

Revolving Loan Fund Component Narrative

1. Program Description and Scope of Work

a. Executive Summary

Southeast Conference proposes to stand up the \$10 million Alaska Mariculture Industry Cluster Revolving Loan Fund to address lending barriers within the industry and leverage capital to support rural and underserved communities interested in entering the industry. The fund will be housed and administered by Southeast Conference with the support of a robust Loan Administration Board (LAB) including the Executive Director (or delegate) of Spruce Root, a 501(c)(3) non-profit Community Development Financial Institution (CDFI) grounded in Indigenous values and ways of living. 50% of the total loan amount will be targeted towards Indigenous and underserved populations. The intention of the Revolving Loan Fund (RLF) component is to launch a diversified revolving loan fund program which offers flexibility in its collateralization aspects, maximizing borrowing amounts and one that will compliment the current funding programs around the State of Alaska; the component will also be vigilant in continually seeking creative and effective funding mechanisms that will enhance the financial economic infrastructure of the mariculture industry in order to prioritize equitable access and sustainability within the overarching goal of the industry cluster.

b. Scope of Work

At all levels of Alaska's emerging mariculture industry, several challenges have been identified and characterized - for example, securing investment capital from traditional lenders who want to see historical financial performance for mariculture-related business operations, or access to capital funding for next level operational expansion. Access to collateral and overall awareness of the different funding options add to this barrier. Because the industry is relatively young in Alaska, it is a moderately high-risk investment due to long grow-out periods for some species, learning curves with new operational techniques, and an underdeveloped market (particularly for seaweed).

The RLF fosters development of the industry by offering sustainable funding opportunities unique to this industry – financing industry channels that spur job growth, improving job retention rates, and enriching employment skills. The Fund will help stimulate involvement of private lending institutions in underserved geographies and will be utilized in conjunction with other public or private monies to fund the development of a mariculture sector in Alaska. These efforts will in turn contribute to the creation of entry level positions and higher employment for the growing workforce to become established by gaining the necessary knowledge, skills, and abilities to be gainfully employed or self-employed in the mariculture industry.

The RLF will not only provide services to eligible applicants across the state, but will emphasize a concentrated, dedicated fiscal segment to assist Alaska Natives, and underserved populations, geographies, and persistently impoverished areas. This dedicated portion of the RLF will be reserved to encourage an equitable model of stakeholder foundation which will serve and cultivate economic growth and opportunities within this segment of Alaska's demographic.

The RLF will market and provide technical assistance to reach the greatest number of underserved applicants, as well as collaborate with the commercial banking community to develop their interest in participating in the RLF's efforts in Alaska. The RLF will promote and educate private lenders and other partners on the advantages of participation loans to lower their commercial risk and promote investment. Each step of the way, there will be a system of technical assistance and active engagement between lender and borrowers. Resource and support mechanisms will be in place to achieve the greatest level of success for the borrower and ultimately the cluster's overarching goal of cultivating industry growth that will contribute to Alaska's economic future. See the Revolving Loan Fund Administrative Narrative for Structure Details.

2. Regional Industry Assets and Needs

a. Regional Description

Each component of this cluster is focused on the four southern regions of coastal Alaska (Southeast (SE), Prince William Sound (PWS), Kenai Peninsula (KP), Southwest (SW)) due to the location of the waters appropriate for mariculture development, as well as the existing seafood industry participants and interested workforce, infrastructure, and vessels which already operate and move across communities to access fishery resources. See attached separate FIPS code spreadsheet as directed by EDA staff.

Alaska comprises more than half of the US coastline, continental shelf, and exclusive economic zone (EEZ) and is a world leader in seafood production; over 60% of the seafood harvested in the US comes from Alaska waters. Therefore, Alaska has the coastline and infrastructure to support growth of its mariculture industry. At the same time, Alaska has over 250 rural coastal communities that are largely inaccessible by road and have limited employment opportunities. Many of these communities have high numbers of Alaska Native residents, who make up 22% of the AMC region population. The communities in these coastal regions have the need and desire to build ocean-related businesses, diversifying opportunities for residents to live and work in their communities in an industry that is beneficial to the environment and complementary to commercial and subsistence fishing.

b. Industry, Employer, and CEDS alignment

Mariculture development is a priority in state and regional development efforts and as well as aligning with the [Alaska Mariculture Development Plan](#), this cluster also aligns with the CEDS for each of the EDDs ([SEC](#) - pgs. 2, 11, 24, 41-43, [PWS EDD](#) – pgs. 8, 32, 41, 44, 58, [KP EDD](#) – pgs. 39-50, [SWAMC](#) – pgs. 1, 4, 5, 7), and the State of Alaska (pgs. 2, 11, 24, 41-43).

