan of \$2,000,000 to the Anchorage Community Land Trust (ACLT) to purchase the Sadler's Building, located on 161 South Klewin on Mountain View Drive utilizing Section 108 Loan Guarantees and Brownfield Economic Development Initiative grant funds from the US Department of Housing and Urban Development. This grant and loan will be considered by the Assembly on August 23, 2005.

Brian Shelton-Kelley

I am the part-time Special Projects Coordinator for the Office of Economic and Community Development (OECD). I am also Project Manager for the Anchorage Community Land Trust, a non-profit organization. The Community Development Division (CDD) of the OECD has proposed to grant \$800,000 and award a loan of \$2,000,000 to the Anchorage Community Land Trust (ACLT) to purchase the Sadler's Building, located on 161 South Klewin on Mountain View Drive, utilizing Section 108 Loan Guarantees and Brownfield Economic Development Initiative grant funds from the US Department of Housing and Urban Development. This grant and loan will be considered by the Assembly on August 23, 2005.

Content Information

Content ID : 003129

Type: Ordinance-InvolvingFunds - AO

Title: An ordinance appropriating two million dollars (\$2,000,000) in Brownfields Economic Development Initiative ("BEDI") grant funds to the federal categorical grant fund (241); approving borrowing up to five million dollars (\$5,000,000) under the United State

Author: curtiscr2

Initiating Dept: DCD

Review Depts: ECD

Description: Appropriation of BEDI Grant Fund, borrowing Section 108 loan guarantee funds, awarding loan and grant to Anchorage Community Land Trust

Keywords: BEDI Section 108 Sadler's Building Anchorage Community Land Trust
ACLT

Date Prepared: 7/29/05 4:25 PM

Director Name: Mary Jane Michael

Assembly

Meeting Date 8/9/05

MM/DD/YY:

Public Hearing
Date MM/DD/YY: 8/23/05

2005 AUG 15 PM 12:38
 CLERKS OFFICE
 M.O.A.

Workflow History

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
AllFundOrdinanceWorkflow	7/29/05 4:29 PM	Checkin	reedce	Public	003129
DCD_SubWorkflow	7/29/05 4:30 PM	Approve	reedce	Public	003129
ECD_SubWorkflow	7/29/05 4:32 PM	Approve	villareallm	Public	003129
AllFundOrdinanceWorkflow	8/1/05 2:40 PM	Reject	mitsonjl	Public	003129
AllFundOrdinanceWorkflow	8/3/05 5:53 PM	Checkin	reedce	Public	003129
DCD_SubWorkflow	8/3/05 5:53 PM	Approve	reedce	Public	003129
ECD_SubWorkflow	8/4/05 8:17 AM	Approve	villareallm	Public	003129
AllFundOrdinanceWorkflow	8/4/05 9:36 AM	Reject	mitsonjl	Public	003129
AllFundOrdinanceWorkflow	8/4/05 9:46 AM	Checkin	reedce	Public	003129

DCD_SubWorkflow	8/4/05 9:47 AM	Approve	reedce	Public	003129
ECD_SubWorkflow	8/4/05 9:48 AM	Approve	villareallm	Public	003129
AllFundOrdinanceWorkflow	8/4/05 4:21 PM	Reject	mitsonjl	Public	003129
AllFundOrdinanceWorkflow	8/4/05 4:35 PM	Checkin	reedce	Public	003129
DCD_SubWorkflow	8/4/05 4:36 PM	Approve	reedce	Public	003129
ECD_SubWorkflow	8/4/05 4:39 PM	Approve	villareallm	Public	003129
OMB_SubWorkflow	8/4/05 5:19 PM	Approve	mitsonjl	Public	003129
CFO_SubWorkflow	8/8/05 6:19 PM	Approve	sinzje	Public	003129
Legal_SubWorkflow	8/9/05 3:16 PM	Approve	fehlenrl	Public	003129
MuniManager_SubWorkflow	8/9/05 3:29 PM	Checkin	curtiscr2	Public	003129
MuniManager_SubWorkflow	8/12/05 12:49 PM	Approve	abbottmk	Public	003129
MuniMgrCoord_SubWorkflow	8/12/05 1:05 PM	Approve	curtiscr2	Public	003129