

b. Grow Ketchikan – 2023 Community Agency Funding Q3 and Q4 Grant Reports



TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council
FROM: Delilah A. Walsh, City Manager
DATE: January 19, 2024
RE: **Grow Ketchikan – 2023 Community Agency Funding Q3 and Q4 Grant Reports**

Initials: 
File #: MGR24-026

Attached for City Council’s information is the 2023 third and fourth quarter community grant reports from Grow Ketchikan.

REPORT TO KETCHIKAN CITY COUNCIL
GROW KETCHIKAN GRANT ACTIVITIES
JULY 1 TO SEPTEMBER 30, 2023

CLIENTS:

During the quarter, Grow Ketchikan's Executive Director counseled these clients:

1. Pacific Kelp, a start-up kelp farm between Duke Island and Annette Island. Counseled on grant funding, a possible Intermediary Relending Program (IRP) Grow Ketchikan is working on obtaining from the USDA, and on establishing a kelp processing facility in the Ketchikan area.
2. A salmon smoking business--on funding through a possible IRP loan, and on business planning.
3. An aquaponics farm with a nonprofit food distribution network--on grants and possible IRP funding and business planning.
4. A film project--possible funding and logistics.
5. A waste management company--on funding and made connections for the company with potential customers.

PROJECTS:

Diversification

The list of opportunities for diversifying the economy grew by one this quarter to a total of 27. The new addition is a kelp research and product development center. With 27 opportunities, it is reasonable to pull back from actively adding new prospects, concentrate on examining the feasibility of the current items, and assisting existing businesses on the list with expansion. We will always entertain new suggestions from the community.

The Executive Director (ED) traveled to Portland, Maine in Sept. and attended Seagriculture, an international forum about kelp farming, markets, and products. Displays of the vast array of products made from kelp inspired the ED to explore establishing a kelp processing and product development center in Ketchikan. Seagriculture will be in Ketchikan in 2024 and will bring ~300 multinational participants.

Later in Sept., the ED attended Southeast Conference's Annual Meeting in Sitka where she met Aparna Palmer, the new UAS Chancellor. Chancellor Palmer is seeking innovative programs for UAS, and became interested in Grow Ketchikan's idea of a kelp research and product development center at UAS Ketchikan. We have had further correspondence and will continue to explore feasibility for this center. The ED also made contacts with AIDEA representatives about financing infrastructure for housing and with USDA representatives about their Intermediary Relending Program (IRP). The IRP can help finance industrial development and infrastructure for housing.

Since 2017, the USDA Intermediary Relending Program has been among Grow Ketchikan's intended strategies. The intermediary, Grow Ketchikan, borrows money from the USDA and re-lends it to local businesses for growth. As the business pays back the loan, the intermediary can re-lend it to other businesses.

Terms for Intermediaries (Grow Ketchikan):

- Can borrow up to \$1 million per year
- Total outstanding debt from the IRP to a single intermediary cannot exceed \$15 million
- Interest rates are fixed at 1 percent
- The maximum term is 30 years
- Interest-only payments are permitted for the first three years
- In the first six months after closing, \$250,000 or more of loan funds must be used

Terms for recipient businesses:

- Maximum loan amount 400,000, or 50 percent of the loan to an intermediary lender; whichever is less.
- Rates from lenders to recipients must cover the cost of operating and continuing the revolving loan fund.
- They must have been unable to obtain bank financing at terms that make the project possible.

Pursuing this program was not an option without viable candidates for loans. Several prospects appeared but have not produced solid business plans. Pacific Kelp, however, shows promise as a candidate. We advised them on refining their business plan. We can lend them the \$400,000 maximum allowed in the USDA program—contingent on them supplying a guarantee from a qualified guarantor. They are seeking that guarantee from among their equity investors.

Housing:

Grow Ketchikan held an At Home Ketchikan meeting on August 17. Some 80 attendees heard 10 speakers explain efforts and concomitants about developing housing. The complete report about this meeting is in progress.

Grow Ketchikan had researched Alaska Housing's Low Income Housing program, contacted one of the developers experienced in this program and invited that group, Swell,

LLC, to develop housing in Ketchikan. The result is that 20 units of affordable housing are in progress now with an additional 20 units planned.

Glenn Gellert and John McGrew of Swell, LLC:

Received Alaska Housing GOAL funding and are building 20-unit Tongass Townhomes project on Old Dairy Road. 2-3 bedrooms. 5 units ADA accessible. 1 specifically for someone coming out of transitional housing. Rent starts at \$600 and goes up depending on the tenant's income. The majority of units will be for those with incomes at 60% or less of the median income (HUD = \$50,000).

Grow Ketchikan compiled maps of land that can possibly be developed, identified owners and is continuing research on the feasibility of developing housing on these plots. We have been in continuing communication with Glenn Gellert and are actively seeking an appropriate plot for another of his developments.