3. Proposed Solution

The Alaska Mariculture Industry Cluster Revolving Loan Fund (RLF) will be used in tandem with private financing which will make capital for the startup and expansion of mariculture related small businesses. These will be accessible both rurally and statewide, including lands granted and remaining in ownership of village corporations, Alaska Native Regional corporations, and Alaska Native villages, as defined under the Alaska Native Claims Settlement Act.

Addressing EDA's Recovery and Resilience investment priority, the RLF will create equitable financing solutions to underserved communities, Alaska Native populations, mariculture startups as well as many established mariculture operations which may need additional capital to expand their current operations. It has been determined that a complimentary, diversified loan fund established within the economic development goals and priorities of the regional stakeholders will create a unique, sustainable financial resource for all levels of operators and participants within mariculture. The RLF will establish a diversified approach to lending in that the collateral requirements will be broad enough to apply to various facets of the assets with the industry, it will also prioritize the borrower's position and abilities to support them, apply solution-based approaches to hardships which will create a level of trust and confidence within the industry between lenders and borrowers. The types of financing needs and opportunities for the mariculture related businesses identified in the business development strategy include:

- **Access to start-up capital:** Need for financing to new businesses when surplus collateral is not available
- **Access to broader collateral definitions:** need for financing which expands the collateral definitions existing within the traditional lending model
- **Access to micro-financing:** Need for microloans to small businesses for smaller projects
- **Access to financing mechanisms which prioritize the borrower's position and stage of business operations:** the RLF and its premise will strive to work with the borrower on developing business models and strategies that will lead to successful outcomes for the borrower
- **Access to disaster recovery financing:** Need for immediate recovery funds in the event of a natural disaster or major economic down-turn
- **Access for financial diversification:** Need for financing to assist with multiple uses including working capital, equipment, inventory, supplies, technology, capital asset expansion, and real estate improvements.

Through the identification of vulnerabilities and financing needs within the construct of the RLF, the component will be developed in coordination with industry needs, industry stakeholders, the Loan Administration Board and the borrowers needs to invest in their future. By creating a lending system with a foundation built upon the premise that *successful implementation will lead to successful outcomes to all participants* at all levels, the RLF component and ultimately the Alaska Mariculture Cluster is building certainty and resilience of the industry from the inside out. The coordinated effort of creating resiliency within itself and transmitting that through the focus and goals of the cluster, in turn will create resilient economic systems and funding strategies within the industry. The EDA investment will effectively minimize disruptions from an event to the gross regional product, production capabilities, human capital, and damages to regional tangible assets which will contribute to the successful outcomes within the industry cluster. With an economic resiliency focus built into the RLF, the mechanisms will work to mitigate the natural stagnation of economic growth that underserved communities often encounter. The business continuity that will be established by the efforts of this cluster and the RLF component will lead to a stronger economic infrastructure for Alaska.

4. Partners and program outreach

a. Partnerships

- **United States Economic Development Administration** – Co-Funder, Technical Assistance, Partner
- **United States Department of Agriculture** – Rural Development Assistance , Funding Assistance Programs
- **State of Alaska Department of Commerce, Community and Economic Development** – Funding Program Contributor, Resource Identifier, Rural Development Assistance
- **State of Alaska Department of Labor** – Information and Resource Identifier
- **Alaska Native Tribal Governments and Leadership** – Role Coordinator, Local Leadership, Information Dissemination, Risk & Resource Identifier, Goal & Prioritization Identifiers
- **Alaska Fisheries Development Foundation, Alaska Mariculture Alliance** – Collaborators, Industry Partners; Information and Resource Identifier
- **UAA Center for Economic Development** – Risk & Resource Identifier, Planning Assistance
- **Small Business Development Center** – Risk & Resource Identifier, Business & Funding Assistance, Information Disseminator, Goal & Prioritization Identifiers
- **Regional Businesses & Stakeholders** – Risk & Need Identifiers, Goal & Prioritization Identifiers
- **Regional Lending Agencies** – Risk & Need Identifiers, Post-disaster Funders, Structure/Planning Assistance
- **Regional Chambers of Commerce** – Information Disseminators
- **Regional Non-profits** – Risk & Resource Identifiers, Role Coordinators, Information Disseminators
- **Manufacturing Extension Program** – Risk & Resource Identifier, Manufacturing Assistance
- **Incorporated & Unincorporated Communities** – Role Coordinator, Local Leadership, Information Dissemination, Risk & Resource Identifier, Information Disseminator, Goal & Prioritization Identifiers

