programs for progress

Rural Development-Alaska Fiscal Year 2007 Annual Report

07

USDA Rural Development

Committed to the future of rural communities.

programs for progress

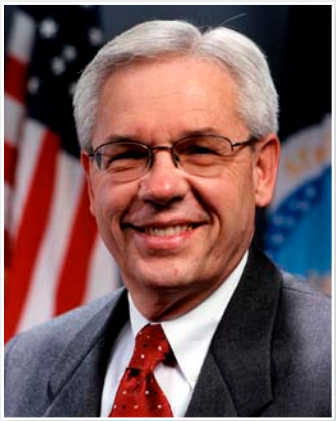
In urban America, services like health care, electricity, water, broadband, law enforcement and fire-fighting facilities, and housing simply come with the territory. But rural communities have learned to truly appreciate these benefits. USDA Rural Development recognizes the necessity of these things for the vitality and longevity of rural communities, and we are dedicated to helping rural communities across America achieve access to such essential tools.

Our mission, however, goes beyond maintaining the status quo. Our mission is to advance the "rural renaissance" that will revitalize communities, enhance the quality of life, and help rural America compete successfully in today's fast-paced, ever-changing global economy.

To achieve these far-reaching goals, we have revitalized Rural Development programs. We are streamlining procedures, creating new strategies, enhancing the professional training and development of our staff, and simplifying the applications processes. Rural America spoke, and we listened.

Rural America is full of inventive, hard-working, ambitious people, and USDA Rural Development is, and will continue to be, ready to help turn dreams into realities, hard work into sustainable economic gain, and problem-solving minds into nationwide solutions. USDA Rural Development is committed to the future of rural communities.

Thomas Dorr
Under Secretary



Undersecretary Dorr.

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A Message from the State Director

I am pleased to report that USDA Rural Development had another very successful year in Alaska in Fiscal Year 2007. Through our housing, community facilities, water and sanitation, business, telecommunications and electric programs, we reached out to all rural areas of the State and helped improve the quality of life of many individuals, businesses, institutions and communities. Overall, we invested close to $135 million in loan and grant funds in Alaska last year.

Fiscal Year 2007 also saw a major change in the way that USDA Rural Development does business in Alaska. Our field offices, located in Sitka, Kenai, Dillingham, Bethel, Fairbanks and Nome, have been given a higher level of responsibility for the delivery of our programs, and staffing levels in these offices are being increased accordingly. I believe that this change will result in a higher level of service for our clients with employees knowledgeable of RD programs and the areas in which they live.

Strong partnerships with other federal and state agencies, local governments, non-profits, foundations and financial institutions are essential to the development of sustainable projects in rural Alaska. I am pleased to report that USDA Rural Development forged an important new partnership in FY 2007 with the Alaska Native Tribal Health Consortium for the delivery of rural sanitation services under our Rural Alaska Village Grant program. We also continued to work closely with our other partners, our national office and our Congressional delegation to deliver our programs in ways that most benefit rural Alaska.

A new focus for USDA Rural Development in FY 2007, and one that will be continued in FY 2008, is the development of renewable energy systems and energy efficiency improvements for rural Alaska. High oil prices are devastating our rural communities and means to supplement the use of diesel fuel for home heating and electric power generation must be sought. Through the Renewable Energy and Energy Efficiency Programs, we are committed to seeking and funding viable and sustainable solutions for cheaper and more efficient power and heating systems.

In 2007 and continuing in 2008, Rural Broadband access, Rural Critical Care Hospitals, and basic infrastructure needs remain priority focus areas.

Some of our 2007 success stories are highlighted in the following pages of this report. We look forward to more successes in 2008. I hope you will find this report useful in showing our commitment to the future of rural Alaska and those we serve.

Sincerely,
Chad B. Padgett
Acting State Director

Acting Alaska State Director Chad Padgett

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Committed to the future of rural communities.

USDA Rural Development - Regional Offices

State Office Personnel

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Donna Kramer, Acting Administrative Officer

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Cynthia Jackson, Loan Specialist
Catherine Milazzo, Loan Specialist
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Misty Hull, Loan Technician
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Mariela Figueroa, Communities Facilities Technician
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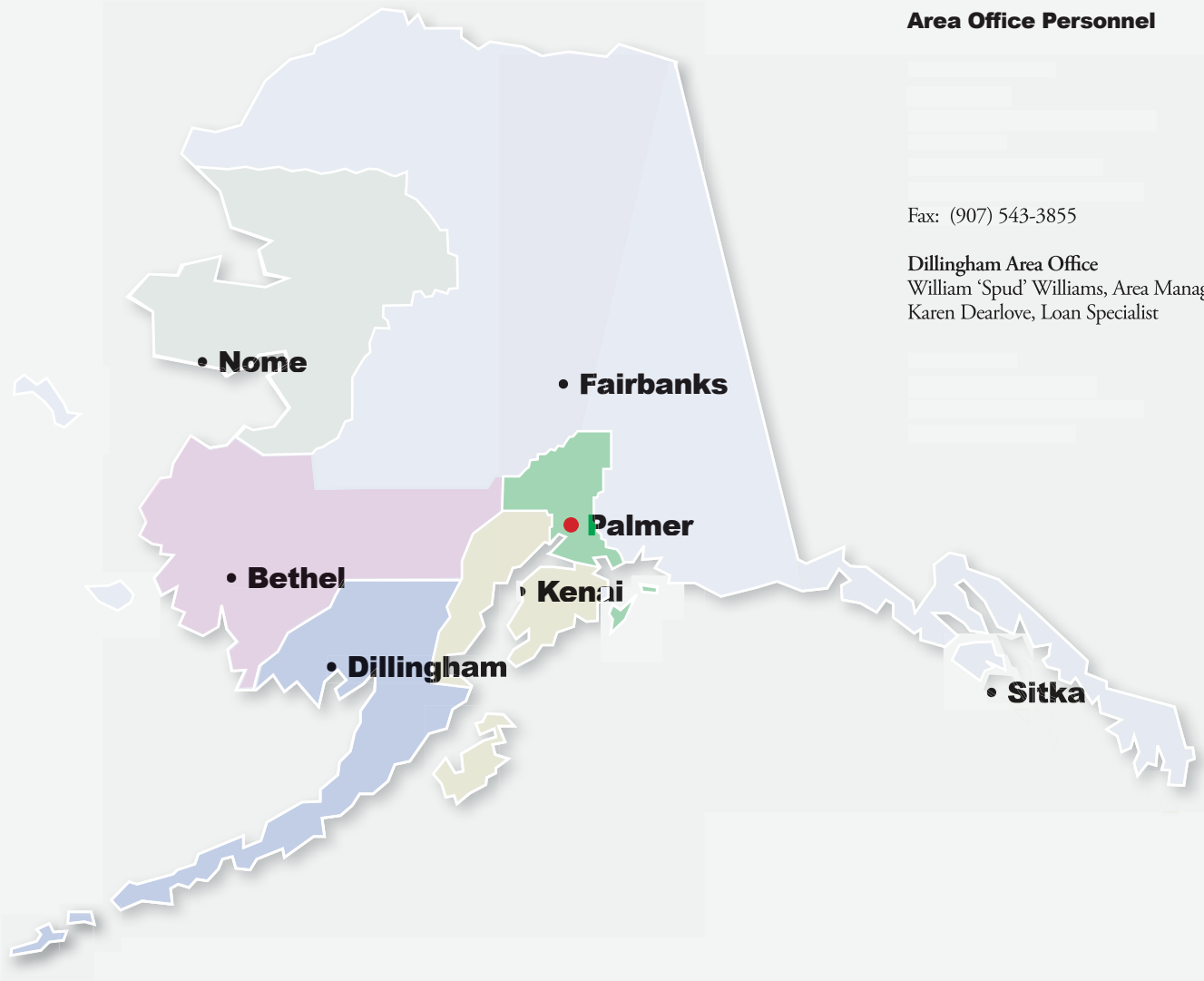