Community Land Trust

Over the past year, Grow Ketchikan's Executive Director attended online meetings of a Sitka group concerned with developing community land trusts, together with trainings and webinars about land trusts.

A community land trust (CLT) acquires land and holds it in perpetuity. When houses are built on the land, the buyer purchases the house, but only leases the land from the trust. This removes the cost of land and infrastructure, making housing affordable for moderate income people.

Grow Ketchikan now has draft Bylaws, Articles of Incorporation, a ground lease, and a technical manual for a Ketchikan CLT. We will pursue this with several persons who have expressed interest.

SBDC

SBA Administrator, Isabella Casillas Guzman, visited Ketchikan on August 15. She suggested to GK Executive Director that we could establish a Small Business Investment Company (SBIC) which combines equity capital with SBA funding. We are familiar with this entity and will research its appropriateness for Ketchikan. The subject of Grow Ketchikan becoming a Small Business Development Center (SBDC) arose. We received a draft contract for this from the state SBDC office, but there had been a gap in negotiations after the state Assistant Director, with whom we had been negotiating, left the agency. Administrator Guzman arranged an online meeting with two of her staff. Following that meeting, we received a renewed offer of contract terms from the State SBDC office. We are researching the feasibility of the terms and will respond within the next few weeks.

Economic Development Authority

Last year we drafted a statute authorizing local economic development organizations to issue tax exempt revenue bonds. These can help finance housing and industrial projects. In the 2023 legislative session, Dan Ortiz' staff sent the draft statute to the legislative legal staff for review. We have not yet had a response from the legal staff.

Additional Activities

Grow Ketchikan is a member of the Alaska Mariculture Alliance, attended their online meetings during the quarter, and supports efforts that expand mariculture, particularly kelp development.

GK Executive Director participated in Reentry Coalition meetings and its August 19 simulation event. GK's role will be helping individuals recently released from incarceration, who may have trouble finding jobs, start their own businesses.

REPORT TO KETCHIKAN CITY COUNCIL
GROW KETCHIKAN GRANT ACTIVITIES
OCTOBER 1 TO DECEMBER 30, 2023

The City of Ketchikan granted \$15,000 to Grow Ketchikan for delivery of services as described in Grow Ketchikan's December 2022 grant proposal. The grant became active on April 20, 2023. Following are categories described in the grant proposal and activities related to each one.

CLIENTS:

During the quarter, Grow Ketchikan's Executive Director counseled these clients:

1. Pacific Kelp, a start-up kelp farm locating between Duke Island and Annette Island. Continued counseling on the USDA Intermediary Relending Program requirements.
2. Filed biennial report and composed tax documents for a local non-profit.

PROJECTS:

Diversification:

Grow Ketchikan is moving forward with establishing a revolving loan fund that can finance some of the new and expanding businesses identified in our diversification strategy. We are particularly concentrating on kelp and oyster farming. The last grant report, July-September, explained about the USDA Intermediary Relending Program in detail. We have obtained the application documents and are engaged in completing them. One program requirement is that we have expertise in banking/lending. The Grow Ketchikan Executive Director has experience in credit analysis from having managed an investment portfolio for an insurance company. However, we want additional capability and have made inquiries with agencies about hiring a banking professional on contract for this purpose.

Housing:

We remain in contact with Glenn Gellert of Swell, LLC who is building a 20-unit townhouse on Old Dairy Road. He is interested in finding more land for another development. We identified four parcels as possible sites that meet his criteria for location. More research will ascertain feasibility of these parcels regarding water, sewer, and road access. They are all in areas that currently have water, sewer, and roads, but whether the four parcels can hook into these amenities remains to be determined.

On December 17 a group interested in a community land trust gathered and discussed the possibilities for Ketchikan. The meeting participants discussed the nature, steps to formation, and strategies for a community land trust in Ketchikan.

A community land trust (CLT) acquires land and holds it in perpetuity. When houses are built on the land, the buyer purchases the house, but only leases the land from the trust. This removes the cost of land and infrastructure making housing affordable for moderate income people. We have had extensive contact with the Sitka Community Land Trust whose members will mentor us as we progress.

The group reviewed draft Bylaws, Articles of Incorporation, and a Ground Lease. Three of the group agreed to form an initial board of directors. They also determined to speak with more prospective directors. Notes from the discussion are attached.

Small Business Development Center (SBDC)

We are developing a partnership with a local bank that entails receiving referrals from them for businesses that need SBDC services, and referring Grow Ketchikan's SBDC clients to the bank for loans. We initiated contact with a second bank.

Economic Development Authority

Last year we drafted a statute authorizing local economic development organizations to issue tax exempt revenue bonds. These can help finance housing and industrial projects. In the 2023 legislative session, Dan Ortiz' staff sent the draft statute to the legislative legal staff for review. We have not yet had a response from the legal staff. We plan to hire a lobbyist who can help move the statute forward.