Outreach and engagement for the RLF will be conducted based on a continual, equitable, and consistent manner with communication and two-way information dissemination occurring at all levels and phases of the cluster project. The RLF board and managers will acknowledge the importance of relevant, applicable, and critical information that will be necessary for industry participants to have equitable access to.

b. Promoting Diversity, Equity, and Inclusion

Alaska Native communities are losing access to commercial fisheries as limited entry permits and quota shares are transferred to other owners or migrate to larger cities. The development of the mariculture industry provides an opportunity during new resource development to address these inequities by prioritizing tribal and Alaska Native leadership,

ownership and participation in mariculture, as well as providing services such as training, financing, and other business development to support equitable opportunity.

The equity strategy to share benefits of the cluster development equitably across all affected communities will be a two-pronged approach. The first part of the strategy involves setting *Equity Engagement Goals* which will help measure progress towards the commitment to equitable opportunities. The first and second goals will be: 1) to provide at least 10-25% of the project services directly to underserved populations (Alaska Natives), and 2) to provide at least 10-25% of the project services directly to underserved communities. These services include access to shellfish and seaweed seed, workforce development, jobs, capital for investment through financing instruments such as revolving loan funds, CDFIs, or other non-traditional options, vessel energy efficiency improvements, social license, coordination, and industry sharing of best practices. The third goal will be to indirectly provide services through local improvements to underserved populations and underserved communities. This third goal will be more difficult to quantify, therefore, a specific percentage was not included as a goal. Instead, they will be associated with the statewide metrics included in the project narrative.

The *Equity Engagement Goals* will be met through the broad network represented by the Coalition and Partners, which includes four tribes (one regional) and two Alaska Native Regional Corporations, representing over 40,000 tribal citizens or shareholders. The project's network will expand upon already existing partnerships engaged in mariculture development, which have allowed relationship and trust building between entities. For example, in 2021, AFDF, Spruce Root, Sustainable Southeast Partnership, and the Organized Village of Kake partnered to provide a 2 ½-day mariculture training workshop for Alaska Natives in the SE Alaska region. This is an example of the work to be completed under the workforce development component. In particular, the Alaska Native entities (tribes, corporations, and nonprofits) will provide critical contacts and access to these underserved populations, which many times have less technology resources to communicate remotely. Many Alaska Native villages and other rural communities lack access to broadband internet service which poses a significant barrier to business development.

5. Measurable Goals and Impacts

The Alaska Mariculture Industry Cluster's mission is to support, foster and promote responsible and sustainable economic development in Alaska's Mariculture Industry. The RLF component strives to stimulate sustainable growth for state-wide, regionally incorporated, and unincorporated communities to improve the quality of life of all residents. The primary objective of RLF Component is to retain and attract private sector investment that will directly increase and further diversify the economic region of the State of Alaska.

The development, implementation and application of a revolving loan fund is a gap financing measure that is used for the development and expansion of businesses. The Alaska Mariculture Industry Cluster Revolving Loan Fund is an RLF, however, in this application it is refined to better suit the borrower's needs within the mariculture industry. With the borrowing limits set at an amount that is tailored to the unofficial industry benchmarks, the collateral definition cultured to the mariculture industry, and the foundational components of equity and

resiliency built into it, the RLF will be a resource in which borrowers will be supported by the expanse of expertise and confidence of connection.

