

Ordinance No. 121953

Council Bill No. 115380

AN ORDINANCE relating to community development in the Rainier Valley, approving an amendment to the operating plan for the Transit-Oriented Community Development Fund for Southeast Seattle; authorizing the Office of Economic Development to negotiate and execute a trust agreement and other agreements with the Rainier Valley Community Development Fund for the execution of a community development program; and ratifying and confirming prior acts.

CF No. _____

Date Introduced: SEP 1 2005	
Date 1st Referred: SEP 1 2005	To: (committee) TRANSPORTATION
Date Re - Referred:	To: (committee)
Date Re - Referred:	To: (committee)
Date of Final Passage: 10-3-05	Full Council Vote: 9-0
Date Presented to Mayor: 10-4-05	Date Approved: 10/10/05
Date Returned to City Clerk: 10/10/05	Date Published: 6 pp. 10/10/05 T.O. ☒ F.T. ☐
Date Vetoed by Mayor:	Date Veto Published:
Date Passed Over Veto:	Veto Sustained:

The City of Seattle - Legislative
Council Bill/Ordinance sponsored

Committee

9/27/05 Pass unanimous

4-0 yes, Council

Della

10-3-05 Passed 9-0

This file is complete and ready for presentation to Full

Law Department

Law Dept. Review

OMP
Review

City
Re

me
The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: _____

Richard Conlin

Councilmember

Committee Action:

9/27/05 Pass unanimously as amended

*4-0 yes, Conlin, Rasmussen, Gaddis,
Della*

10-305 Passed 9-0

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Committee: _____

KC 9/27/05
(initial/date)

Law Department

Law Dept. Review

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ORDINANCE 121953

1
2 AN ORDINANCE relating to community development in the Rainier Valley, approving an amendment
3 to the operating plan for the Transit-Oriented Community Development Fund for Southeast
4 Seattle; authorizing the Office of Economic Development to negotiate and execute a trust
5 agreement and other agreements with the Rainier Valley Community Development Fund for the
6 execution of a community development program; and ratifying and confirming prior acts.

7 WHEREAS, Ordinance 120796, passed on April 29, 2002, authorized the Mayor to enter into an
8 agreement with the Central Puget Sound Regional Transit Authority ("Sound Transit") to
9 establish, oversee, and fund Seattle's portion of the Transit-Oriented Community Development
10 Fund for Southeast Seattle ("the Fund"); and

11 WHEREAS, subsequent to the City Council passage of Ordinance 120796, the Mayor executed an
12 agreement ("2002 Funding Agreement") with Sound Transit to establish, oversee, and fund
13 Seattle's portion of the Fund; and

14 WHEREAS, Ordinance 121021, passed on December 9, 2002, adopted an operating plan ("the Plan") to
15 govern the initial activities of the Fund, including supplemental mitigation of impacts to Rainier
16 Valley businesses due to Link light rail construction; apprenticeship preparation for residents of
17 the Rainier Valley; and preparation of receiving sites for businesses requiring relocation as a
18 result of Link light rail construction; and

19 WHEREAS, Ordinance 121021 also required that there be an amendment to the original Plan, referred
20 to as the Operating Plan Amendment ("the OPA"), before expenditure of any City of Seattle
21 payments to the Fund on the transit-oriented and community development activities described in
22 the Plan; and

23 WHEREAS, the City of Seattle ("the City") and Sound Transit have subsequently contracted with the
24 Rainier Valley Community Development Fund ("the RVCDF"), a nonprofit corporation, to
implement the initial Plan and prepare an amendment to the Plan to govern the community and
transit-oriented development activities of the Fund; and

WHEREAS, construction of light rail is now underway and the RVCDF is actively implementing the
supplemental mitigation program detailed in the Plan and has initiated an apprenticeship
preparation program that has trained and placed Rainier Valley residents in construction jobs;
and

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1 WHEREAS, Ordinance 121763 passed on March 28, 2005 approved a Substitute Funding Agreement to
2 replace the 2002 Funding Agreement and to establish, oversee and fund Seattle's portion of the
Transit-Oriented Community Development Fund for Southeast Seattle; and

3 WHEREAS, the Substitute Funding Agreement provides that, subject to certain conditions and
4 limitations, the City shall pay a total of \$35 million in Community Development Block Grant
5 (CDBG) funds, which are expected to be provided by the federal Department of Housing and
Urban Development (HUD), for activities approved by the City and Sound Transit in the Plan
6 and in any amendment to the Plan;

7 WHEREAS, a group of community and business leaders, community-based organizations and public
8 and private sector organizations have developed an Action Agenda for the revitalization of
Southeast Seattle that identified the business and real estate development programs of the
9 RVCDF as a key component of the revitalization strategy; and

10 WHEREAS, the RVCDF Board has approved and forwarded to the City and Sound Transit for review
11 and approval a draft amendment to the Plan (Exhibit A) that is the result of the work of a steering
committee that included representatives of the RVCDF and its Board, the City, King County and
12 Sound Transit; NOW, THEREFORE,