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est

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USDA Rural Development helped finance new housing at Stebbins.

Delbert Acoman's old home.

NEW HOMES FOR STEBBINS

In most small Alaska Native villages off the road system, housing conditions are poor, housing costs are very high, and household incomes are very low. Most families in these villages are unable to obtain conventional home financing. However, by partnering with regional and local housing authorities that implement the Native American Housing Assistance and Self-Determination Act (NAHASDA), USDA Rural Development is helping Alaska Native families to realize the American dream of home ownership. The work of our Nome office with the Stebbins Housing Authority in FY 2007 is a case in point.

Pamela Pete, Cameron Pete and Delbert Acoman in their new home at Stebbins

Stebbins is a Yup'ik Eskimo village located in Northwest Alaska, 120 miles southeast of Nome. The Stebbins Housing Authority receives an annual NAHASDA grant, amounting to $376,483 in FY 2007. Using HUD's Title 6 program, the housing authority was able to obtain up to five years of future NAHASDA grants in the form of a $1.6 million federal loan guarantee. Most of these funds were used to construct eight badly needed single family homes.

Because household incomes in Stebbins are very low, the tribal housing authority decided to subsidize over half of the cost of the homes and to sell them to qualified tribal members at a price of $100,000 for three-bedroom and $130,000 for four-bedroom units. The housing authority financed half of the remaining cost with a soft second mortgage, so that the effective purchase price of the units was $50,000 and $65,000 respectively, plus closing costs. Where purchasers meet eligibility criteria, the remaining cost is being financed through USDA Rural Development's 502 leveraged loan program.

Randy Morton, Loan Specialist in the Nome Area Office worked closely with the Stebbins Housing Authority and the Alaska Housing Finance Corporation to educate potential applicants about the responsibilities of home ownership and to find eligible borrowers in Stebbins. Two loans were obligated before the end of FY 2007. Funding for a third loan will be obligated as soon as 502 funds are available in FY 2008.

Cornelius Dan, Director of the Stebbins Housing Authority, said: "We are very grateful for USDA Rural Development's participation in our home building program. When we started, we didn't even know about USDA's 502 leveraged loan program, but that is no longer true. This is a good model for other villages to follow. "

Delbert Acoman, a Village Police Officer in Stebbins for the past nine years, purchased a three-bedroom home for himself, his girlfriend and three children with the help of a $50,000 USDA Rural Development leveraged loan. "At first," he said, "the kids weren't used to so much space and they stayed close to their mom. But that soon changed. Our old house was in bad shape and unhealthy to live in. Now my kids aren't sick all the time. My new home is also much quieter than where we were living before," he added. "We really like that."

STARTING OVER IN SITKA

After getting divorced in Ketchikan and completing her Certified Nursing Assistant training, Kathy Forrester moved to Sitka to start a new life for herself and her three children.

Kathy got a job as soon as she arrived in Sitka and a friend helped her to find rental housing. However, Kathy wanted a more permanent residence that she and her family could call home.

Buildable land in Sitka is in very short supply and housing prices are expensive, even by Southeast Alaska standards. After about a year of looking for a house to buy and not finding anything suitable, Kathy was beginning to think that she might never be able to afford her own home in Sitka.

A friend had mentioned that she should check with the USDA Rural Development office in town. There, Kathy met loan specialist Tambi Calvert. Using her family size and income, they worked out how much of a loan Kathy could afford. Rural Development's Section 502 leveraged loan program seemed to best fit her particular situation. It offered a subsidized interest rate, allowing her to afford more home than with a conventional loan alone.

It still took Kathy another year and a half of looking before she finally found a home that fit her family's needs. It was centrally located, convenient to where she worked and to community schools. She worked with USDA Rural Development and the Alaska Pacific Bank, and in a very short period of time her leveraged 502 loan was approved. She and her children finally had their own home. Kathy wrote: "Thanks to USDA Rural Development, with Tambi's assistance, I have the opportunity to give my kids the home they deserve after losing their home in Ketchikan. A home that is big enough and affordable for a single parent of three growing children. A place we appreciate and love, a place we have called home for the past year."

Tambi Calvert said: "It is very gratifying to see the difference that home ownership makes in these families' lives and the stability it provides."

Rural Housing Programs

DREAMS CAN COME TRUE

Connie Cosby and her three sons, aged 12, 10 and 7, found their dream home just outside Palmer with the assistance of USDA Rural Development's Direct 502 loan program.

