

INTRODUCED: March 14, 2016

AN ORDINANCE No. 2016-089

To authorize the Chief Administrative Officer, for and on behalf of the City of Richmond, to submit an amended application to the U. S. Department of Housing and Urban Development to expand the uses of the Economic Development Revolving Loan Fund capitalized with \$9,875,000 in Section 108 Loan Funds to include development and rehabilitation of affordable housing, business retention and expansion, economic development initiatives in enterprise zones, promoting job creation, and facilitating business creation and expansion.

Patron – Mayor Jones

Approved as to form and legality
by the City Attorney

PUBLIC HEARING: MAR 28 2016 AT 6 P.M.

WHEREAS, Ordinance No. 2006-138-120, adopted May 22, 2006, as amended by Ordinance No. 2006-254-260, adopted October 23, 2006, and Ordinance No. 2007-30-86, adopted April 23, 2007, authorized the submission of a Consolidated Action Plan to the United States Department of Housing and Urban Development and appropriated anticipated revenues in the amount of \$20,000,000 from Section 108 Loan Funds to the Special Fund Budget for the fiscal year commencing July 1, 2006, and ending June 30, 2007; and

AYES: 9 NOES: 0 ABSTAIN: _____

ADOPTED: MAR 28 2016 REJECTED: _____ STRICKEN: _____

WHEREAS, Ordinance No. 2011-28-39, adopted March 14, 2011, Ordinance No. 2011-163-165, adopted September 26, 2011, and Ordinance No. 2013-150-143, adopted July 22, 2013, authorized the execution of cooperation agreements with the Economic Development Authority of the City of Richmond, establishing and continuing the Economic Development Revolving Loan Fund Program to facilitate business growth and development and promote permanent job creation for low and moderate income residents; and

WHEREAS, Ordinance No. 2013-39-53, adopted April 22, 2013, authorized the execution of a Contract for Loan Guarantee Assistance, a Note, and other documents for the purpose of using \$9,875,000 in Section 108 Loan Funds to capitalize a business loan pool as part of the Economic Development Revolving Loan Program; and

WHEREAS, the City desires to submit an amended application to the United States Department of Housing and Urban Development to expand the uses of the Economic Development Revolving Loan Fund capitalized with \$9,875,000 in Section 108 Loan Funds to include development and rehabilitation of affordable housing, business retention and expansion, economic development initiatives in enterprise zones, promoting job creation, and facilitating business creation and expansion;

NOW, THEREFORE,

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That the Chief Administrative Officer, for and on behalf of the City of Richmond, is hereby authorized to submit an amended application to the United States Department of Housing and Urban Development to expand the uses of the Economic Development Revolving Loan Fund capitalized with \$9,875,000 in Section 108 Loan Funds to include development and rehabilitation

of affordable housing, business retention and expansion, economic development initiatives in enterprise zones, promoting job creation, and facilitating business creation and expansion.

§ 2. This ordinance shall be in force and effect upon adoption.



CITY OF RICHMOND
INTRACITY CORRESPONDENCE

O & R REQUEST

FEB 23 2016
4-4832
Chief Administration Office
City of Richmond

O&R REQUEST

DATE: January 4, 2016

EDITION: 1

RECEIVED

TO: The Honorable Members of City Council

MAR 07 2016

THROUGH: Dwight C. Jones, Mayor

[Handwritten signature]

OFFICE OF CITY ATTORNEY

THROUGH: Selena Cuffee-Glenn, Chief Administrative Officer

[Handwritten signature]

THROUGH: Lenora Reid, Deputy Chief Administrative Officer for Finance & Administration

[Handwritten signature]

THROUGH: Jay A. Brown, Director of Budget and Strategic Planning

[Handwritten signature]

THROUGH: Peter L. Downey, Deputy Chief Administrative Officer for Economic Development & Planning

[Handwritten signature]

FROM: Douglas C. Dunlap, Interim Director of Economic and Community Development

[Handwritten signature]

RE: Amended Application for Section 108 Loan Program (Tranche 1)

ORD. OR RES. No.