13 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

14 Section 1. The City of Seattle ("the City") approves the amendment to the operating plan ("the
15 OPA") for the Transit-Oriented Community Development Fund for Southeast Seattle ("the Fund")
16 attached to this Ordinance as Exhibit A, entitled "Operating Plan: Rainier Valley Community
17 Development Fund." The City Council finds that the OPA describes the products and services
18 developed to implement the transit-oriented and community development activities of the Fund in
19 sufficient detail to meet the requirements of Section 3 of Ordinance 120796 passed on April 29, 2002.
20 The intent of the City in approving the OPA is that, subject to its approval by Sound Transit and to the
21 completion of necessary agreements and other legal requirements, City funds, to the extent appropriated,
22 may be disbursed for the Community Development Program ("the CDP") activities described in the
23 OPA, as it may be amended according to its terms, and as so disbursed shall constitute "payments to the
24



1 Fund" for purposes of the Substitute Funding Agreement. The City does not intend by such approval to
2 establish any liability or obligation of the City not contained in the Substitute Funding Agreement.
3

4 Section 2. The Director of the Office of Economic Development (OED) is authorized to
5 execute, deliver, perform, administer, modify and enforce contracts with the RVCDF for the RVCDF to
6 carry out community development activities with CDBG money consistent with 24 CFR Section
7 570.204, and for the RVCDF to deliver the specific products and services identified in the OPA for the
8 implementation of the CDP. The contracts shall commit the expenditure only of funds appropriated for
9 the respective purposes, and only after the OPA shall have been approved by Sound Transit and after the
10 trust agreement authorized in the next section of this ordinance shall have become effective. In addition
11 to reporting requirements established by HUD and contained in Section 6 of the OPA, OED shall
12 monitor performance substantially as outlined in Exhibit B to this ordinance, entitled "Framework for
13 Monitoring the Performance of the Rainier Valley Community Development Fund." The contracts shall
14 contain provisions enabling the City to implement the oversight measures described in such Exhibit.
15

16 Section 3. The Director of OED is authorized to execute, deliver, perform, administer, modify
17 and enforce a trust agreement with the RVCDF as Trustee ("Trust Agreement") governing the use of
18 repayments of loans originated with CDBG funds committed by the City and any assets of the RVCDF
19 resulting directly or indirectly from the use of these CDBG funds. The principal purpose of the Trust
20 Agreement is to ensure that revolved money and loan assets resulting from the use of the City's CDBG
21 funds remain community-controlled and self-sustaining for the general welfare and benefit of the
22 Rainier Valley community. The Trust Agreement will also establish standards of performance for the
23 Trustee and the terms and conditions under which the City can designate a replacement Trustee. The
24

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1 Trust Agreement shall be substantially consistent with the description in Section 6 of the OPA. If there
2 are any substantial inconsistencies between the Trust Agreement and the description in Section 6 of the
3 OPA, the Director of OED must brief the City Council's Transportation Committee prior to signing the
4 Trust Agreement.

5
6 Section 4. The Office of Economic Development will provide a mid-year (due August 1st of
7 each year) and year-end report (due February 1 of the following year) on RVCDF activities and progress
8 to the City Council. OED should report on the following semi-annually (and provide any additional
9 information requested by the Council for their review):

- 10 1. The amount and type of funds that OED has dispersed to the RVCDF and for what purpose;
- 11 2. RVCDF's expenditures to date broken out by product/purpose; and
- 12 3. A pipeline report reflecting the type and amount, name of borrowing entity, and projected
13 closing date for each loan or grant being considered by the RVCDF under their loan/grant
14 programs.

15 As part of the year-end report, OED will also report on the following (and provide any additional
16 information requested by the Council for their review):

- 17 1. Aging reports on closed loans
- 18 2. Status of the RVCDF's compliance with the requirement to distribute at least 75% of the funds
19 through the Real Estate Program
- 20 3. Allocation of funds within the Real Estate Program, i.e., percent spent on residential vs.
21 commercial to date
- 22 4. Progress on achieving programmatic goals of creating at least 340 new jobs, 390 residential
23 housing units (including information on the mix of incomes occupying the new housing units &
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1 the number of new housing units available for home ownership), and 93,000 square feet of new
2 commercial space by 2013.

3
4 Section 5. The Mayor and the Director of OED and their respective designees each is authorized
5 to execute, deliver, perform, administer, modify and enforce such additional agreements and documents
6 as may be reasonably necessary or appropriate to implement the agreements authorized in this
7 ordinance.

8
9 Section 6. Any acts taken by the Director of OED in furtherance of the purpose of this
10 ordinance, but prior to its effective date, are hereby ratified and confirmed. If there are inconsistencies
11 between the provisions of this ordinance, or any other law, regulation or ordinance, and the provisions of
12 the OPA or the Plan, the applicable law, regulation or ordinance shall govern. Except as otherwise
13 required by this Section, to the extent the OPA is inconsistent with the Plan, the OPA shall control.
14 Nothing in Ordinance 121021 shall authorize any amendment to the terms of the OPA. Nothing in this
15 Ordinance or the OPA shall be construed to modify or waive any provision of any agreement now in
16 effect between the City and RVCDF.

17
18 Section 7. The several provisions of this ordinance are declared to be separate and severable
19 and the invalidity of any clause, sentence, paragraph, subdivision, section, or portion of this ordinance,
20 or of any provision of the OPA approved hereby, or the invalidity of the application thereof to any
21 person or circumstance, shall not affect the validity of the remainder of this ordinance or of the OPA or
22 the validity of its application to other persons or circumstances.

