

East Montpelier Revolving Loan Fund Proposal
15 Nov 2021

According to the terms of the closeout agreement, Revolving Loan Fund (RLF) funds can be used for community and economic development in 3 areas: affordable housing, small business, and infrastructure. In 2020, the Select Board voted to contribute \$50,000 to a state COVID rescue fund for businesses (Restart VT). However, as other state and federal programs were implemented, this particular fund was never really set up to accept applications. As such, we have pulled back our contribution. Here are some possible options for the RLF for 2021 and beyond:

Affordable Housing: In this category, funds can either be granted or loaned. One option that has come up in previous years is helping with weatherization. However, there are many other programs for this and they have many more resources. I would recommend that if the Select Board wants to do something in this area, that we focus on rental housing instead of purchasing or constructing housing, especially as the EM RLF is relatively small.

- Security deposit loan/grant program - could work as a loan, so borrower could pay off and then keep security deposit when refunded at end of lease, or could work as a grant and landlords could pay security deposits back directly to the RLF when the tenant moves out. This way, money would continue to revolve.
- Residential landlord mini grants for energy efficiency improvements - St Johnsbury did a program like this. If there is interest, I would reach out to the assistant town manager there who designed and administered the program. There are several programs for home owners for weatherization and energy efficiency incentives, but I don't know of any for landlords. Low and moderate income renters could still be the primary beneficiary, since many tenants pay their own utilities. The landlord would benefit from improvements to their property, and the tenant would benefit from lower energy bills.

Small Business Development: I would continue to recommend that if the Select Board wants to use the RLF for small business development, that we contract that out to a community development organization such as Community Capital. This would allow borrowers to access additional capital through other programs with the same application, and give them access to technical assistance in small business management. A potential downside is that the interest rates for these loans would be higher than we would like to charge if we administered the funds ourselves, but I believe the potential benefits outweigh the costs. If this route is chosen, I would re-engage Community Capital for a proposal. Their current executive director is Alex Rob, an East Montpelier resident. With the application, underwriting, and closing processes delegated, we could focus on marketing and awareness of the program to make sure people know the funds are available, such as notices on Front Porch Forum, information sessions, etc.

Infrastructure: At this time, there is an ample amount of funding moving through several federal and state resources for infrastructure funding for everything from broadband to water and sewer projects. I believe those programs are a much better fit for any infrastructure projects that the town would like to pursue.