PURPOSE: To authorize the Chief Administrative Officer (CAO) to submit an amended application to the U.S. Department of Housing and Urban Development (HUD) for the purpose of creating a business loan pool (Tranche 1) in the amount of \$9,875,000 to facilitate large real estate economic development projects, the creation of affordable housing and other special use projects that benefit low and moderate income persons, prevents or eliminates slums or blight, creates and/or retains jobs and provide area benefits in the City of Richmond's targeted commercial corridors and residential neighborhoods. The ordinance (2013-39-53) was adopted on March 24, 2013 that authorizes the CAO to draw down and execute Section 108 guarantee note(s) for eligible loan(s) in the City up to \$9,875,000. On June 24, 2014, we received HUD approval of a new guarantee commitment (B-12-MC-51-0019) in the amount of \$9,875,000 for the purposes of carrying out economic development and job creation activities throughout the City effective through September 30, 2019.

REASON: The City authorized the use of up to \$20,000,000 in Section 108 Loan Guarantee assistance as part of its 2006-2007 Consolidated Action Plan for the receipt of Community Development Block Grant Funds (ordinance 2006-138-120 & amended ordinance 2007-30-86). On March 14 , 2011, the first Economic Development Revolving Loan Fund (Tranche 1) in the amount of \$9,875,000 was approved by City Council with a Cooperation Agreement with the Economic Development Authority of the City of Richmond for the funding of projects which create jobs primarily for the City's low and moderate income citizens (ordinance 2011-28-39).

This amended Section 108 business loan fund will result in additional lending for the economic/community development and affordable housing in Richmond. The City will continue its efforts to retain and attract economic enterprises that provide a diverse employment base, improve per capita income for its residents, expand the City's tax base and fiscal strength, and support linkages between economic development and housing; community development; and social service needs. The Department of Economic and Community Development will directly assist businesses and development projects with Section 108 loans.

RECOMMENDATION: Approval is requested.

BACKGROUND: The original ordinance was approved in 2006 (2006-159-181) for the purpose of assisting businesses in carrying out economic development and job creation activities which would include acquisition of real property, construction, demolition & clearance, purchase of machinery, equipment and other operational requirements.

This amended application will expand the uses of the business loan pool to include the following:

- Development and rehabilitation of affordable housing to include multi-family projects, concentrated neighborhood 1-4 family development, and commercial/retail mix-use development.
- Business retention and expansion – Promote economic programs/incentives that will enable existing retail, commercial and industrial businesses to remain and expand in the City for as long as possible.
- Support in Enterprise Zones – Promote economic development initiatives that will improve the economic viability and quality of life in Federal, State and Local Economic Zones.
- Continuation of developing diverse economic opportunities – Promote job creation within the community and throughout the region, as well as entrepreneurial initiatives, small business expansion and training for jobs that offer upward mobility.
- Use of 108 Loan Funds in business creation and expansion to support new and existing businesses located in the City by obtaining Section 108 loan funds to be used to provide low-interest loans to facilitate business creation and expansion.

FISCAL IMPACT/COST: There should be no cost to the City above the available for drawdown of \$9,875,000 of Section 108 Loan Guarantee funds and the repayments made yearly to HUD from the current Community Development Block Grant allocation.

The City of Richmond expects to realize the positive impacts and public benefits as a result of the business loan fund's implementation as follows:

1. New general fund "cash in-flows" as a result of new real property and BPOL tax revenues due to the large scale redevelopment of real estate in targeted commercial corridors.
2. Increased affordable multi-family housing to low and moderate income citizens
3. Increased employment opportunities benefiting low and moderate income citizens
4. Continued elimination of slums and blighted conditions especially in low wealth neighbors in the City
5. Loan fund program income and principal repayments will protect the City's future CDBG allocations.

FISCAL IMPLICATIONS: The adoption of this paper will provide the opportunity to amend an existing approved allocation; thereby, expanding the scope of eligible activities for the \$9,875,000 in lendable capital for projects of scale in FY16 until FY19.

BUDGET AMENDMENT NECESSARY: No

REVENUE TO CITY: Increased real estate and business taxes over time.

DESIRED EFFECTIVE DATE: Upon adoption by City Council.

REQUESTED INTRODUCTION DATE: February 8, 2016

CITY COUNCIL PUBLIC HEARING DATE: February 22, 2016

REQUESTED AGENDA: Consent

RECOMMENDED COUNCIL COMMITTEE: Finance & Economic Development

CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES: The Economic Development Authority of the City of Richmond.

AFFECTED AGENCIES: Department of Economic and Community Development, Office of Budget and Strategic Planning and the Finance Department.