The family had rented an apartment for several years, but Connie dreamed of having a house of her own, with a white picket fence and rose bushes, one that could accommodate her three growing sons, and one with a yard where they could play. Her children also wanted pets, something they could not have in an apartment.

With her realtor, Connie began the difficult task of trying to find a three-bedroom home that met her family's needs and that she could afford. She liked the area where they were renting and did not want to take her children out of their neighborhood schools and away from their friends.

When she saw the blue two story house with a white picket fence in a nearby subdivision, she knew immediately that it was her dream home, but the asking price was more than she could afford. Luck was on her side, though. First, the owners lowered their price and then, with the favorable terms of a USDA Rural Development 502 Homeownership loan, the house was within her reach.

Cathy Milazzo, Loan Specialist in USDA Rural Development's Palmer office, said: "Connie was the perfect applicant. All her paperwork was in order and we were able to process her application in record time."

Connie Cosby's new home in the Matanuska-Susitna area.

Today, the Cosby family is very happy in their new home. Connie said: "When I drive up to my home after a day at the office, it's like there's an invisible sign that says 'this moment made possible by Rural Development' because they made the impossible possible for me. We've lived here for 15 months as of Christmas Day 2007, and with each passing holiday and season, we are enjoying what it means to have a home to call our own."

Connie's experience working with Rural Development to get her new home was so positive that she has now joined the agency as an employee.

JIM SPRENGEL'S "NEW" HOME

The Rural Housing Section 504 grant program played an important role in transforming Jim Sprengel's unfinished cabin into a cozy home in 2007.

Jim Sprengel had been down on his luck and was finding it very hard to start his life all over again. For a while he lived in an old camp trailer. With his very limited available funds, he purchased a one acre lot off the Parks Highway, north of Wasilla, for $500 and payments of $100 per month. He planned to build a 16 by 32 foot cabin on the property and put in the foundation, but had to keep changing his plans because of his poor financial situation. He soon realized that he could only afford to put up walls for half the footprint of the foundation he had laid.

Winter was fast approaching and he didn't want to spend it living in a camp trailer, so Jim put in flooring and erected walls for his cabin. He added a tar paper roof and was able to hook up to electric and telephone services. The 16 by 16 foot cabin with one door and one window was a big improvement, but it lacked any plumbing. He had to haul water in from a nearby laundromat. The same laundromat also offered showers for $4.50. "I couldn't afford to take very many," Jim confessed.

Eventually, Jim managed to scrape up some additional money to extend the walls of his cabin to the original planned 16 by 32 feet, but he still had no plumbing and both the interior and exterior of his house remained unfinished. He turned to the Alaska Community Development Corporation (Alaska CDC) for assistance. He also filed a successful application with USDA Rural Development for a Section 504 grant. World Changers, a church-based organization with a mission of involving senior high school youth in deserving hands-on projects, volunteered to contribute labor. Things were definitely looking up.

Today, Jim Sprengel's rough cabin has been transformed into an attractive small home. All told, $38,200 in agency funds were used, including a $7,500 grant from USDA Rural Development, $30,700 from Alaska CDC (Weatherization and Community Development Block Grant funds) and four days of labor contributed by a large group from World Changers. A well and septic system were installed and plumbing extended into the house. Bathroom fixtures and a kitchen range hood were purchased and installed. A second window was added.

Additional insulation was blown into the attic and interior sheetrock added. World Changers workers put on a shingle roof, siding and trim, and installed the second window, plus an attractive deck with a railing and steps. Miscellaneous other improvements were also made, including a new refrigerator/freezer and a larger oil tank.

Cathy Milazzo, loan officer for USDA Rural Development, said: "We had good partners in Alaska CDC and World Changers and were able to combine agency funds and some volunteer labor to bring Mr. Sprengel's house up to standard and provide him with basic water and sanitary services."

Jim Sprengel said: "When I was filling out the paperwork for assistance, I was at a point where I didn't know if I had a future. I was just a homeless person with a home. Now I feel like a pretty decent person again."

Jim Sprengel's house before upgrades.

Jim Sprengel's house after upgrades.

RENOVATION OF KENAI MULTI-FAMILY HOUSING PROJECTS

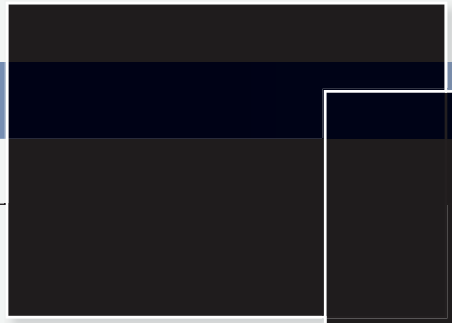
Three low income apartment complexes in Kenai constructed under USDA Rural Development's 515 Multi-Family Housing program underwent extensive renovation in 2007 as a result of a multi-family lending package between Rural Development, the Alaska Housing Finance Corporation and a private developer. The residential complexes, formerly known as the Gill Street, Birch Street and Walker Lane apartments are now known as Aurora Vista I, II and II respectively. They contain a total of 48 apartments, 46 of which have rents subsidized by USDA Rural Development's rental assistance program.

The three complexes were acquired in 2006 by Aurora Vista Limited Partnership, consisting of Community Development Inc., an Idaho-based non-profit corporation, and the Richman Group, and are managed by Somerset Pacific, an affiliate of the managing general partner. The former Birch Street apartments, built in the late 1970's, were in particularly poor condition. The other two complexes were built in the early to mid 1980's and were also in need of major rehabilitation. The total cost for acquisition and rehabilitation costs, including the remaining project debt assumed from USDA Rural Development, amounted to approximately $6.4 million.

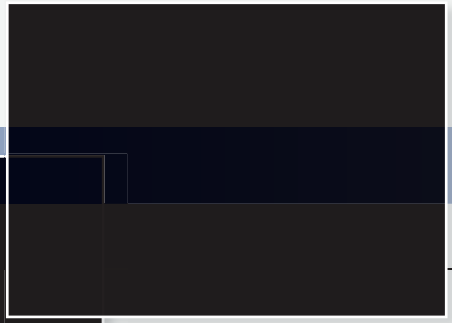
The project funding sources included $4.7 million available through the sale of Low Income Housing Tax Credits issued by the Alaska Housing Finance Corporation, plus a small Alaska Housing Finance Corporation loan. The former Birch Street apartments were then almost completely gutted and major internal renovations on the remaining two complexes were also undertaken. All three buildings were given new roofs and siding and provision was made for the physically challenged. The repairs were completed in the fall of 2007.