Additional Activities

Grow Ketchikan is a member of the Alaska Mariculture Alliance (AMA), attended their online meetings during the quarter, and supports efforts that expand mariculture, particularly kelp development. The revolving loan fund Grow Ketchikan is developing can help finance new kelp and oyster farms. Grow Ketchikan's Executive Director will attend the AMA annual meeting in February 2024.

GK Executive Director participated in Reentry Coalition meetings and its August 19 simulation event. GK's role will be helping individuals recently released from incarceration, who may have trouble finding jobs, start their own businesses.

Grow Ketchikan's Executive Director is a co-founder of the Ketchikan Nonprofit Collaborative and will participate in its upcoming strategic planning process.

The Executive Director is a Commissioner on the City Historic Commission and an active participant in the ongoing project creating an Historic Preservation Plan for the City.



MEETING NOTES

December 18, 2023

Present: Mike Medford, Scott Brandt-Erichsen, Melissa O'Bryan, Sharli Arntzen, Peter Amylon, Deborah Hayden

The meeting participants discussed the nature, the steps to formation, and strategies for a community land trust in Ketchikan.

A community land trust (CLT) acquires land and holds it in perpetuity. When houses are built on the land, the buyer purchases the house, but only leases the land from the trust. This removes the cost of land and infrastructure making housing affordable for moderate income people.

The group then reviewed Alaska's existing land trusts:

- a. Sitka <https://sitkaclt.org>
- b. Kodiak -startup- <https://kodiakedc.com/clt>
- c. Girdwood <https://www.girdwoodlandtrust.org>
- d. Anchorage <http://anchorageclt.org>
- e. Juneau Housing Trust no webpage

Deborah Hayden has attended webinars and trainings associated with Sitka CLT. Randy Hughey, Sitka CLT President, gave her an explanation of the Sitka CLT history, experience, structure, and operations. The city gave Sitka CLT the former city shop. It was already cleared, level, and had accessible sewer and water, but was contaminated and required remediation. The remediation added \$35,000 to the cost of each house. The Rasmuson Foundation granted them \$500,000 for utility work.

Sitka's target is 14 homes. They have built seven and two more are in progress now. They are two-three bedrooms. The largest is 1,200 sq. ft., some are 920 sq. ft. The houses are on a single, undivided plot. There are landscaping standards, centralized parking with a path from the parking area to the homes, and plans for bike racks and outdoor storage units. The homeowners manage their own homeowners association.

A prospective buyer fills out an application, picks a plan, and then gets a construction loan. The buyer must be at 70-80% of area median income. Mike Medford at First Bank processed the construction loans. The construction loan adds \$17-\$20,000 to the house's cost. The total cost of the build is \$220-\$250,000.

The group discussed the draft Bylaws which specify a board of nine directors with a minimum of six and a maximum of twelve. Consensus was that we start with an initial board of at least three, which is the state requirement for a non-profit, but try to have at least five or six for the initial filing. The draft Bylaws specify that 1/3 of the board be people who are either homeowners or would qualify for financing to buy a home in the CLT. Once the KCLT reaches a point in its organization where it is feasible, it will actively seek board members who are at 70-80% of area median income and qualify for homeowner financing. Three meeting attendees volunteered to serve on the board with others willing to consider it. There were suggestions for additional board members, and we will follow up on those.

It is important that the lease document does not exclude buyers from long-term financing. Alaska Housing has a half dozen things a lease must say and a dozen things it can never say.

While the Sitka CLT began in 2015, it was not until 2021 that they acquired part-time administrative staff. They add \$22,000 to the cost of each house for that staff salary. Our group noted that this is not a sustainable revenue source. It will end when the last house finishes construction. Without staff, the administrative burden falls on board members. This is not viable. The purpose of a board is setting policy and raising funds. Day-to-day operations quickly wear out volunteer board members who then fall away from the board.

The group decided to explore the feasibility of starting with multifamily or single-family rentals that will provide ongoing income. When the land trust achieves a stable financial status, it can develop new single-family homes. The discussion also included building homes on a single large plot of land rather than individual lots. This saves the cost of surveying and subdividing.

The City of Ketchikan's 2021 foreclosed and surplus properties list shows 18 properties scattered from the Carlanna Area to Downtown. Some of these could be possible initial projects for the Ketchikan Land Trust. This bears further exploration and communication with the City. The Juneau Land Trust is using the scattered lots model. It is more likely that lots interspersed in city neighborhoods will have sewer, water, and power already installed saving that development cost.

It is advisable to seek partnerships with large employers who need housing for their employees. PeaceHealth has a contract with a company that arranges housing for its traveling staff. The shipyard is building housing on its own property. The Ward Cove Group may be a possibility or Cape Fox Corporation.

NEXT STEPS:

1. Seek more board members with a target of 5 or 6 for an initial board.

2. The initial board finalizes and files the Articles of Incorporation and finalizes the Bylaws.
3. File for tax exempt 501(c) 3 status with the IRS.
4. Convene a public meeting explaining about the land trust. Invite Randy Hughey to speak.