RELATIONSHIP TO EXISTING ORD. OR RES.: This O&R will supersede Ordinance 2006-159-181

REQUIRED CHANGES TO WORK PROGRAM(S): None

ATTACHMENTS: 1) Section 108 Loan Guarantee Amended Application {B-06-MC-51-0019}, 2) Public Meeting Notice

STAFF: Ronnie "Ron" N. Johnson, Economic & Community Development Chief Credit Officer, 804-646-7489 and Denise Lawus, Economic Development Programs Administrator, 804-646-3975



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CITY OF RICHMOND

SECTION 108 LOAN GUARANTEE

FROM

**U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

AMENDED APPLICATION {B-06-MC-51-0019}

**ECONOMIC DEVELOPMENT REVOLVING LOAN FUND (BUSINESS
LOAN POOL)**

IN THE AMOUNT OF \$ 9875,000

JANUARY 4, 2016

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I. Introduction

The purpose of this Section 108 **AMENDED** application (previously known as Business Loan Pool) is to assist with economic and community development activities in the City of Richmond. The guaranteed loan funds will be used to create a business loan pool targeted to special projects to include affordable housing that will have positive economic and community development benefits within targeted neighborhoods. However, the City will be willing to provide business loans to eligible borrowers outside these targeted areas.

As each project becomes ready for commitment, the City will submit a loan proposal to HUD with a full description of the project, an explanation of the eligible activity and national objective to be achieved, and analysis of the project's compliance with the City's underwriting guidelines which are described in greater detail below. The City understands that such information will be required prior to release of funds for an individual project.

Additionally, the City will submit periodic draw-down requests to maintain liquidity in the revolving loan pool for smaller projects that will come online during the life of the loan fund.

II. Section 108 Submission Requirements

a. Community Development Objectives

The Section 108 loan fund will result in lending for economic and community development in the City of Richmond. In doing so the loan fund will further the City's Economic Development Goals as listed in the City's 2006-2007 Consolidated Action Plan.

Within the Economic Development component of the 2006-2007 Consolidated Action Plan is the following goal: "The City will continue its efforts to retain and attract economic enterprises that provide a diverse employment base, improve per capita income for its residents, expand the City's tax base and fiscal strength, and support linkages between economic development and housing; community development; and social service needs." The Outcome section of the plan provides the expectation that the City will directly assist businesses and development projects with Section 108 loans.

Further within the Economic Development component of the 2006-2007 Consolidated Action Plan the following strategies are targeted with the use of the Section 108 loan fund:

- Development and rehabilitation of affordable housing to include multi-family projects, concentrated neighborhood 1-4 family development, and commercial/retail mix-use development.
- Business retention and expansion – Promote economic programs/incentives that will enable existing retail, commercial and industrial businesses to remain and expand in the City for as long as possible.
- Support in Enterprise Zones – Promote economic development initiatives that will improve the economic viability and quality of life in Federal, State and Local Economic Zones.
- Continuation of developing diverse economic opportunities – Promote

job creation within the community and throughout the region, as well as entrepreneurial initiatives, small business expansion and training for jobs that offer upward mobility.

- Use of 108 Loan Funds in business creation and expansion – Support new and existing businesses located in the City by obtaining Section 108 loan funds to be used to provide low-interest loans to facilitate business creation and expansion.

b. Compliance with 24 CFR 570.208 - National Objectives.

Section 570.200(a)(2) requires that all CDBG activities meet one of three National Objectives. Section 570.208 defines the three national objectives as: 1) benefit to low and moderate income families; 2) aid in the prevention or elimination of slums or blight; and 3) meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available.

Projects and activities assisted with the Section 108 loan fund II will benefit low and moderate income individuals by creating/retaining affordable residential and multi-family housing, or providing area public benefit, or the creation & retention of jobs. The loan fund may also help eliminate conditions of blight or meet urgent needs of the community.

c. Compliance with 24 CFR 570.202 - Eligible Activities

Projects to be assisted with the Section 108 loan fund II will be eligible under 24 CFR 570.202. Because this amended application is for a loan fund, Section 108 loans will qualify under several eligible activities: 202(a) Types of buildings and improvements eligible for rehabilitation assistance. CDBG funds may be used to finance the rehabilitation of: (1) Privately owned buildings and improvements for residential purposes; (2) Low-income public housing and other publicly owned residential buildings and improvements; (4) Nonprofit-owned nonresidential buildings and improvements not eligible under Sec. 570.201(c); and (5) Manufactured housing (b) Types of assistance. CDBG funds may be used to finance the following types of rehabilitation activities, (1) Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or resale for residential purposes; (2) Labor, materials, and other costs of rehabilitation of properties, (3) Loans for refinancing existing indebtedness (4) Improvements to increase the efficient use of energy in structures (5) Improvements to increase the efficient use of water (6) Connection of residential structures to water distribution lines (9) Rehabilitation services, (10) Assistance for the rehabilitation of housing and (11) Improvements designed to remove material and architectural barriers (a) of this section (c) Code enforcement (d) Historic preservation. (e) Renovation of closed buildings (f) Lead-based paint activities.

