

Town of East Montpelier Revolving Loan Advisory Committee

MEMORANDUM

To: East Montpelier Selectboard

From: Gabrielle Malina, Chair, Revolving Loan Advisory Committee

Date: January 19, 2019

Re: Request for guidance from the Selectboard

This memo is intended to lay out two areas where we are seeking guidance and potential action from the Selectboard to enable the town to move forward in its use of the Revolving Loan Fund: the use of the money and restructuring the advisory body.

On July 9th, 2018, I came to the Selectboard on behalf of RLAC, and gave an update detailing the work we had already done and the work yet to come to maintain town administration of the revolving loan fund. About eight months ago, RLAC had renewed its efforts to run the RLF after the ACCD (the state agency) had initiated recapture of our loan fund. I told the Selectboard then that having a loan program is a lot of work but we would try to put together the pieces required by the state to get the program up and running. Since that update, RLAC and certain members, have done a lot of work but not gotten very far. We have scheduled nine meetings, and two of those did not have quorums.

RLAC drafted all of the documents (either in full or in concept) necessary to administer a loan program. A lot of the legwork was done by one member who is an experienced nonprofit lender through her work. RLAC also agreed that Becca Schrader would reach out to Community Capital, an NCDO, to explore an alternative arrangement tangentially to our other efforts. It was becoming clearer to us that for the town to administer the program - finding suitable underwriters, servicing loans, and everything in between - would place an undue burden on the town offices.

RLAC met on November 28th and Rich Grogan, Executive Director of Community Capital presented a proposal to administer the RLF, either in full amount of the fund or in part, using it for small business and microbusiness loans. RLAC scheduled a meeting for December 13th to discuss the proposal and possibly to vote on it. We did not have a quorum at that meeting.

RLAC is not united in how to move forward in the use of funds.

Some members are ambivalent about the Community Capital proposal because the interest rates are higher than if we administered the program ourselves. Another concern is that it would remove money from the pot should there be a valid housing proposal that comes along. On the other hand, we don't know how much longer we will retain the money unless we "revolve" it at the rate proscribed by the Closeout Agreement i.e. 25% of the loan fund over the course of three years. It is a Catch 22. The EMSLI grant extension would not "count" towards that by the state metrics since there has been no new activity since the original grant date over 5 years ago. ACCD has also expressed disapproval of what they

see as the lackadaisical manner of that grant. Any RLF monies loaned or granted are supposed to come with conditions of accountability – benchmarks that the grantee must demonstrate to the town they are meeting their responsibilities.

Other RLAC members simply think we should “move” the money, get it out the door, so that it stays in the town. They feel use of the funds for small business loans is preferable to not having it at all.

Since coming to the Selectboard on January 7th, I learned of another exciting possible use for the RLF money. A Habitat for Humanity village house. Bruce Johnson spoke to Ann Kroll of ACCD, who is adamant that this type of project is both in line with the goals/rules of the RLF/block grant program and good for the town. Habitat has interest in a particular site in East Montpelier village and the project might resolve the use of RLF. This may be a way forward that would benefit the town and meet the goal of increasing decent affordable housing options. Of course, this plan is contingent on the new zoning going through and on entering a MOU with Habitat for Humanity.

Please also consider restructuring how the town administers the RLF. RLAC just may not be the best way to administer the RLF or to interact with a NCDO.

Instead the town could employ an “advisor” model. That would be a designated contact person (who can be on the SB but wouldn't necessarily need to be). The NCDO would do all the origination, underwriting, etc. but coordinate with the contact person to let them know about the project the RLF is potentially funding, and give them a copy of the application. The contact updates the SB and then gives the NCDO an informal thumbs up to move forward. I would propose that Becca Schrader be that person. She is well qualified because of her lending experience. She could brief the SB on RLF activity when it happens, and make an annual recommendation to the SB about whether to send the new monies to the NCDO or reserve them for a potential housing project.

I also brought you a Policies and Procedures document that RLAC voted to recommend to SB. I think it makes sense for you to vote to adopt it. It is an essential document of having the RLF program, as far as the state is concerned, regardless of which way we resolve the use of the money.