



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members
David Miller, Interim Municipal Administrator

From: Amy Ainslie, Planner I
Jay Sweeney, Chief Finance and Administrative Officer
Melissa Haley, Controller

Date: September 6, 2019

Subject: Proposed award from the Department of Interior * National Park Service *
Historic Revitalization Subgrant Program in the amount of \$238,033

Background

The Historic Revitalization Subgrant Program (HRSP) is a new program established by the National Park Service through the U.S. Department of the Interior. The City and Borough of Sitka was eligible to apply for this program due to its status as a Certified Local Government (CLG - a status established through the formation and regular meetings of a Historic Preservation Commission, completing annual CLG reporting, and having a Historic Preservation Plan in place). The goal of the HRSP is to support the rehabilitation of historic properties. Eligible projects have the following attributes: properties listed in, or eligible for, the National Register of Historic Places, properties located in rural areas (population of less than 50,000), and properties that are within the grantee's (CBS) jurisdiction.

The program is not a pass-through grant program; it is a grant for the recipient, in our case CBS, to establish a subgrant program along with the policies and procedures necessary to start and to run the program along with hands-on grant administration. This would include developing program guidelines that would ensure all grant requirements are met, establishing a competitive process that complies with 2 CFR part 200 as well as numerous other grant requirements, selecting subgrant recipients, conducting risk assessment of potential applicants and/or identifying monitoring priorities, ensuring subgrantee compliance with all federal guidelines, including reporting and procurement, as well as specific historical guidelines, and monitoring project milestones.

Originally, the assembly approved an application for a grant in the amount of \$750,000, part of which covered both administrative expenses and additional support (either staff or contractor) to develop, implement, and monitor the program. Even if the finance and planning departments were fully staffed, there is not available staff time to meet the

demands of creating and administering this new program. Unfortunately, even though we were awarded a much lower amount (\$238,033 vs. \$750,000) than requested, the requirements to establish a subgrant program are exactly the same as if we had been awarded the higher amount. We estimate, that at a very minimum, the cost of creating and administering this program will be at least \$100,000, drastically reducing the funds available for subgrantees.

Analysis

The assembly must determine whether or not the CBS should accept this grant award. Some considerations are:

- The CBS would be required to establish a completely new program designed specifically for historical preservation—this would almost certainly require hiring additional staff to meet the requirements outlined in both the program documentation and the 43-page grant agreement. In addition, this will place additional burden on finance and planning staff who are already understaffed.
- The assembly must consider if the cost (both the burden on existing staff and the hire of additional staff) is worth the smaller amount (than originally requested) that would be distributed to local projects.
- One project (the Japonski boathouse) originally presented in the application as an example subgrantee, would be ineligible, as the award cannot benefit a municipality-owned property.
- This is a new program for the National Park Service—being in the first year, there seem to be some considerable challenges that program is working out (including that the nature of the grant program originally seemed to be that of a pass-through grant and the fact that program staff were insisting that the grant agreement be signed less than 24 hours after receiving it).
- This grant would bring in some additional funding for historical preservation in Sitka, though the exact benefit is still unknown given the high costs of administering the program.
- Once the program is designed, if the HRSP program continues, the CBS would have the program in place for future awards (though very specifically for historical preservation).
- Risk of single audit findings is heightened when procurement is managed outside of CBS processes (in this case by subrecipients)—monitoring this will be a challenge.
- The HRSP program is continuing (with \$5,000,000 authorized for next year) and the CBS could reapply for a larger amount in the future.

Fiscal Note

An appropriation for the cost of developing and implementing the program and then the ongoing running of the program would be required if the assembly chooses to accept the grant. Approval of a new CBS staff position would also be requested. Given that such a subgrant program heightens risk of a single audit finding (as we are asking other entities to follow often complicated rules) we have concerns about outsourcing the role of actually running the program. Eventually, an appropriation for the subgrants would be required.