d. Compliance with 24 CFR 570.703 – Eligible Activities

Projects to be assisted with the Section 108 loan fund II will be eligible under 24 CFR 570.703. Because this amended application is for a loan fund, Section 108 loans will qualify under several eligible activities: 703(a)(acquisition);

703(e)(clearance, demolition, removal); 703(f)(site preparation); 703(i)(economic development activities) or 703(l)(public facilities).

None of the projects assisted with the Section 108 loan fund will be used for the ineligible activities provided in Section 570.207(a): buildings used for the general conduct of government, general governmental expenses, or for political activity.

e. Section 570.209 Guidelines and Objectives for Evaluating Project Costs and Financial Requirements.

All activities eligible under Section 570.203 and some eligible under 570.204 must meet the requirements of Section 570.209. This section outlines underwriting guidelines for ensuring that a proposed project carries out an economic development objective in an appropriate manner. These guidelines under 570.209(a) are not mandatory but serve as a framework for financially underwriting economic development projects. The City has developed underwriting guidelines consistent with 570.209 and described in greater detail in Section III below.

All projects eligible under Section 203 and Section 204 will comply with public benefit standards in Section 570.209. Section 570.209(b)(1) establishes the standards for evaluating public benefit in the aggregate, Section 570.209(b)(2) applies those standards and 570.209(b)(3) establishes the standards for individual activities. All projects assisted with the Section 108 loan fund to which Section 570.209 applies will comply with the standards of subsections 570.209(b)(1), (2) & (3).

III. City's Underwriting Guidelines

In evaluating proposed projects the City of Richmond will use the following criteria:

a. *Project Management*

The City's Department of Economic and Community Development (DECD) will administer the fund. DECD will determine project feasibility and underwrite all projects. DECD may retain an economic financial advisor on specific complicated projects. One such firm is the National Development Council. NDC has a more than 40-year track record of assisting local governments in structuring and implementing economic and community development projects.

DECD shall convene a meeting of its Loan Advisory Committee and/or the board of Economic Development Authority of the City of Richmond to consider the loan proposal. Committee members shall have a minimum of one week to review the loan proposal prior to the meeting. At the conclusion of the meeting, the Committee members shall advise whether to recommend approval of the loan proposal to HUD's Richmond Field Office for its consideration. DECD shall prepare and distribute meeting minutes to Committee members. Following Loan Advisory Committee approval, the Committee shall be consulted with respect to any material changes to the project financial structure, public benefits, or CDBG compliance.

The Loan Advisory Committee shall be comprised of a minimum of six (6) members: the Chief Administration Officer (CAO) or his designee thereof, shall serve as chairperson of the committee along with members from the Banking and Financial Services sectors, from the Small Business sector, from the Real Estate Development sector, from the Non-Profit sector and others that may be deemed appropriate. The Chief Credit Officer or the Economic Development Programs Administrator will coordinate, facilitate and attend Committee meetings but will not be an official Committee member.

b. Public Benefits

The proposed project will clearly identify the public benefit(s) including CDBG National Objective to be achieved.

c. Loan Term (as permitted under federal regulations)

Section 108 loans shall not exceed a loan term of 20 years, with no loan to exceed the remainder of the life of the 108 loan fund and in no event to exceed the useful life of the asset being financed.

d. Interest Rate

Section 108 loans will carry a fixed rate pursuant to a HUD public offering; or floating rate based on the HUD formula of 90 day LIBOR (London Interbank Offered Rate), as adjusted monthly, plus 20 basis points. The City may charge the borrower an interest rate that is higher than the HUD floating rate or fixed rate. Any change in the interest rate will be discussed in the underwriting analysis.

e. Origination Fee to City

The City will assess a fee up to 2% of principal amount.

f. Evidence of Site Control

Eligible projects must demonstrate a deed to the property or at a minimum evidence of an executed purchase and sale agreement at time of application.

