



CITY COUNCIL Agenda Item #19-046

Date: February 13, 2019

Consent Discussion

SUBJECT: Community Development Loan Fund Reorganization

SUBMITTING DEPARTMENT: Department of Planning and Community Development

RECOMMENDED ACTION: Direct City Manager, Staff, and Committees to prepare updated guidelines for each of the new proposed loan funds and to present updated Guidelines and Procedures for Council approval over the next 3-6 months.

RELATED COUNCIL GOAL/PRIOR ACTION:

Policy Goal: Community Prosperity

Key Strategy: Review intended outcomes of the EDSP and ensure Economic Development Outcomes are aligned with tools and strategies

FY 18 Actions Restructure Revolving Loan Funds

EXPENDITURE REQUIRED: None

SOURCE OF FUNDS: Community Development Loan Funds

LEGAL REQUIREMENTS: Review and Approval of Vermont Community Development Program

BACKGROUND INFORMATION:

The Department of Planning and Community Development has successfully managed a number of revolving loan funds since the 1980's. Over the past 30 years these RLF's have assisted numerous housing and development projects. The revenue generated from these loan payments was deposited into the City's Revolving Loan Funds and has been available for community development projects. These funds are a limited and valuable resource which needs to be managed carefully in order to insure the long term sustainability of the program.

The purpose of this memo is to outline a reorganization of the Revolving Loan Funds (RLF) so that the goals, objectives, processes, and outcomes are streamlined so that the City can act quickly and decisively when approached with housing or economic development opportunities

SUPPORTING DOCUMENTS: Loan Fund Reorganization Memo

INTERESTED PARTIES: City Council, Housing Task Force (HTF), Montpelier Development Corporation (MDC), Finance

CITY MANAGER'S APPROVAL:

A handwritten signature in black ink, appearing to read "W. Hoffman", is written over the City Manager's Approval line.



Thursday, February 07, 2019

To: Bill Fraser, City Manager

CC: Mike Miller, Director Department of Planning and Community Development

From: Kevin S. Casey, Community Development Specialist

Re: Revolving Loan Fund Reorganization

The Department of Planning and Community Development has successfully managed a number of revolving loan funds since the 1980's. The initial seed capital for these funds was a result of successful Community Development Block Grant (CDBG) projects such as Heaton Woods, Woodbury College, and Capital Plaza Redevelopment. Other sources include USDA Rural Development as well as the City's own Housing Trust Fund. Over the past 30 years these RLF's have assisted numerous housing and development projects. The revenue generated from these loan payments was deposited into the City's Revolving Loan Funds and has been available for community development projects. These funds are a limited and valuable resource which needs to be managed carefully in order to insure the long term sustainability of the program.

With the varied funding sources came restrictions which limited the uses and recipients of these funds and as time changes the usefulness of these funds was diminished by the changing needs of the potential recipients. The loan funds maintain these restrictions although the City has the right to reclassify them in order to be more effective. The current Loan Fund policy was created and adopted by City Council on June 11, 2002 and it was established in order to provide policy guidance on how to best steward the loan funds to maximize the overall community benefit.

Each year The Department of Planning and Community Development receives a number of inquiries from staff, City Council members, and local non-profits regarding the use of these funds to fill the gaps in projects as they arise. Unfortunately, the varied restrictions have limited these use of these funds and some have gone unused for many years.

The purpose of this memo is to outline a reorganization of the Revolving Loan Funds (RLF) so that the goals, objectives, processes, and outcomes are streamlined so that the City can act quickly and decisively when approached with housing or economic development opportunities

Existing Loan Funds

The Department of Planning and Community Development manages a total of seven different loan funds (including the Housing Trust Fund) and each of these funds has a unique set of restrictions and limitations. The table below is outlines the current Loan Funds, balances and a brief note as to the general purpose of the RLF.

Revolving Loan Fund	Balance (As of 12/31/2018)	Intended Purpose/Restrictions
Unrestricted	\$33,599.41	No Restrictions , one of the oldest RLF's (originally CDBG funding for Woodbury College)
ADA	\$23,801.12	CDBG RLF intended to assist in ADA compliance issues. This fund recently paid for ADA Transition plan.
Montpelier Business Loan Fund MBLF	\$51,987.72	Funds to aid Small Business Development (1980's). Restrictions are self-limiting.
Living Well Heaton Woods Repayment	\$42,172.68	20 Year Deferred as of 2018. No additional payments anticipated until 2038.
Capital Plaza Loan Fund	\$125,377.12	50% for Housing /50% for Economic Development
Housing Preservation Grant (HPG)	\$116,284	Assist LMI (below 80% AMI) Homeowners with repairs to preserve housing stock
Housing Trust Fund*	\$110,000	Annual Appropriation to assist in Housing Development Projects or Homebuyer assistance. Housing Fund Guidelines

*Proposed FY20 Appropriation

Intended Purpose and Restrictions

The Revolving loan Funds were created to *“be used to fund City community development programs (e.g., HPG, MBLF, ADA, etc.) Or to provide loans or grants to specific community development projects (e.g., Heaton Woods, Woodbury College, North Branch Apartments, etc.). Revolving Loan Funds may be used directly by the City of Montpelier, or by non-profit and for-profit developers.”*

These Loan Funds are a way to accomplish the City’s Housing and Economic Development Goals. However, different times and different circumstances require different tools and solutions.