23
24



1 Section 8. This ordinance shall take effect and be in force thirty (30) days from and after its
2 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
3 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

4 Passed by the City Council the 3rd day of October, 2005 and signed by me in open session
5 in authentication of its passage this 3rd day of October, 2005

6
7 [Signature]
President _____ of the City Council

8 Approved by me this 10th day of October, 2005

9 [Signature]
Gregory J. Nickels, Mayor

10 Filed by me this 10th day of October, 2005

11 [Signature]
City Clerk

12
13 (Seal)

14
15
16 Exhibit A: Rainier Valley Community Development Fund Operating Plan Amendment

17 Exhibit B: Framework for Monitoring the Performance of the Rainier Valley Community
18 Development Fund
19
20
21
22
23
24



RAINIER VALLEY COMMUNITY DEVELOPMENT FUND OPERATING PLAN AMENDMENT

July 19, 2005

**Prepared by:
Operating Plan Amendment Steering Committee**

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Ken Takahashi, City of Seattle
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David Hopkins, King County

**Approved by:
RVCDF Board of Directors**

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Operating Plan Amendment Exhibit A



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1. EXECUTIVE SUMMARY

The Rainier Valley Community Development Fund (RVCDF) is a community-based, non-profit organization founded in 2002 to establish and manage the \$50 million Fund mandated by the Sound Transit Board for the Rainier Valley in conjunction with at-grade light rail. This Fund is to be used to provide supplemental mitigation to businesses affected by light rail construction and to support community development in the Rainier Valley. In this Operating Plan Amendment, "Fund" is used to denote the \$50 million public financial resources committed to the Rainier Valley, and "RVCDF" refers to the non-profit organization formed to implement the programs created by the Fund.

An Operating Plan adopted in 2002 governs the RVCDF's initial work of assisting businesses impacted by light rail construction. This work is referred to as supplemental mitigation account (SMA) activities. However, the long-term vision for the Fund is to use a portion of its assets to create a self-sustaining, community-controlled fund that supports community development in the Rainier Valley. This portion of the Fund's activities is called the Community Development Program (CDP). The 2002 Operating Plan describes the general vision and principles for the Community Development Program, and directs that the details for the Program are to be defined in a subsequent Operating Plan Amendment (OPA). The purpose of this Operating Plan Amendment is to describe the Community Development Program and its goals, products, eligibility criteria, governance, and financial projections. The OPA was developed by the RVCDF Board with assistance from a Project Steering Committee comprised of representatives from RVCDF, the City of Seattle, King County and Sound Transit.

The Community Development Program will be capitalized by public funds to be appropriated by the City of Seattle between 2005 and 2012 to pay for activities defined in this OPA. Of the total \$50 million mandated for use in Southeast Seattle, up to \$21.5 million may be spent on supplemental mitigation activities, and \$2 million is earmarked for a four-year pre-apprenticeship job training program, per the 2002 Operating Plan. The remainder will be available for the Community Development Program as defined in this OPA. Any residual funds not used for supplemental mitigation activities, any funds repaid from supplemental mitigation advances (unless recommitted for supplemental mitigation) and any interest earned on community development loan payments will be dedicated to eligible activities defined in this OPA. This Operating Plan Amendment applies only to the public funds under management by the RVCDF as described above and is not intended to address other lines of business, staffing, or organizational issues related to other sources of funds the RVCDF may secure over time.

The Community Development Program focuses on needs identified through several community planning efforts. Of these, the most recent have been the process to develop this amendment since early 2004, the Southeast Action Agenda developed in the autumn of 2004, and the community outreach conducted by the RVCDF in the spring of 2004. These efforts have consistently identified two critical community priorities: 1) supporting business growth and development, and 2) promoting physical improvements in the Rainier Valley. The Community Development Program is a direct and strategic response to these objectives.

The Community Development Program consists of two lines of business: Business Development and Real Estate Development. For the initial use of funds for community development purposes, 25% of funds governed by the OPA will be targeted to Business Development and 75% will be targeted to Real Estate Development. Business Development encourages small business formation, strengthens existing businesses in the Rainier Valley, and promotes job creation. Business loan and grant products include a Business Interest Subsidy Grant, a Business Incentive Loan, and a Façade Improvement Grant. Real Estate Development encourages new catalyst development and physical improvements in the Rainier Valley. This includes a range of physical revitalization activities involving both new construction and



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rehabilitation of existing building stock, for the purpose of stimulating economic activity, increasing the inventory of commercial spaces for Rainier Valley businesses, and promoting affordable housing for Rainier Valley residents. Real estate loan and grant products include a Site Assembly Loan for Non-profits, a Site Assembly Loan for For-profits, a Site Assembly Interest Subsidy Loan, and a Real Estate Financing Loan.

In delivering these loan and grant products, the RVCDF has completed a strategic analysis to determine the preferred delivery method for each product. As the implementing organization of the Community Development Program, the RVCDF will maximize benefit to the community in the most cost-effective manner, strategically using its strengths and expertise, while leveraging the strengths and expertise of other community partners when appropriate. As a result of the strategic analysis, the RVCDF has determined that it will directly provide some products, while others will be offered in conjunction with established partner organizations.

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2. BACKGROUND AND SCOPE OF OPERATING PLAN AMENDMENT

2.1. History of Rainier Valley Community Development Fund

On November 18, 1999 the Sound Transit Board mandated by resolution 99-34 the establishment of a \$50 million Transit-Oriented Community Development Fund for Southeast Seattle. The Federal Transit Administration's Amended Record of Decision for the Link Light Rail Project, issued in February 2002, makes the establishment of a \$50 million Community Reinvestment Fund a project requirement.¹ This Fund, created to address the adverse impacts of at-grade light rail construction, is to be used to provide supplemental mitigation to businesses affected by light rail construction and to support community development in the Rainier Valley. Sound Transit, the City of Seattle, and King County have committed to capitalizing the Fund.