Eric A. Havelock, Multi-Family Housing Underwriting Supervisor for the Alaska Housing Finance Corporation, said: "We are pleased to be able to partner with USDA Rural Development and the project managers so that this important supply of affordable rental housing in Kenai can be retained. I hope that this example can be applied to other multi-family projects elsewhere in Alaska."

Deborah Davis, Housing Director for USDA Rural Development said: "These three apartment complexes in Kenai were built under our 515 Rural Rental Housing Program and were in urgent need of renovation. We are very pleased that this work has been undertaken and that tenants continue to receive rental assistance in the like new apartments. This was truly a team effort with a great group of partners."



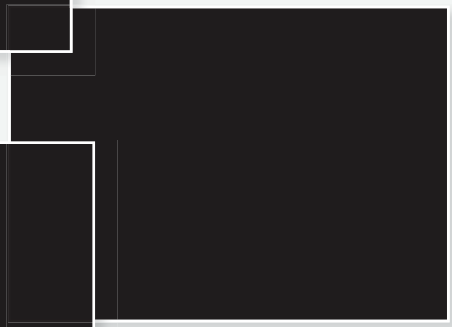
Gill Street (Aurora Vista I)



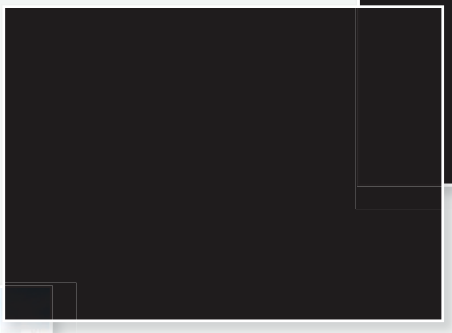
Aurora Vista III

Walker Lane (Aurora Vista III)

Birch Street (Aurora Vista II)



Aurora Vista III



Aurora Vista I after renovation

Aurora Vista apartments underwent extensive renovation with support from USDA Rural Development 515 Multi-Family Housing program.

Aurora Vista II after renovation

Community Facilities & Utilities Programs

Through its Community Facilities Programs, Alaska USDA Rural Development strives to improve the quality of life in Alaska through a variety of loan and grant programs for community facilities. Community Facilities loans and grants may be provided to qualified recipients in rural areas or communities with populations less than 20,000. Utilities loans and grants may be made in rural areas or communities with populations less than 10,000.

Community Facilities Direct Loans
Direct loans are used to improve community facilities providing essential services in rural areas and rural communities. Eligible applicants include local governments, Alaska Native tribes and non-profit corporations for health care, fire and rescue, community centers, assisted living projects, day care and other eligible public purposes.

Guaranteed Community Facilities Loans
Community Facilities guaranteed loans may be used for financing the same categories of facilities as the direct loan program. Guaranteed loans may also be used to fund development of community recreational facilities.

Community Facilities Grants
Community Facilities grants are available to fund essential public facilities in low-income areas.

Water and Waste Disposal Loans
Loans may be used for rural water and waste disposal infrastructure, including solid waste and storm drainage systems. The funds are available to local governments, Alaska Native tribes, and non-profit corporations that are unable to obtain affordable credit from other sources.

Alaska Rural Development's Community Facilities staff with Undersecretary Dorr.

Water and Waste Disposal Grants
Grants may be used for rural water and waste disposal infrastructure, including solid waste and storm drainage systems. Grants may not exceed 75% of eligible project costs and are usually made in conjunction with a loan.

Technical Assistance and Training Grants
The program provides funding to non-profit organizations for water and waste disposal service training needs.

Solid Waste Management Grants
Solid Waste Management grants provide funding for training and technical assistance to public bodies and non-profit corporations to reduce or eliminate pollution of water resources, improve planning and management of solid waste facilities, and reduce the solid waste stream.

Guaranteed Water and Waste Disposal Loans
Public bodies and non-profit corporations can use the loan program to improve water systems, waste disposal systems, storm sewers or solid waste disposal facilities in rural areas.

During Fiscal Year 2007, Rural Development provided more than $6 million in funding support for essential public facilities and equipment.

CENTRAL PENINSULA HEALTH CENTER

$4,000,000 in USDA Rural Development Community Facilities loan funds have been used to complement agency and foundation grants and community donations to build a new community health center for the Central Kenai Peninsula area. The new facility is located in Soldotna and is operated by Central Peninsula Health Centers, Inc., a private non-profit organization with a mission to provide local residents with quality health care, regardless of their ability to pay. It operates the Cottonwood Health Center, formerly located in inadequate space in a strip mall in Soldotna, but which now occupies the ground floor of the new building. It also operates a dental clinic in Kenai. Central Peninsula Counseling Services, a separate private non-profit organization which provides behavioral health services, is located on the second floor of the new facility. The second floor also houses administrative staff from both organizations. Since the two organizations share many of the same clients, their location in a single building is seen by everyone as a positive move.

Cottonwood Health Center amenities in the new building include 12 examination rooms, a laboratory, limited radiology services, a diagnostics room, procedure rooms, and space for community providers such as the Community Health Nurses and the WIC (Women / Infants / Children) providers. Core services focus on primary health care but also include preventive health screening, disease management and case management. Nationwide, community health centers have been shown to save taxpayer money by promoting better management of chronic disease and encouraging better patient choices, including decreased use of hospital emergency room facilities.

Central Peninsula Health Centers and Central Peninsula Counseling Services worked very hard since 2004 to raise about $11 million needed to build a 31,000 square foot, two story community health facility serving the clients of both organizations. Major grantees for the project include the Denali Commission, the Rasmuson Foundation, the State of Alaska, the M.J. Murdock Charitable Trust, the Paul G. Allen Family Foundation, the Alaska Mental Health Trust and the Kenai Peninsula Borough Hospital Service Area, plus numerous other corporate and individual donors. The $4,000,000 in Community Facilities loans from USDA Rural Development includes funds needed to help cover initial operating expenses of the new facility.