The RLF goals and objectives:

- Supporting existing businesses through partnerships, identification of tools and resources, and financing mechanisms to enhance and grow new or established mariculture operations at all phases of development
- Attract new businesses based on regional assets, business climate and entrepreneurship
- Providing customized, continual support based on community and/or individual business needs; establish a resource network that creates multiple touch points of access for borrowers to seek and receive assistance in their business goals
- Coordinating funding components, education and engagement programs outlined and implemented in the workforce development component which compliments and encourages development of workforce skills and retention
- Work with industry leaders and local governments to prepare for future community needs
- Track and report on economic trends to promote more informed decision making

The RLF will serve as a tool that leads to the creation of sustainable, high-quality jobs and careers for Alaskans; particularly those that are newly entering the workforce. The RFL will encourage more Alaska-based commerce, while the sustainable nature of the mariculture industry itself supports environmental sustainability and Alaska's unique regional cultural resources, food security, and identity. The RLF will help stimulate involvement of private lending institutions in underserved geographies and will be utilized in conjunction with other public or private monies to fund the development of a mariculture sector in Alaska.

6. Sustainability Plan

Mariculture is a renewable resource which will be sustainably managed under the protection of the Alaska Constitution which requires resource managers to use sustainability principles providing for a renewable resource. This adds confidence that any development efforts and investment will continue to add incremental economic activity in the region into the future. Additional sustainability is created within the RLF.

Upon the initial development stages and roll out of the RLF within the first three years, this component, with its built-in model of resiliency, will lead to sustainable operations. With the interest model built into the RLF program, the interest earned will go back into the Alaska Mariculture Industry Cluster's operations creating sustainability within its financial programming. Southeast Conference will also closely partner with Spruce Root and the rest of the LAB membership to ensure the fund continues to provide at least 10-25% of the project services directly to underserved populations (Alaska Natives) and at least 10-25% of the project services directly to underserved communities.

While access to capital has been identified as a significant barrier to underserved communities in gaining access to the benefits of the mariculture industry, other barriers will continue to surface with access to training opportunities, knowledge & tech transfer, access to seed and other resources reiterating the interrelatedness and necessity of each of the 7 proposed component projects to achieve successful and equitable outcomes.

Optional Template for BBBRC Phase 2 Primary Service Area County List

BBBRC Phase 2 applicants may use this template to list the counties in their primary service areas, which is required as part of both the Overarching Narrative (see p. 21 of the NOFO) and the project narratives of all Component Applications (see p. 23 of the NOFO).

<https://www.census.gov/geographies/reference-files.2019.html>

Overarching Narrative	"A description (~1 page) of the project's location and region, including a definition of its primary service area by counties. Counties should be identified by both name and 5-digit FIPS codes. See https://www.census.gov/geographies/reference-files.2019.html . The description of the region should include identify the communities served and a description of the target participants served and stakeholders engaged. The description also include the identification of assets in the region critical to the success of the regional growth cluster. The location regions should directly correspond to Questions 14 and 16 of Form SF-424 as submitted in each constituent component project. If applicable, also provide information demonstrating that the project is in or directly benefits a coal community. NOFO p. 21.
Component Application Project Narratives	"Section 2a: A description of the component project's location and region. The locations and regions should directly correspond to Questions 14 and 16 of Form SF-424 and align with the information provided in the Overarching Narrative. If the applicant expects impacts beyond the noted region, the applicant should note the region of expected impact. Additionally, applicants must identify their proposed primary service area(s) by county or counties. Counties should be identified by both name and 5-digit FIPS codes. See https://www.census.gov/geographies/reference-files.2019.html p. 23.

FIPS Code	County / County Equivalent Name
02013	Aleutians East Borough
02016	Aleutians West Census Area
02060	Bristol Bay Borough
02070	Dillingham Census Area
02100	Haines Borough
02105	Hoonah-Angoon Census Area
02110	Juneau City and Borough
02122	Kenai Peninsula Borough
02130	Ketchikan Gateway Borough
02150	Kodiak Island Borough
02164	Lake and Peninsula Borough
02195	Petersburg Borough
02198	Prince of Wales-Hyder Census Area
02220	Sitka City and Borough
02230	Skagway Municipality
02275	Wrangell City and Borough
02282	Yakutat City and Borough
02261	Valdez-Cordova Census Area