The Rainier Valley Community Development Fund (RVCDF) is a community-based, non-profit organization founded in 2002 to execute and manage the \$50 million Fund. In this Operating Plan Amendment, the term "Fund" is used to denote the \$50 million in public financial resources committed to the Rainier Valley, and "RVCDF" refers to the non-profit organization formed to implement the programs created by the Fund.

The initial use of the Fund, under the management of the RVCDF, has been to provide financial assistance to the businesses along the light rail alignment and to reduce the impact of construction on those businesses. An Operating Plan adopted in 2002 governs this work, which is referred to as supplemental mitigation account (SMA) activities. The Fund will continue to assist these businesses through the course of light rail construction, which Sound Transit forecasts will be completed in 2007.

However, the long-term vision for the Fund is to use a portion of its assets to create a self-sustaining, community-controlled fund that supports community development in the Rainier Valley. This long-term investment program is called the Community Development Program. The 2002 Operating Plan describes the general vision and principles for the Community Development Program, and states that the Program details are to be defined in a subsequent Operating Plan Amendment.

The purpose of this Operating Plan Amendment (OPA, or Amendment) is to describe the Community Development Program and its goals, products, eligibility criteria, governance, and financial flows. The OPA was drafted by the RVCDF Board with assistance from a Project Steering Committee, comprised of representatives from the RVCDF board and staff, the City of Seattle, King County and Sound Transit. After the OPA is approved by the RVCDF Board, Sound Transit, and the City of Seattle, program details will be developed and documented by the RVCDF in policies and procedures consistent with the Operating Plan Amendment.

2.2. Scope of Operating Plan Amendment

The Operating Plan Amendment applies only to the public funds (described below) used for Community Development Program purposes, and the management of those programs by the RVCDF. The Operating

¹ Resolution 99-34 and the Amended Record of Decision use slightly different terms for the Fund, but are referring to the same \$50 million of public financial resources for the Rainier Valley.



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Plan Amendment supplements and, in the event of inconsistency, supersedes the Operating Plan. It is not intended to address other lines of business, staffing, or organizational issues related to other sources of funds the RVCLF may secure over time.

The City of Seattle, Sound Transit and King County are providing \$50 million to capitalize the Fund. The City of Seattle is providing \$42.8 million through annual appropriations from 2005 to 2012. The remaining \$7.2 million is being provided by Sound Transit as directed in the Downtown Seattle Transit Tunnel agreement.

Of the total \$50 million mandated for the Fund, up to \$21.5 million may be used for light rail supplemental mitigation activities, and \$2 million has been earmarked for a four-year pre-apprenticeship job training program, per the 2002 Operating Plan. The remainder will be available for the Community Development Program. Additional detail on fund capitalization, funds restrictions and annual cash flows is included in Section 7 and Appendix F.

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3. NEEDS ASSESSMENT AND GAP ANALYSIS

3.1. Mission Statement for the Rainier Valley Community Development Fund

The mission of the Rainier Valley Community Development Fund is to be a self-sustaining, community-controlled financial institution that preserves and strengthens cultural diversity, long-term livability, and economic opportunity for Rainier Valley residents, business and institutions.

3.2. Strategic Vision for Community Development Program

To create a strategic vision for the Community Development Program, the RVCDF conducted a thorough gap analysis comprised of several steps. First, community needs were assessed and confirmed, as described in section 3.2.1. The two highest priorities were: supporting business growth and promoting physical development. Not only have recent community efforts identified these priorities, but numerous past initiatives have articulated these longstanding and fundamentally important needs. Next, existing providers of financing for business and real estate development were identified and assessed, as described in section 3.2.2. Gaps in products and services were then identified, detailed in section 3.2.3. This formed the basis for defining the products and implementation of the Community Development Program, which are structured to avoid duplication while serving unmet needs in the community.

3.2.1. Identification of Community Needs

The Community Development Program focuses on needs that have been identified through community planning efforts in the Rainier Valley over many years. Thousands of community members have been involved in these initiatives, and the products described in this Amendment respond directly to the priorities that have been identified. These various planning efforts have been documented in numerous reports and plans, and additional descriptions of them are included in Appendix B. Key initiatives have included the following:

Current Process to Develop OPA

Since early 2004, a Project Steering Committee (described in section 2.1.) has met weekly to develop the content of this Operating Plan Amendment. The Committee has included representation from the RVCDF Board and staff, the City of Seattle, Sound Transit, and King County. The Committee also established two Technical Advisory Committees to provide technical review of strategies and recommendations. These Committees included for-profit and non-profit developers, for-profit and non-profit lenders, the Rainier Chamber of Commerce, the Seattle Housing Authority, and others.

Southeast Seattle Action Agenda

In the autumn of 2004, the City of Seattle facilitated a community engagement process to develop goals and strategies for the Rainier Valley in five topical areas: Business and Job Creation, Physical Development, Education and Workforce Development, Public Safety, and Arts, Culture and Public Space. Recommendations from the Business and Job Creation and Physical Development topical areas have influenced the development of this Amendment.

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Previous OPA Process

In the spring of 2004, the RVCDF sponsored a significant community outreach effort to initiate planning for the OPA. The work included stakeholder interviews, organization meetings, focus groups, community meetings, and surveys. A multi-agency Steering Committee met regularly to provide guidance to this work.