"This is an important project for the central Kenai Peninsula," said Michelle Hoffman, Area Manager for USDA Rural Development's Kenai office. "Many people in this area lack health insurance and primary care health providers. Having a centrally located health care center will help ensure that primary care and behavioral health needs in this area are met. I'm glad our agency was able to help."

Alaska Rural Development's Acting State Director Chad Padgett at opening of Peninsula Community Health Center with U.S. Senator Lisa Murkowski.

Central Peninsula Health Center, Kenai.

Sheldon Jackson Chidcare Center, Sitka

SHELDON JACKSON CHILDCARE CENTER UPDATE

It was announced in late June of 2007 that academic operations at Sheldon Jackson College in Sitka would be suspended at least for the 2007-2008 school year. In September, the board of trustees announced that they were seeking local entities to assume management of the college's childcare center and its physical education center. If new operators were not found, both facilities would be closed.

These announcements directly affected USDA Rural Development, which had helped fund the childcare center building, completed in June 2006, through its Community Facilities loan and grant programs. Keith Perkins, Area Manager of Rural Development's Sitka office, had been closely monitoring Sheldon Jackson's situation for some time and kept Chad B. Padgett, Acting State Director of Rural Development advised of ongoing developments.

In October 2007, Sheldon Jackson College and a newly formed non-profit organization, Sheldon Jackson Childcare Center, Inc., signed a lease agreement to transfer operation of the daycare center free of charge for the following 90 days. This ensured that there would be no lapse in service and gave the non-profit a short "breathing period" to look for long-term solutions for the viability of the childcare center's continued operation. The center currently has an enrollment of about 40 children and can cover day-to-day expenses through tuition payments. However, covering the note on the Rural Development loan, currently amounting to about $805,000, is more problematic.

Acting State Director Chad Padgett, traveled to Sitka in early November to work with local officials to help ensure that the childcare center remains open. He said: "Rural Development's main goal is to keep the childcare center open and we're committed to seeing that happen. We are certainly interested in looking at options for reducing the ongoing loan burden for the building."

Community Facilities & Utilities Programs

CODE RED

Fire protection in rural areas of Alaska is a constant challenge. Conventional firefighting equipment and techniques work well only in the larger population centers which have amenities, such as piped water systems with hydrants and local roads that are open year-round. Most rural communities are small, are accessible only by air, and are widely scattered across a huge area of the state. Many of these communities lack piped water systems with hydrants. Some have boardwalks or trails rather than formal roads or lack equipment to keep roads open during the winter months. The acquisition of conventional firefighting equipment is generally neither financially possible nor operationally feasible in such communities.

Alaska has an unacceptably high rate of fire fatalities, typically two to three times the national rate. The highest rates usually occur in small communities off the road system which have only very rudimentary fire protection systems. Concern about the unacceptably high loss of life and property in remote areas led to the development of the "Code Red" micro rural fire department program under the leadership of U.S. Senator Ted Stevens.

The original Code Red pilot project was designed in 2001 and the program has been sponsored by a number of different federal, state and non-profit agencies in Alaska ever since. Sometimes referred to as a "fire department in a box," Code Red equipment is contained in a box that can be easily hauled by ATV, snowmachine, pick-up or hand on streets, boardwalks and trails. It is capable of delivering 600 gallons of eco-safe fire fighting foam from a range of 75 feet. The system can be readily recharged in five minutes. The State Fire Marshal's office provides training in the use of the equipment after it has been delivered to a village.

In FY 2006, USDA Rural Development awarded a $306,478 Community Facilities grant to the Rural Alaska Community Action Program (RurAL CAP) to provide and install Code Red units in the communities of Nondalton, Newhalen, Lower Kalskag and Northway. Additional funds were contributed to the project by RurAL CAP and community donations.

Each Code Red unit cost $102,000. However, transportation of the units added another $20,000 to the total project cost. Transportation costs were higher than expected because unusually low water conditions in the Bristol Bay drainage required that the units destined for Nondalton and Newhalen instead be flown in to Iliamna. The unit destined for Nondalton was then trucked to the edge of Six Mile Lake and shipped from there to Nondalton. All units were installed by early October 2007.

Andrew Cutting, Code Red Coordinator for RurAL CAP, said: "So many more villages need these Code Red units. It's a great program. I hope that funds will continue to be provided by USDA Rural Development in the future."