g. Payments/Amortization

Section 108 loans may be amortized over the full term of the loan (e.g., 20 year amortization for a 20 year loan); amortization greater than the term of the loan may be considered (e.g., 30 year amortization for a 20 year loan), if the anticipated financial condition of the project is sufficient to sustain a balloon payment at the end of the term.

h. Ability to Repay

The analysis will identify the primary, secondary and tertiary sources of repayment for the loan. Projects will have a minimum of a 1.2 projected debt coverage ratio however, a debt coverage ratio of as low as 1.1 may be considered if the project's financial condition supports such a lower ratio (e.g., project has commitment of financially strong tenant(s) under long term lease).

Key repayment risks will be analyzed in detail, including an analysis of project financial assumptions compared to actual market conditions. The analysis will compare anticipated lease rates and vacancy rates to similar properties. The analysis will also describe the projected leasing time frame to achieve project stabilization and whether reserves exist to guard against delay. If there is a balloon payment at the end of the loan term, the analysis will describe the

financial condition of the property on the maturity date, the project's ability to make the final payment and efforts to mitigate risk (e.g., replacement reserves to maintain the physical condition of the property). Debt service reserves may also be required.

In addition, DECD will reference appropriate supporting documentation, such as a recent appraisal and up to 10 year operating pro forma to support the analysis.

i. Collateral

Section 108 loans should have a loan to after rehabilitation value ratio not to exceed 85 percent at project stabilization. This value must be supported by an appraisal prior to funding. The City's security interest will typically be in the form of a deed of trust. The analysis will first determine whether the loan to value ratio exceeds 85 percent, using the property being financed as the sole source of value. If such calculation exceeds 85 percent, the analysis will then determine whether there is sufficient outside collateral to add as value in order to meet the loan to value requirement. In certain cases, HUD permits outside guarantees to suffice for additional collateral, depending on the resources and financials of the individuals or entities providing such guarantees. The Credit Committee will decide whether to accept outside collateral and/or guarantees to meet the loan to value requirement. Consistent with customary underwriting practice, loan to value coverage will be determined at project stabilization (i.e., the point in time when the project has obtained the targeted debt coverage ratio). In addition to 85 percent loan to value, Section 108 loans should have a minimum collateral coverage of 100 percent of the loan amount. The collateral coverage analysis will use an advance rate/discount value of 85 percent of appraised value for property (determined at project stabilization). The analysis will describe how, prior to stabilization, construction risk and lease-up risk will be mitigated. The analysis will also identify key mitigation issues such as construction contingencies, reserves, guaranteed maximum price contract, and experience of the development team.

j. Development Team Capacity and Experience

Projects to be funded should have a development team that has both the capacity and demonstrated experience to complete the project as evidenced by past projects of similar size and scope, as well as financial strength. The analysis will include (i) resumes of development team members and (ii) a list of prior comparable projects completed by development team members with a description of project size and cost, and whether such projects were completed on time and on budget. Also, the analysis will describe development team members' experience with public funding sources and accompanying regulations as applicable (e.g., housing tax credits, Davis-Bacon).

k. Developer / Owner Commitment

Developer / owner commitment can take many forms. These commitments can include: developer / owner equity, guarantees of completion, guarantees to fund shortfalls or guarantees of minimum cash flow. The developer's financials will also be examined and analyzed.

l. Character

Projects to be funded should have developers with good credit histories, demonstrated integrity, and quality references.

m. Proposed Costs

The analysis will compare estimated development costs to costs of similar properties. Also, the analysis will determine whether estimated development costs have been prepared by a credible third party such as a contractor or other cost estimator. Finally, the City's loan commitments will be conditioned on a final guaranteed maximum price contract for development within the proposed budget.

n. Commitment of Funds

Section 108 loans should have commitments of construction and permanent financing. If private financing includes a right to adjust the interest rate after a certain point in time, the analysis will describe the effect of such a change on the Section 108 loan. Loan documents should contain adequate lender protections (e.g., default and cure privileges) for the City, subject to reasonable conditions of other lenders having priority over the Section 108 loan.

o. Need for Public Assistance

The analysis will determine whether the project can be developed feasibly with private financing alone or, in fact, requires public financial assistance to make the development feasible. DECD will examine the reasonableness of a for-profit developer's fee compared to market rates. If the for-profit developer has an ownership stake in the project, DECD will also examine the reasonableness of the developer's return under cash on cash return and internal rate of return ("IRR"). Cash on cash return measures the developer's cash return on a cash investment [i.e., cash flow ÷ equity]. IRR measures the rate at which the developer's investment grows over a long term period, taking into account periodic cash flows and property appreciation. As part of such analysis, an excessive developer fee/return will be reduced and put back into the project in the form of additional equity and/or additional reserves.