Consolidated Plan Process

As required by the U.S. Department of Housing and Urban Development (HUD), the City of Seattle Consolidated Plan outlines funding policies and strategies for the use of Community Development Block Grant monies. In 2004, the Seattle Office of Economic Development led a planning process that developed strategies and actions for the parts of the plan that promote financial independence of low- and moderate-income residents and invest in the development of economically distressed neighborhoods.

Other Community Planning Efforts

Several important planning processes have been conducted in the Rainier Valley in the past fifteen years, including the creation of neighborhood plans (1996 to 1999), light rail station area plans (1998 to 2001), and the Southeast Action Plan (1990 to 1991).

These efforts have articulated the community's needs and development goals. Two of the most consistent and strongly-expressed economic development priorities for the Rainier Valley are:

- Support business activity and small business growth, and
- Improve the physical environment (new and redevelopment)

These two priorities form the strategic base for the Community Development Program, further described in Section 4.

3.2.2. Existing Products and Providers

To identify the best use of the Fund's resources, and to meet the needs described in the previous section, the Project Steering Committee and its consultants identified business and real estate financing products that are currently available in the marketplace, and how they are delivered.

Business Financing

In the business financing industry, products are typically grouped into two categories: debt and equity. A debt product is an obligation owed to another person or entity and is required to be paid by a specific date. For a debt product, a lender typically does not participate in overseeing the activities for which the loan is being used, beyond standard loan servicing and management. An equity product represents ownership interest in a corporation. With an equity product, an investor or lender makes a direct investment of resources with the expectation that the investor will share in the revenue or income earned from the project. The investor often plays an active role in overseeing, guiding, and/or directing the activities for which the investment is used. The description below groups existing business financing products as either debt or equity, and lists the sources available, from those available to high risk borrowers to those available to low risk borrowers.

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Debt sources

Credit cards. For small sums (typically below \$50,000), the most prominent form of small business debt is personal credit cards. The credit is readily available and although interest rates are relatively high, it is not unreasonably priced given the risk and lack of collateral requirement.

Community-based lenders. In Seattle, the largest community lenders for small businesses are Community Capital Development and Cascadia Revolving Fund. Both are non-profit community lenders that focus on investing in traditionally underserved communities. They both have larger geographic service areas than that of the RVCDF. These lenders seldom lend sums over \$200,000. Their programs are characterized by intensive administrative costs, along with shorter loan terms and higher interest rates compared with conventional financing that reflect the relatively higher risks they are taking.

Asset-based lenders (Factors). Asset-based lenders are commercial lenders who lend against business assets, most commonly accounts receivable and inventory. They advance funds that are then repaid through collection of the businesses' receivables. Interest rates are typically 9% to 15%. Asset-based lenders only work with businesses that have established sales histories and reliable accounts receivable.

Small Business Administration (SBA) loan guarantees. This includes the SBA 7a guarantee and SBA 504 programs. The SBA 7a loan program provides term working capital and fixed asset financing for machinery, equipment, land and buildings. The benefit of the program is that it provides longer loan terms compared with conventional financing, made possible by the SBA loan guarantee to lenders. Interest rates on these loans are capped at the prime interest rate plus 2.75%. Loan sizes range from \$25,000 to \$1,500,000. The loans are primarily provided by banks, with only a few SBA-approved non-bank lenders in the nation. The SBA 504 program is a fixed asset loan that provides 10- and 20-year term loans currently at interest rates between 6% and 7%. It targets a more established and generally more creditworthy category of borrowers than does the 7a loan program.

Commercial loans. Unguaranteed bank loans tend to be similar in structure to SBA guaranteed loans but with loan sizes and other characteristics that exclude them from the guarantee programs. The creditworthiness of borrowers of these loans tends to be somewhat stronger than borrowers of SBA guaranteed loans. Often the loan terms are shorter, and the interest rates lower than on SBA guaranteed loans.

Capital markets. Beyond bank loans, debt sources include the capital markets. Capital markets are comprised primarily of larger commercial banks and institutional financing sources. These sources typically look for strong borrowers and will not provide loans to small businesses. Interest rates and terms correspond to the risk taken by the lender.

Equity sources

Venture capital. Venture capital occupies a very small niche at the high risk end of the lending spectrum. This equity source targets transactions where a business expects to see extraordinarily rapid business growth, and requires the ability to manage that growth on the part of the entrepreneur. Without the potential for rapid growth, the venture capital model does not work.

Refinancing equity out of current assets. Another prominent source of business equity is from refinancing personal assets such as home equity. This is only available to individuals with equity in real property. Rates and terms depend on the asset and the market.

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Family and friends. For many small businesses, the first source of equity is from family and friends. The availability of such equity depends on these individuals having disposable resources to invest. Much of the non-traditional investment in the Rainier Valley currently comes from this source.

Real Estate Financing

There are fewer sources of real estate financing than there are sources of business financing. In Seattle, few real estate financing sources exist, especially those that would assist with site acquisition. Those that are available tend to be short-term construction and pre-construction loans provided by non-profit entities such as Impact Capital and Enterprise Foundation, equity programs exclusively for low-income housing, and the limited Federal Section 108 funding for commercial development.

The real estate financing industry groups loans into two primary categories, construction and permanent loans.