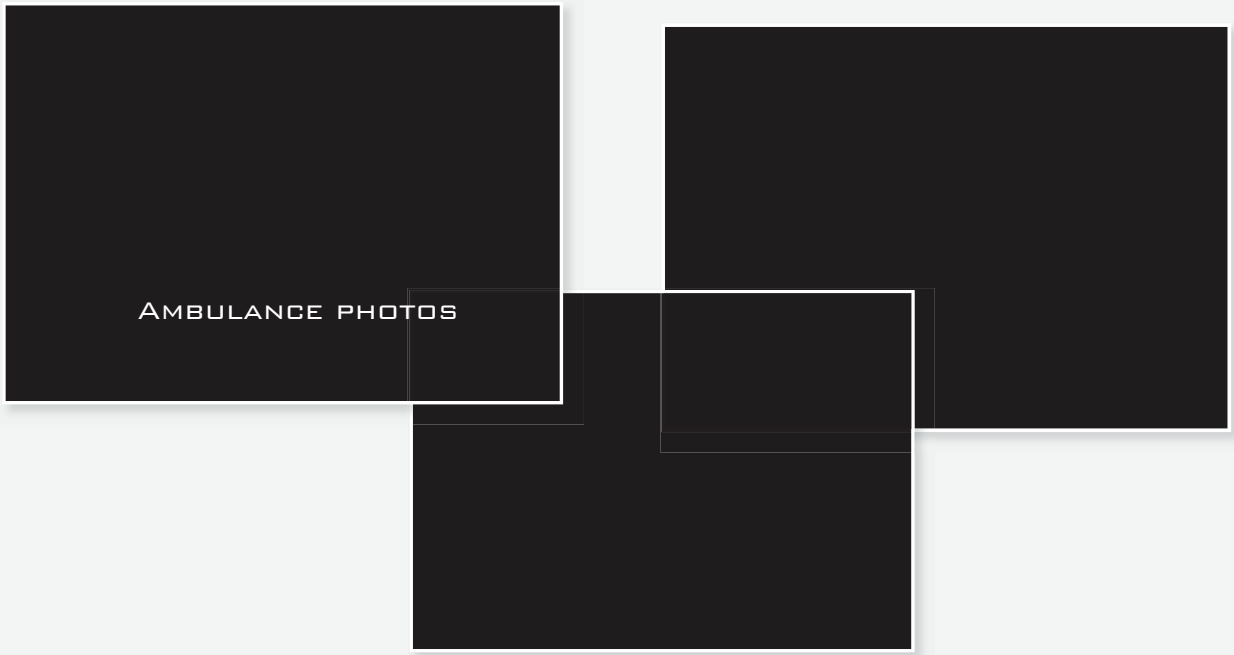
CODE BLUE SUCCESS CONTINUES

In 2007, for the seventh year in a row, USDA Rural Development awarded Community Facilities grant funds to "Code Blue" a statewide initiative that developed from a needs assessment conducted by the State of Alaska in 1999. This assessment revealed that Emergency Medical Services Statewide were imperiled by lack of equipment or equipment that was not dependable. There were many stories of ambulances that would not start or broke down enroute to an accident.

USDA Rural Development began working in partnership in the six regional EMS councils, Maniilaq, SEREMS (Southeast Alaska) Southern Region EMS Council, NSHC, YKHC and Interior Region EMS to provide patient transport vehicles and essential EMS equipment such as backboards, defibrillators and training mannequins. Matching funds for the USDA Rural Development funds were provided by local communities and organizations, and the Rasmuson Foundation. We are in the seventh year of funding this project. To date, we have served well over 170 communities..

Over $8,000,000 in Special Economic Initiative grants has been provided since the inception of the program in 2001.

Chad Padgett, Acting State Director, stated "We fully support ongoing funding for the Code Blue project. The Regional Emergency Medical Services folks put their entire heart and soul into assuring lives are saved and emergency medical services are provided to everyone in Rural Alaska. We are proud to be associated with Code Blue".



MAT-VALLEY CRIPPLED CHILDREN & ADULTS

The Treasure Loft, a non-profit thrift store in Wasilla, will soon have new and spacious quarters with the assistance of $1,594,175 in two low interest Community Facilities loans from USDA Rural Development.

The Treasure Loft is owned by Mat-Valley Crippled Children and Adults, Inc., the actual borrower. The loans were needed to acquire the ground floor of a new structure being built by Valley Residential Services, another non-profit which operates over 100 housing units for low income or mentally ill Valley residents. Both organizations come under the umbrella of Valley Christian Conference, a group of nine mainline Protestant and Roman Catholic churches in the area.

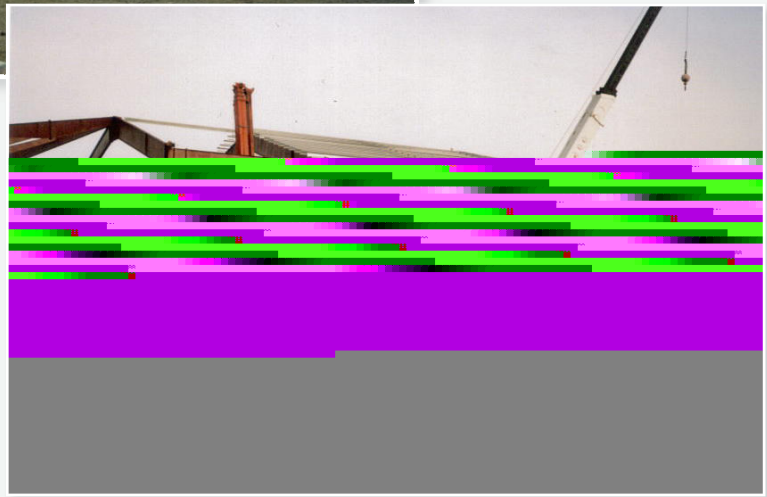
In August 2007, Valley Residential Services began construction of a new two-story condominium building on Swanson Street in Wasilla, behind the Carr's shopping center. Construction of the new facility got underway in October 2007 and is currently scheduled for completion in May 2008. The second floor will house 20 one-bedroom apartment units for low income residents, while the ground floor will be acquired by Mat-Valley Crippled Children and Adults for the Treasure Loft thrift store.

The Treasure Loft was originally established to loan medical equipment, such as hospital beds, wheelchairs, walkers and crutches, to people in the Valley and this remains a core function. It also provides clothing and household goods free of charge to individuals and families in need who are referred by organizations such as the Good Shepherd Lutheran Church, Wasilla Food Pantry and the American Red Cross. The Treasure Loft estimates that it provides the equivalent of $1,000 to $1,500 per month for this form of assistance. The thrift store sells items such as clothing, household items, furniture, electronics and books to raise funds for its own programs and provides grants to other non-profit charitable organizations in the area.

The Treasure Loft is looking forward to the completion of its new quarters. Its present space is overcrowded. Medical equipment must be stored off-site because of a lack of space and donations must often be turned away because there is no room for them. The new Treasure Loft store will occupy 13,200 square feet, enough room to house all of the organization's functions. Its central location will be convenient both for store patrons and beneficiaries.

"Mat-Valley Crippled Children and Adults, through the Treasure Loft, does an important job," said Merlaine Kruse, Director of Community Programs for USDA Rural Development. "The Valley's population has grown rapidly in recent years and the need for expanded social services has grown with it. The Treasure Loft can certainly use the extra space."

Treasure Loft under construction.



Treasure Loft under construction.

WAINWRIGHT WATER TANK

Wainwright is an Inupiat Eskimo whaling community with over 500 residents. It is located on the Chukchi Sea coast, about 100 miles southwest of Barrow. The community derives its water from a seasonal water source, Merekruak Lake, about 3 miles northeast of town. Because the lake freezes to the bottom during the winter, water is pumped into town during the summer via a 6-inch high density polyethylene line. It is treated, then stored in large holding tanks.