IV. Pledge of CDBG Guarantee

The City of Richmond understands that if the participants in this Section 108 loan fund fail to make timely payments and the City therefore fails to make a required payment on its notes, HUD will deduct that payment from the City's CDBG Letter of Credit and in accepting this loan guarantee, the City of Richmond will pledge its CDBG funds and all other applicable grants as security for the guarantee.

V. Schedule for City's Repayment of Loan

In requesting approval of this loan guarantee the City of Richmond is requesting a commitment for a 20-year term. The City will act as the borrower and issue the guaranteed debt obligations. Please see the attached principal repayment schedule; the sources of repayments will be the principal and interest payments on the loans from the proceeds of the guaranteed notes. The first loan is anticipated to close by January of 2012. Therefore the repayment period should run from 2021 through 2035.

VI. Contacts

Douglas C. Dunlap, Interim Director
City of Richmond
Department of Economic and Community Development

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VII. Exhibits

1. U.S. Department of Housing and Urban Development Guarantee Approval Letter dated June 24, 2014.

Principal Repayment Schedule

Year	Payment	Amount Due
2016	\$0	\$9,875,000
2017	\$0	\$9,875,000
2018	\$0	\$9,875,000
2019	\$0	\$9,875,000
2020	\$0	\$9,875,000
2021	\$0	\$9,875,000
2022	\$600,000	\$9,275,000
2023	\$600,000	\$8,675,000
2024	\$600,000	\$8,075,000
2025	\$600,000	\$7,475,000
2026	\$600,000	\$6,875,000
2027	\$600,000	\$6,275,000
2028	\$600,000	\$5,675,000
2029	\$600,000	\$5,075,000
2030	\$600,000	\$4,475,000
2031	\$600,000	\$3,875,000
2032	\$600,000	\$3,275,000
2033	\$600,000	\$2,675,000
2034	\$600,000	\$2,075,000
2035	\$2,075,000	\$0

Total: \$9,875,000



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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

JUN 24, 2014

Mr. Byron C. Marshall
Chief Administrative Officer
900 East Broad Street, Suite 201
Richmond, VA 23219

Dear Mr. Marshall:

This letter confirms the City of Richmond, Virginia's (hereafter, the "City") Section 108 Loan Guarantee commitment in the amount of \$9,875,000, to finance its Business Loan Pool project. This project was intended to be carried out pursuant to a commitment approved in 2007, but the commitment expired on September 30, 2013.

Section 108 commitments made in Federal Fiscal Year (FY) 2007 were required to be supported by a "credit subsidy" appropriation pursuant to the Federal Credit Reform Act of 1990 ("Credit Reform Act") and implementing guidance issued by the Office of Management and Budget ("OMB"). HUD obligated appropriated funds to cover the credit subsidy cost of the loan guarantee, as required under the Credit Reform Act. Under Credit Reform Act procedures, such funds are disbursed into a "Financing Account" as loan proceeds are disbursed by the lender. The Financing Account is in some respects equivalent to an internal loss reserve for the Federal Government. Each disbursement into the Financing Account is equal to the loan advance times the credit subsidy rate, which is part of HUD's budget approved by OMB and the Congress.

Pursuant to credit subsidy implementation guidance issued by OMB, the undisbursed balance of the credit subsidy obligation must be cancelled when required by the provisions of 31 U.S.C. § 1552(a). Section 1552(a) reads as follows:

"On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose."

The obligation period ended September 30, 2008, for the credit subsidy supporting the City's 2007 Section 108 commitment. Pursuant to § 1552(a), the undisbursed appropriations that HUD obligated to cover the credit subsidy cost of the City's loan guarantee was cancelled as of September 30, 2013. Accordingly, no loan advances can be made to the City under the previously approved commitment.