Construction loans

Construction lenders are typically banks. They provide debt for construction and rehabilitation of income-producing property. Loan terms cover the period of construction plus a short time span to allow for closing on the permanent loan. Rates are between prime minus 1% (the prime interest rate minus 1 percentage point) and prime plus 2%. Loans are almost always conditioned on the borrower having an approved permanent loan commitment.

Permanent loans

Permanent lenders are usually commercial banks, insurance companies, and mortgage companies who provide the long-term financing on projects. These loans are typically amortized over 20 to 30-year terms, with fixed or floating rates. Lenders often require projects to have pre-lease commitments from 50% to break-even or greater. Often, the loans will be due before they are fully amortized.

Site acquisition

The real estate financing industry does not typically provide loans for site acquisition. When banks do finance site acquisition, it is typically at a loan-to-value ratio of 50% or lower.

3.2.3. Gaps and Strategic Role

Given this spectrum of available loan products and lenders, there are several strategic roles the Community Development Program can play to help achieve the community's priorities. The general vision of the Fund is to fill gaps in the provision of business and real estate products to Rainier Valley residents and businesses.

Business Financing Gaps

Small businesses are an integral part of the Rainier Valley economy. They provide for the needs of neighborhoods, and they provide jobs and income for residents. Many new businesses benefit from the Valley's role as an incubator for new economic entities. Yet many businesses do not have access to credit through traditional sources, and subsequently face difficulty finding the capital to expand their enterprises or sustain them through difficult business cycles.

As described above, products currently in the marketplace come with some significant limitations. Asset-based lenders work only with businesses that are established. The SBA 7a loan is primarily provided by banks. The SBA 504 product generally targets more creditworthy borrowers. Community lenders tend to offer shorter loan terms with higher interest rates. Commercial loans have standards that may be

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prohibitive to many potential borrowers. Refinancing equity out of current assets is only available to individuals with equity in real property. And capital markets do not provide debt to small businesses. As a result, the following niches have been identified to support business development:

Lending for high-risk businesses

There is a need for a product that targets business owners who would likely be unable to qualify for a loan based on traditional lending criteria. This "high-risk" group of potential borrowers includes businesses deemed less creditworthy by traditional lending standards, and also those that may represent "non-traditional" lending clients such as refugee and immigrant-owned businesses. While such clients may be able to access loan products from community-based lenders, the high rate of interest commensurate with the level of risk may discourage potential borrowers.

Incentive lending for creditworthy businesses

There are many business owners in the Rainier Valley who would likely be able to qualify for a loan, but choose not to, for a variety of reasons, often based on their assessment that it is not in their financial interest to do so. Loan products with more attractive terms than those currently available could offer an incentive to these "fence-sitters" to invest further in their businesses.

Façade Improvements

There is also an opportunity for the Community Development Program to help fill a niche in strengthening the community's façade improvement resources. These City-sponsored funds are currently administered by Southeast Effective Development (SEED), a long-time non-profit developer in the Rainier Valley. However, given the vast opportunities for supporting physical improvements in the community, the relatively small amount of funds available annually for this purpose, and the dollar matching requirements placed on the participating businesses, the Fund can augment SEED's capacity to implement this program.

Real Estate Financing Gaps

New investment is slow in coming to the Rainier Valley because development costs exceed what investors can expect to earn back in lease rents or purchase prices. At the same time, the community desires to preserve affordability for housing, goods and services. Additionally, the community has many under-utilized and poorly maintained properties. In many cases, the property owner's perception of the economic benefits of additional investment fails to outweigh the costs of improvements, with scant consideration of the communitywide benefits of the improvement.

Further, as described earlier, the real estate financing industry also presents some significant limitations. Overall, there is a narrow pool of alternative real estate financing sources, and the loan products that do exist often come with leasing and/or financial requirements that make their use prohibitive for many Rainier Valley development projects. There are fewer banks that lend on long-term loans, their loan products often have pre-leasing requirements (signed leases), and may require larger amounts of private equity in the project.

As mentioned in the previous section, it is difficult for developers to secure a site assembly loan. Purchasing property is not an income-generating activity and therefore is difficult to finance. Private equity is most commonly used to purchase property. This situation leads to significant financing gaps for land assembly if the developer does not have adequate equity to buy and hold the land.

As a result, the following niches have been identified to support real estate development:

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Incentive lending

There is a need to create a loan product that targets property owners who have under-utilized properties on which there is potential for upgrading, rehabilitation, or new development. Providing a product with attractive terms could be an incentive for these owners to invest in their properties.

Site assembly

There is a niche to fill in supporting site assembly. The niche would include providing a product to help subsidize the cost of carrying land when non-profit developers seek financing from other lenders, as well as providing a site assembly loan product which the Fund itself underwrites, available to both non-profits and for-profits.

Cross-cutting Community Gaps

Cutting across both business and real estate financing is a significant gap in lending to refugee and immigrant-owned businesses. These businesses comprise a significant portion of the economic activity in the Rainier Valley and underscore the Valley's importance as a business incubator. A variety of reasons may contribute to this gap. Ethnic businesses may be perceived as high-risk, and/or more complex to work with. There may be language and cultural issues that leave these "non-traditional borrowers" outside the service abilities of existing providers. For example, some ethnic communities do not believe in accruing interest. Often, owners lack familiarity with and understanding of the lending community and its procedures. Or they may simply prefer to tap into their family and their own community structures for support.