The North Slope Borough is responsible for providing water and sewer services to all communities within its boundaries. Recently, the Borough constructed a buried piped water and sewer system in Wainwright that serves most buildings, although water is still hauled or delivered by truck to household tanks to some homes. Most houses here now have holding tanks or piped water and sewer service, with internal plumbing, running water in the kitchen, flush toilets and showers. These improvements have led to a dramatic increase in local water consumption, estimated by the Borough to have gone from around 30 gallons per person per day to between 60 and 80 gallons. In turn, the increased consumption led to an urgent need for additional water storage facilities.

The North Slope Borough determined that an additional 3 million gallons of water storage capacity was required to replace an existing failing tank and to accommodate the local growth in demand. Construction costs on the North Slope Borough are extremely high because of the region's remoteness, its inaccessibility by water for most of the year, and permafrost conditions coupled with a shortage of gravel for insulating pads. These conditions contributed to a total project cost of over $6 million.

Rural Development funded water tanks at Wainwright.

USDA Rural Development contributed $1,375,000 in Rural Alaska Village Grant funds to the project. The remainder was provided by the North Slope Borough through the sale of general obligation bonds and from its capital reserves.

The project was managed by the North Slope Borough. It was completed in August 2007 and the tank was in operation before winter set in. Curt Thomas, Program Manager for the North Slope Borough Public Works Department, said: "This project is an important one for Wainwright. The construction process went amazingly well. No delays were experienced and the project was completed on time and within budget."

TYONEK WATER AND SEPTIC SYSTEM IMPROVEMENTS

Tyonek now has a reliable water system, thanks in large part to USDA Rural Development Rural Alaska Village grants, financial assistance from the State of Alaska and the U.S. Environmental Protection Agency, to the Alaska Native Tribal Health Consortium engineers and superintendents, and to the local village force account construction crew.

The Dena'ina Athabascan village of Tyonek has about 200 residents. It is located on the northwest shore of Cook Inlet, 43 miles southwest of Anchorage, and is within the Kenai Peninsula Borough.

Before the current round of improvements, Tyonek's water system was in a deplorable condition. Its water source was an algae-filled lake that was also a salmon spawning ground. In the village, underground water mains leaked on a regular basis, home water service lines frequently froze during the winter and only three fire hydrants were in working order. Even worse, the community's water treatment plant was in imminent danger of complete failure.

Sections of the roof had collapsed, interior pipes were corroded and leaking, the electrical system was a fire hazard and the water filters did not work. As a result, the community was operating under a State-ordered "boil water" notice.

To correct these gross deficiencies, a total of $3,822,500 for upgrades to the Tyonek water system was contributed by different agencies, with USDA Rural Development alone contributing $2,417,325. EPA and State funds were used to locate and develop a new water source - two new, deep groundwater wells. USDA Rural Development and State funds were used to design and build a temporary water treatment plant and connect it to the existing water supply system, to design and construct new water mains and to upgrade the water service lines.

As of November 2007, Alaska Native Tribal Health Consortium engineers and superintendents, along with Tyonek village residents, had built 7,200 feet of new water mains, installed 22 new flush hydrants, and replaced or upgraded water service lines to 68 village homes. The lines are insulated to prevent freezing and constructed with durable high-density polyethylene pipe to prevent future leakage and corrosion problems. In addition, the community sewer septic tank and sewer outfall have been repaired so that raw sewage no longer flows onto Tyonek's public beaches, and a new 4x4 septic pump truck was purchased for the village to maintain the village's septic tanks. Finally, the Tyonek utility operators and construction crew were trained on the operation and maintenance of the new facilities.

Leigh Hubbard, project engineer for the Alaska Native Tribal Health Consortium, said: "This project has made a huge difference for Tyonek. Water quality and taste have improved dramatically; public health safety has increased; residential water service has improved, water operator training and expertise have risen substantially; and the village has begun a successful water utility billing program. None of this would have been possible without the funding contributed by USDA Rural Development and other agencies."

Rural Development water utility project underway in Tyonek.

HIGH ENERGY COST GRANT PROGRAM SUCCESS STORY

USDA Rural Development is playing an important role in the development of alternate energy in remote villages in Western and Northwest Alaska. Communities in these areas typically rely on diesel fuel for electric power generation and home heating. Because of their geographic isolation and small size, diesel fuel costs in these communities have always been high, but those costs have skyrocketed with recent increases in oil prices. Where it is feasible, wind power is seen as an important addition to village power systems, primarily because it helps reduce the need to order and store large quantities of diesel fuel. It also helps to reduce the running time of diesel generators, which extends their economic life.

Through its High Energy Cost Grant Program, USDA Rural Development provided $15 million in FY 2007 to the Denali Commission to help coordinate the upgrading of bulk fuel and electric utility facilities in rural Alaska. The Alaska Village Electric Cooperative (AVEC), a non-profit electric utility serving 53 villages scattered across a huge area in Western and Interior Alaska, has been a major recipient of these funds for the past few years, including all those awarded to the Denali Commission in FY 2007.

AVEC has established a wind / diesel hybrid energy development program and has installed wind generation units in Selawik, Toksook Bay and Kasigluk, in part with High Energy Cost Grant funds. It is also using these funds to help develop electric interties linking neighboring villages and to upgrade diesel generation, distribution and storage facilities. It estimates that the six 100 kW wind turbine units it installed in Toksook Bay and Kasigluk in 2006 resulted in a savings of 62,000 gallons of diesel fuel for the communities in 2007. The value of these fuel savings was over $150,000 and is expected to increase in 2008 as fuel prices increase and as utility staff improve the integrated operation of wind and diesel systems. Interties, such as those linking the Nelson Island communities of Toksook Bay, Nightmute and Tununak, compound the savings in diesel fuel costs, as well as adding to overall system efficiency.

AVEC plans to install wind generation units in Chevak and Hooper Bay and the St. Lawrence Island communities of Gambell and Savoonga. It is also investigating the feasibility of adding wind generation units in the Yukon - Kuskokwim communities of St. Mary's, Emmonak, Pilot Station, Mekoryuk, Quinhagak and Marshall, as well as New Stuyahok in Bristol Bay. Some of these communities are not on the coast, but AVEC has identified them as potential candidates for wind power if turbines can be sited in local areas of good wind resources.