The City had received the loan guarantee commitment in the amount of \$9,875,000, pursuant to an application number B-06-MC-51-0019, under Section 108 of the Housing and Community Development Act of 1974, as amended, to create a business loan pool (the "Business Loan Pool"). This loan pool financing was intended to assist businesses in carrying out a wide variety of activities, which would include acquisition of real property, construction, site preparation, demolition and clearance, and purchase of machinery and equipment, in accordance with 24 CFR 570.703(i)(1), pursuant to §570.203(b). The application identified the City's Enterprise Zone Areas, Broad Street Community Development Area, and Rocket's Landing Area as the targeted areas of the Business Loan Pool; however, loans could be provided throughout the City. The national objective to be achieved by the eligible activities was benefit to low- and moderate-income persons through job creation, under the provision of §570.208(a)(4)(i), where at least 51 percent of the jobs will be made available to low- and moderate-income persons.

The City is requesting, however, that HUD issue a new commitment for the same amount of \$9,875,000, to finance its proposed Business Loan Pool. Specifically, you have sent a letter dated November 27, 2013, to Mr. Paul D. Webster, Director, Financial Management Division requesting that the Department of Housing and Urban Development issue a new commitment for \$9,875,000. Also, Mr. Ron N. Johnson, Chief Credit and Financial Strategies Officer in the City's Department of Economic and Community Development has had several subsequent meetings and conference calls with staff in HUD's Richmond Field Office and HUD's Headquarters Office in Washington, DC, regarding the City's request.

The City proposes to use the \$9,875,000, for carrying out economic development and job creation activities throughout the City, which was its intended purpose of the original commitment. Moreover, City has identified two (2) potential economic development projects for which it intends to provide financial assistance: 1) the Main Street Station Redevelopment project, which consists of the development of a 43,500 square feet indoor/outdoor farmers market and 2) the Shoppes on the Boulevard, which consist the new construction of a 43,000 square feet grocery store, a 30,000 square feet fitness center, and 27,000 square feet of retail shops on a five (5) acre site. However, these potential projects are in the early stages of negotiations and HUD has not approved any Section 108 funding for these projects.

The City confirms that it has contracted with the National Development Council (NDC) to assist the City in the financial underwriting of potential economic development projects in accordance with HUD's underwriting guidelines at 24 CFR 570.209 (a) and related Appendix A.

Based on the information provided the Department has determined that the City has made no material change or amendment to its previously submitted and approved Section 108 Loan Guarantee application in FY 2007. Also, there are no material modifications in HUD's regulations at 24 CFR 570, subpart M-" Loan Guarantees"- since the City's previous Loan Guarantee Commitment in the amount of \$9,875,000, for funding a Business Loan Pool was issued on April 19, 2007. Therefore, HUD hereby awards to the City a new loan guarantee commitment (B-13-MC-51-0019) in the amount of \$9,875,000.

This award must be based upon your ratification, and agreement to be bound by your previously approved Section 108 Loan Guarantee application as it existed prior to September 30, 2013, which will be evidenced by your execution of the attached Funding Approval (form HUD-7082).

This offer of commitment ("Commitment") is subject, however, to the conditions specified in Item 8 of the Funding Approval (Form HUD-7082).

The second condition provides that in the event the City fails to submit notes or other obligations for inspection and guarantee by HUD before June 30, 2015, this Commitment will expire as of such date.

The third condition provides that the repayment schedule for the guaranteed loan must be acceptable to HUD.

The fourth condition provides that the City shall provide additional security for the guaranteed loan and such additional security must be acceptable to HUD. The additional security shall be identified in the Contract for Loan Guarantee Assistance ("Contract"), specified by 24 CFR §570.705(b)(1), which will be executed at the time the guaranteed obligations are issued. Under the previously approved HUD loan Guarantee commitment (B-06-MC-51-0019), the City's application and other supporting material identified the following additional security: an assignment of the City's interest in third party loans secured by liens on real estate, machinery and equipment and in some cases, personal guarantees. The City has confirmed to HUD that it will offer the same security for the new guaranteed loan (s). Note that any real property offered as security shall be subject to loan to value ratios to be identified in the Contract and its value shall be supported by an appraisal acceptable to HUD. In addition, the Contract shall provide that HUD may use existing pledged grants to prepay (or defease) the Guaranteed Loan if HUD determines that the standard pledge of future Community Development Block Grant funds is insufficient to assure payment of amounts due thereunder. HUD reserves the right to require further security upon evaluation of the foregoing security arrangements and the City may substitute other security for such arrangements, subject to HUD's approval of such substitution.

