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## **MINUTES**

### **TOWN OF EAST MONTPELIER REVOLVING LOAN ADVISORY COMMITTEE**

#### **Meeting of Wednesday, November 28, 2018 at the Municipal Building**

**RLAC members present:** Gabrielle Malina, Ross Hazel, Rebecca Schrader, Ed Deegan, Renee Carpenter

Also present: Rich Grogan, Executive Director of Community Capital; Bruce Johnson, Town Administrator, East Montpelier

#### **A. CALL TO ORDER, ADDITIONS TO AGENDA, REVIEW OF MINUTES, PUBLIC COMMENT**

The meeting was called to order at 5:35 PM. Approval of the minutes of September 25<sup>th</sup> were deferred until the next meeting.

No other members of the public were present.

#### **B. Presentation by Community Capital of Vermont**

Becca provided the following context for the conversation with Community Capital (CC): RLAC initially was faced with the choice of the state recapturing the RLF monies, or the town coming into compliance and administering the loan program in its entirety. RLAC spent a good amount of time doing the work of figuring out how to administer such a program, and we now better understand that the town does not have the capacity to do all the servicing and other detail-rich aspects of loan administration.

Rich Grogan, Executive Director of Community Capital of Vermont described the organization and how it might administer loans for us. Community Capital administers other towns' revolving loan funds as well as other revolving loans throughout the state. The smallest RLF they currently administer is \$35K from a town of 300 people. They do the marketing for that fund.

They are a 501c3 since 2011 and have been around for about 20 years. They are a micro-lender with average loans of about \$20 to 25K. The smallest loan amount this year was \$975. They provide technical assistance to borrowers and Quickbooks classes.

Loans under \$15K that are generated at CC are internally underwritten and have a very fast turnaround time. Loans larger than \$15K require more paperwork for underwriting and take longer. Their interest rates are 7% to 9.5% because the loans are riskier than bank loans. Their borrowers are often ineligible for bank loans so they are filling a niche of lending to ventures that otherwise do not have access to capital. 84% of CC borrowers are low to moderate income.

They would be able to tailor reporting and accounting and metrics to our specific needs. They could report to the state/VCDP. They market the loans, e.g. they could appear on a town's website. We would also decide which party – town or CC would disburse the funds.

CC does not do housing loans. Becca has in mind someone who could underwrite and service housing loans for the town. The town could decide to designate a percentage of money to CC loans and a percentage for housing loans.

The general flow is that borrowers are referred to CC, they go through the underwriting process and then CC would "recommend" to RLAC as to whether the applicant was loan-worthy and at what rate.

Another option is to fully relinquish all the RLF monies as well as administration to Community Capital. They would report to the town annually and they would do the approvals. In that case the town would not incur any of the administration fees. It would be a more cost effective option for the town. The conditions would be to turn over the fund monies at the rate of 25% of the fund over three years – the same conditions as in the Closeout Agreement with the state. The penalty in the case of relinquishment is also similar: if CC fails to turn it over at the rate of 25% over three years, the state would recapture the funds.

Rich Grogan left the meeting at about 6:15 to give the committee time for discussion.

### **C. Committee Discussion**

The committee discussed the different options based on Rich's description of CC's services. Ross asked what would happen if a good housing option were to arise for the town? Would we be able to "re-claim" money from Community Capital? RLAC would like to see a contract example from CC.

The committee agreed that it should examine follow up materials from CC, including a sample contract, and that all members would take a look at CC's website in order to facilitate our evaluation of the CC option for the town's RLF.

Renee noted that several years ago, RLAC heard a proposal from CC and did not accept it, at the time, because of their high lending rates. CC's high rates present a different model from the town borrowing at low or no interest rates. Gabrielle noted that they are more likely to get the money out the door given the track record.

### **D. Update from EMSLI**

Renee provided an update. EMSLI's grant is due to expire on December 23rd. They have been in preliminary talks with Twin Valley Senior Center regarding a project to re-develop a building in East Montpelier for senior housing. EMSLI would need to get Selectboard approval to spend the grant money for such a project. It is a tight timetable but there is some chance that it may all fall into place before the deadline. The EMSLI grant was written to be used for predevelopment work and this project would fit that description.

There is some uncertainty about unspent EMSLI grant funds and where they would revert to. Bruce Johnson explained to the committee that Dave Coburn intended the grant monies, once loaned, to become unencumbered by the loan agreement, and had a verbal agreement many years ago from VCDP to that effect. The assumption was that the money would be spent. But since that structure does not exist in a written agreement anywhere, and VCDP loans do not standardly operate that way elsewhere, we are unsure what the state expects. The most standard-seeming option would probably be to have the unspent grant money revert to the revolving loan fund. RLAC can make a recommendation to the Selectboard about where those funds should land.

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**E. Other business and next meeting date**

RLAC will meet next on December 11<sup>th</sup>, 2018 at 5:30.

**F. Adjourn at 7:10**