To address this need, the loan products offered by the Fund will require more than simply offering translation or interpretation services. They will require a broader framework of cultural competency to address some of the cultural and knowledge gaps and to effectively reach these communities. The RVCDF, because of its close involvement with and credibility in the Rainier Valley and because of the relationships built by its multicultural staff in delivering its light rail supplemental mitigation products, is in a unique position to fill this gap and help build wealth and equity for refugee and immigrant-owned businesses. The RVCDF also is focused on a relatively narrow geographic area, unlike other non-profit lenders, who cover a broader territory. As a result, it is better able to reach potential borrowers using a highly personalized and relationship-based approach.

The gap analysis described above forms the foundation on which the Community Development Program rests. Impediments to investment were analyzed in order to identify the strategic niches which the Program could fill. The products and delivery approach described in the following sections were designed expressly and strategically to fill these gaps in community investment.



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4. COMMUNITY DEVELOPMENT PROGRAM

The Community Development Program consists of a set of loan and grant products and eligibility criteria structured specifically to achieve community goals. This section describes these elements of the program. Section 4.1 describes the geographic Investment Area of the Community Development Program and several proposed amendments to the boundaries of the Investment Area. Section 4.2 identifies the primary community goals that the Community Development Program strives to achieve. Section 4.3 gives a general description of each loan and grant product offered by the Community Development Program. Section 4.4 describes criteria that will be used in evaluating loan applications.

4.1. Community Development Investment Area

The Community Development Investment Area was approved as part of the RVCDF's 2002 Operating Plan. The boundaries of the Investment Area were delineated to target areas within the Rainier Valley that could most benefit from resources to support business development and physical revitalization.

This Operating Plan Amendment makes several adjustments to the boundaries of the Community Development Investment Area. Both the original boundaries and the adjustments are depicted in Figure 1 on the following page. The adjustments are described in the paragraphs that follow.

The northern boundary of the Investment Area was defined by an arc of 1/4-mile radius around the Mount Baker/South McClellan Street light rail station. This boundary does not correspond to any established planning areas or any commonly accepted boundary of Rainier Valley, and it fails to encompass important commercial areas along Rainier Avenue South that are well served by bus transit. The northern boundary of the Community Development Investment Area is modified in this Operating Plan Amendment. The new northern boundary will be South Atlantic Street, immediately south of I-90. This east-west route is a traditional northern delineation for the Rainier Valley, coincides with the north boundary of the North Rainier Neighborhood Planning Group, and is consistent with the Southeast District Council delineation.

The east and west boundaries of the northerly extension encompass the commercial areas on the west and east sides of Rainier Avenue South and Martin Luther King Jr. Way South. The boundary does not include single-family zoned areas beyond the commercial corridors.

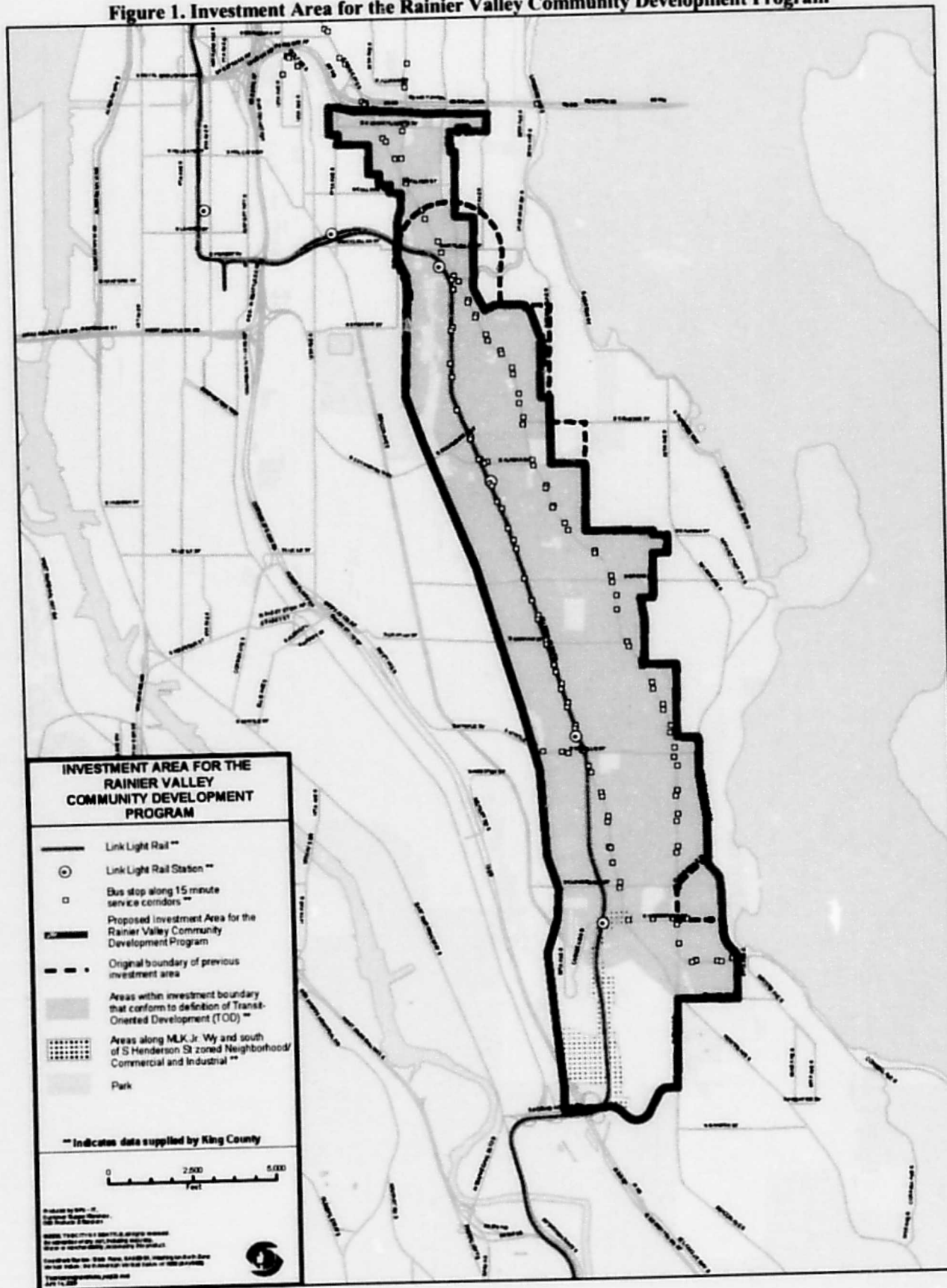
Additionally, this Amendment adjusts three segments of the Investment Area's eastern boundary to be more closely contiguous with the boundaries of the Neighborhood Revitalization Strategy Area (NRSA). The NRSA is a designation approved by the U.S. Department of Housing and Urban Development. Alignment of boundaries is important for two reasons. First, the designation enables a NRSA to take advantage of additional flexibilities in the use of CDBG monies. Because this Community Development Program will be capitalized largely by CDBG dollars, it is critical that the Investment Area boundaries are as similar as possible to the NRSA boundaries. Second, the NRSA designation is based on an area having a significant percentage of low- and moderate-income households in the selected Census block groups. The average percentage across all the block groups must meet a minimum threshold. Including block groups with relatively low percentages of low- and moderate-income households reduces the average, and vice versa.