Meera Kohler, President and CEO of AVEC, said: "Wind energy is an important addition to the AVEC system because it helps to reduce the amount of expensive diesel fuel that our cooperative must purchase and store. Together with the construction of electric interties and the replacement of substandard diesel power plants and fuel storage facilities, it is critical to the very survival of our villages. We really appreciate USDA Rural Development's assistance."

Kasigluk power plant.

Kasigluk wind turbines.

COPPER VALLEY WIRELESS

Copper Valley Wireless, Inc., a wholly owned subsidiary of the Copper Valley Telephone Cooperative, is using a $4,770,000 low interest Telephone loan from USDA Rural Development to replace analog cell phone service with a CDMA (Code Division Multiple Access) system. The need for modernizing its system has been accelerated by the Federal Communications Commission ruling that companies can discontinue providing analog service in mid February-2008.

Kennicott Glacier from McCarthy.

The service area of Copper Valley Wireless is large and its users are widely scattered. It includes the two relatively large coastal communities of Valdez and Cordova and across Prince William Sound to Whittier. Inland it serves the Copper River basin area as far west as Nelchina / Lake Louise, as far east as McCarthy / Kennecott and as far north as Paxson on the Richardson Highway and Mentasta on the Tok Cutoff. The company is headquartered in Valdez.

Work scheduled to be undertaken includes the replacement of thirteen existing cell phone sites and the addition of about five more. New antennas for the towers will be provided and new electronic equipment installed. The new electronic equipment also provides high speed data capabilities. All electronics at the different sites go back to the main switch in Glennallen.

Wes Lannen, Field Representative - Telecommunications for USDA Rural Development, said: "Good telecommunications are an essential component of modern living. The improvements planned by Copper Valley Wireless will go a long way toward improving cell phone service in this area."

Community Outreach

Whether volunteering at food and blood drives, the Alaska State Fair, or church and community groups, USDA employees are active participants in their communities. They have helped raise thousands of dollars for various state and community groups through their efforts.

Acting Rural Development State Director Chad Padgett giving award to Wells Fargo's Erma Castillo and Victoria in recognition the bank's continued success with the USDA Single Family Guaranteed Loan Program.

WELLS FARGO RECEIVES USDA RURAL DEVELOPMENT NATIONAL HOMEOWNERSHIP MONTH AWARD

On June 20, 2007, acting State Director Chad Padgett delivered achievement awards to Wells Fargo Bank for the bank's continued success with the USDA Rural Development Guaranteed Housing Loan program. He said: "June is National Homeownership Month and my agency is very proud of its successful collaboration with Wells Fargo to assist people throughout rural Alaska in achieving the American dream of home ownership."

Chad Padgett noted that in FY 2006, Wells Fargo used Rural Development's Guaranteed Housing Loan program to provide 57 Alaska rural families with home loans. Of the over $9 million in USDA guaranteed housing loans that it originated in FY 2006, the bank's Kodiak branch alone originated 24 loans for a total of $4.2 million, while its Ketchikan branch originated 15 loans totaling $2.3 million during the same period.

USDA Rural Development's Guaranteed Housing Loan program is the agency's largest single program in terms of dollars in Alaska, accounting for almost $35 million in 2007. A key element in the success of the program is the strong partnership that has been developed and maintained with private and public financial institutions and housing authorities. "This is a great program," said Karen LaMouria, Assistant Director of Rural Housing. "Part of the reason it works so well in Alaska is because we have good partners like Wells Fargo."

Acting State Director Chad Padgett said: "The partnership between Wells Fargo and USDA Rural Development is an excellent example of private / public collaboration in support of affordable housing in rural Alaska."

Acting Rural Development State Director Chad Padgett and Community Facilities Director Merlaine Kruse awarding planning funds to the Rural Alaska Community Action Program.

In recognition of Earth Day, Acting State Director formally awards funds to the Denali Commission for the Denali Commission Solid Waste Program.

Alaska USDA Rural Development Fairbanks Area Director Jim Pohlman.

Chad Padgett and Southeast Area Manager Keith Perkins at Southeast Conference.

Acting State Director Chad Padgett and Kenai Area Manager Michelle Hoffman at Self-Help housing under construction.

Financials

Rural Housing Programs	**Single Family**	
	Guaranteed 502 Loans	$ 34,435,545
	Direct 502 Low Income Loans	5,342,942
	Direct 502 Very Low Income Loans	7,948,394
	504 Home Improvement Loans	82,310
	504 Home Improvement Grants	186,123
	Mutual Self-Help Housing Grants	290,016
	Multi-Family	
	Housing Preservation Grants	50,000
	Rental Assistance	3,595,400
	Total	**$ 51,930,730**
Community Facilities Programs	Community Facilities Direct Loans	$ 4,230,400
	Community Facilities Guaranteed Loans	370,175
	Community Facilities Grants	101,000
	Rural Community Development Initiative Grants	300,000
	Community Facilities Economic Impact Grants	855,906
	Empowerment Zone / Enterprise Community Grants (EZ/EC)	167,965
	Total	**$ 6,025,446**
Business and Cooperative Programs	Guaranteed Business Loans	$ 24,186,000
	Intermediary Relending Program Loans	0
	Rural Business Enterprise Grants	273,530
	Rural Business Opportunity Grants	97,206
	Dairy Grants	643,000
	Total	**$ 25,199,736**
Rural Utilities Programs	Water & Environmental Programs Grants	$ 814,150
	Rural Alaska Village Grants	6,943,272
	Solid Waste Management / Technical Assistance & Training Grants	810,000
	Solid Waste Management Grants (Denali Commission)	750,000
	High Energy Cost Grants (Denali Commission)	15,000,000
	High Energy Cost Grants	3,729,065
	Electric Loans	38,000,000
	Weather Radio Grants	39,438
	Telecom. Distance Learning & Telemedicine Grants	3,211,593
	Telecom. Distance Learning & Telemedicine Loans	10,000,000
	Telephone Loans	13,520,862
	Total	**$ 92,818,380**
	GRAND TOTAL	**$ 175,974,292**

Committed to the future of rural communities.

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