The current City Council has identified fostering new Housing and Economic Development as one of their primary goals. Reorganizing these loan funds in an effort to make them more accessible and more flexible will help to increase their ability to leverage other funds or private investment. Many of the restrictions on these loan funds make them impossible to be effective as useful modern tools For example the MBLF has a requirement that the loans cannot exceed \$5000, the borrower cannot have

access to additional source of capital, and the funds must create new jobs. In reality, almost no viable business in the modern era would be eligible. And those that are eligible are likely in such dire financial trouble that the small \$5000 loan would do very little to change the situation and in all likelihood be a debt that would not be repaid when the business failed.

Goals:

Since 2013 Montpelier City Council has identified as one of their goals to “Create a hospitable environment for housing development and grand list growth” and one of the strategies identified to accomplish this goal was the reorganization of the Loan Funds.

Proposal for Loan Fund Reorganization:

The New Loan Funds will combine the existing loan funds into 4 distinct categories the Housing Trust Fund (HTF), Housing Revolving Loan Fund (HRLF), Economic Development (EDRLF), and Accessibility (ADA). By streamlining the number of funds to 4 pools of monies we can quickly ascertain whether or not housing or economic development projects that are presented to the City will be eligible or meet our criteria for financial assistance through grants or loans.

The New Loan Funds would be reorganized into the 4 categories below

Each of the new Loan Funds will have a series of guidelines that are developed in consultation with the City Council, Departments of Finance, Community Development, the Housing Task Force as well as working with the new Executive Director of the Montpelier Development Corporation (MDC). Each set of guidelines will outline the following:

Loan Fund	Current Balance As of 12/31/2018	Housing Trust			
		Fund	Housing (HRLF):	Economic Development RLF	ADA Improvement RLF
"Woodbury College"	\$33,599.41		\$ 33,599.41		
ADA	\$23,801.12				\$ 23,801.12
"Capital Plaza"	\$125,377.12		\$ 62,688.56	\$ 62,688.56	
Heaton Woods	\$42,172.68		\$ 42,172.68		
Montpelier Business Loan Fund	\$51,987.72			\$ 51,752.77	
Housing Trust Fund* (\$115,000.00	\$ 110,000.00			
Housing Preservation Grant (HPG)			\$ 126,292.00		
Totals		\$ 110,000.00	\$ 264,752.65	\$ 114,441.33	\$ 23,801.12

Housing Trust Fund (HTF) Guidelines:

Updated by City Council on November 28, 2018. Council will be asked to adopt additional Affirmative Fair Housing Language amendment in the next 2 months. The Housing Trust Fund is funded with General Fund Dollars.

Housing Revolving Loan Fund (HRLF) :

Separate from the Housing Trust Fund, the HRLF will provide an account for repayments of previous HPG Loans, RLF repayments, and new programs. City staff will work with the Housing Task Force to develop guidelines which will outline the projects and programs are appropriate to fund in order to accomplish the City's Housing Goals. The HRLF will be funded with existing RLF repayments. We anticipate that the new guidelines will be presented to City Council in the next 60-90 days

Economic Development Fund (EDF):

The Community Development Specialist is working with the Montpelier Development Corporation (MDC) to engage with area lenders, businesses, and entrepreneur's to develop a program which will best leverage these funds with other sources of public and private capital. It is anticipated that the MDC and CD Specialist will be prepared to present these guidelines to Council within 6 months.

The EDF Guidelines will include the following:

1. General Purpose of the Fund
2. Project Eligibility
3. Fund Priorities
4. Application and Approval Process
5. Interest Rates
6. Underwriting Criteria
7. Security/Collateral
8. Legal Requirements

ADA Accessibility Loan Fund (ARLF)

The City has maintained an ADA committee since 1992 when the ADA law was passed and for many years it has operated under an outdated ADA transition plan. The ADA committee has identified developing a new ADA transition plan that will address not only the physical facilities managed by the City but the programmatic and technological aspects as well.

The goal of the ADA fund will be to provide the City with the ability to easily loan itself this money in order to complete the work that is not only desired by the community but required under federal law.

The ADA committee will review the proposed ADA Loan Fund guidelines and present to City Council a series of recommendations.

As of November 28, 2018 the City has committed \$47,750 to the completion of its ADA Transition Plan, which will be complete by the spring of 2019. Projects in the pipeline that may require funding from the ADA Loan Fund may include the Kellogg Hubbard Library and/or the Mountaineers Stadium at the Elm Street Recreation Fields.

Next Steps:

1. Direct City Manager, staff, and committees to prepare updated guidelines for each of the new proposed loan funds and to present updated Guidelines and Procedures for Council approval over the next 3-6 months.
2. Receive approval from the State of Vermont Community Development Program to remove some of these RLF's from state oversight and annual reporting.
3. Authorize City Manager to direct Finance Department to establish new loan funds under approved guidelines.
4. Actively Market Loan Funds to appropriate recipients with Housing and Economic Development partners.