The fifth condition provides that prior to submitting notes or other obligations for inspection and guarantee by HUD, the City shall submit information required under Section 102(b) of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3531). This information shall be submitted to HUD's Richmond Field Office. A copy of form HUD-2880 is enclosed for this purpose.

The sixth condition provides that prior to submitting notes or other obligations for inspection and guarantee by HUD, the City shall submit all Section 108 certifications required under 24 CFR. 570.704(b). Such certifications shall be submitted to the Department of Housing and Urban Development, Financial Management Division, 451 7th Street SW, Room 7180, Washington, DC 20

The seventh condition provides that the City shall not incur any obligations to be paid with guaranteed loan funds prior to the receipt of a written determination from the HUD's Richmond Field Office that (i) each individual activity to be undertaken from the Business Loan Pool meets eligibility requirements of 24 CFR 570.703, (ii) each eligible activity to be undertaken or supported with loan guarantee funds will meet the national objective requirements of § 570.208 and (iii) the applicable public benefit standards will be met in accordance with of § 570.209(b). In addition, the City is required to follow its citizen notification process for each activity being assisted.

Please be aware that any amount of this commitment that is not received by the City as an Advance under the Guaranteed Loan by September 30, 2019, will be canceled in compliance with 31 USC 1552 {a}.

In addition to the special conditions cited above, the release of funds for the project to be carried out with loan guarantee assistance is conditioned upon compliance by the City with all applicable provisions of the HUD Environmental Review Procedures (24 CFR Part 58). The City is reminded that these Procedures include limitations on the commitment of HUD and non-HUD funds on an activity or project prior to HUD's approval of the request for release of funds and related certification of compliance with environmental requirements. Please refer to § 58.22 for a description of the limitations and the entities to whom they apply.

Please execute the three enclosed copies of the Funding Approval and return two copies to the Department of Housing and Urban Development, Office of Block Grant Assistance, Financial Management Division, Room 7180, 451 Seventh Street, S.W., Washington, D.C. 20410. One copy should be retained for your files. The Funding Approval amends the Grant Agreement authorized by HUD on October 24, 2013, under the Funding Approval for grant number B-13-MC-51-0019 to include loan guarantee assistance. The Grant Agreement thereby incorporates this Funding Approval, the loan guarantee application, as amended, and Subpart M of the block grant regulations governing loan guarantees, as well as such agreements, schedules, and other documentation required to be submitted or executed in connection therewith.

If you have any questions with respect to this letter, please contact Paul D. Webster, Director, Financial Management Division at (202) 7081871.

Very sincerely
yours,



Stanley Gimont

Deputy Assistant
Secretary for Grant
Programs (Acting)



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INTENTIONALLY



**Public Meeting on
Amending the City of Richmond, VA
2006-2007 CONSOLIDATED ANNUAL ACTION PLAN
February 11, 2016 @ 5:30 PM
3rd Floor Conference Room
1500 East Main Street**

The Richmond Department of Economic and Community Development is proposing to amend its Section 108 authorization in order to expand the eligible activities of the Economic Development Revolving Loan Fund I. An amended application would be submitted to the United States Department of Housing and Urban Development (HUD) for the purpose of creating a business loan pool (Tranche 1) in the amount of \$9,875,000 to facilitate large real estate economic development projects, the creation of affordable housing, and other special use projects that primarily benefit low and moderate income persons, prevents or eliminates slums or blight, creates and/or retains jobs and provide area benefits in the City of Richmond's targeted commercial corridors and residential neighborhoods.

The Department invites members of the public to provide comments, oral or written, on this proposed amendment. Copies of the proposal are available at the Department of Economic and Community Development office located at 1500 E. Main Street, Suite 400 and may be also viewed on the City's web site, www.richmondgov.com. A public meeting to receive comments will be held, February 11, 2016 at 5:30 p.m. at Main Street Station, 1500 E. Main Street, 3rd Floor conference room. **Public comments, oral or written, will be received on this proposal from January 22, 2016 until February 22, 2016.** A separate public hearing will be held by Richmond City Council at a later date. For more information, you may contact Mr. Ron N. Johnson, Chief Credit & Financial Strategies Officer who can be reached at (804) 646-7489, Ron.Johnson@richmondgov.com.

The City of Richmond does not discriminate on the basis of disability status in the admission, access to, or treatment in its federally assisted programs or activities. Virginia Relay Center – TDD Users –1-800-828-1120. Main Street Station is handicap accessible.