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Figure 1. Investment Area for the Rainier Valley Community Development Program



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The three NRSA-related adjustments to the Investment Area boundary are also reflected in Figure 1. Along the southeastern boundary of the Investment Area in Rainier Beach, one block group is added which expands the boundary, as indicated by the dashed line. The block group is bounded by South Henderson Street, Rainier Avenue South, Seward Park Avenue South and Cloverdale Place South. This block group has a significant percentage of low- and moderate-income households, at 64.9%. The portions of the area along Rainier Avenue South and South Henderson Street are also zoned Neighborhood Commercial and may present potential opportunities for investment by the Fund.

In addition, two block groups and part of a third block group that are currently in the Investment Area as defined in the 2002 Operating Plan, are removed. The first block group is bounded by South Alaska Street, South Genesee Street, 38th Avenue South and 42nd Avenue South. This area has a relatively low percentage of low- and moderate-income households, at 31.9%, and is zoned single-family. The area includes the Rainier Community Center, playfields, and single-family homes.

The other area to be deleted is along 38th Avenue South between South Dakota Street and South Horton Street. The adjustment consists of moving the boundary one block west along 38th Avenue South between South Dakota and South Horton Street. The area to be deleted is zoned entirely single-family and includes a relatively low percentage of low- and moderate-income households, at 19.6%. North of South Court Street, the adjusted boundary would follow the diagonal contour of York Road South, to its intersection with South Horton Street.

As stated in the 2002 Operating Plan, businesses and projects located outside the Community Development Investment Area but within one or two blocks may be eligible for community development funding, if, in the RVCDF's estimation, the benefits from the project/business accrue to Rainier Valley residents and the project meets the funding criteria established in Section 4.4. The foregoing adjustments apply only to the Community Development Program investment area and do not affect the "Supplemental Mitigation" program area as defined in the 2002 Operating Plan.

In preparing this Amendment, there was deliberation regarding where, within the Investment Area, projects would be eligible for the various Community Development Program products, specifically the real estate investment products. One consideration was how investment of funds in different neighborhoods would support transit-oriented community development (TOD). The City, Sound Transit and King County worked together to develop a joint definition of TOD. That definition is included in Appendix A. The areas within the Investment Area that conform to the definition of TOD are shown in Figure 1. Additionally, there are areas along Martin Luther King Jr. Way south of South Henderson Street that do not conform to the definition of TOD, but should be eligible for the Fund's real estate investment products. This area includes properties that are currently zoned for neighborhood-commercial and industrial purposes. This area is also shown in Figure 1.

Another consideration was to insure that real estate investment supports commercial, multi-family, and mixed-use developments in locations consistent with local land use and zoning regulations. To see how current Rainier Valley zoning designations relate to the Community Development Investment Area, refer to Appendix D.

It is intended that approval of this OPA includes approval of the Community Development Investment Area map shown in Figure 1. This includes approval of the TOD boundaries shown on the map, regardless of potential future changes in transit routes or route frequency in the Rainier Valley.

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4.2. Community Development Goals

The following goals have been developed for the Community Development Program. They were derived from the various Rainier Valley community planning efforts described in section 3.2.1 and Appendix B. Community Development Program activities are intended to accomplish the following:

- Support projects that benefit low- and moderate-income residents, businesses, and institutions in the Rainier Valley.
- Use community development funds as a catalyst for fostering commercial and residential development in the Rainier Valley.
- Improve Rainier Valley's physical environment by enhancing the commercial and multi-family residential building stock.
- Encourage local ownership of properties and businesses.
- Increase employment opportunities through the strengthening of Rainier Valley businesses.
- Augment the supply of affordable housing to limit the potential for displacement caused by rising living costs associated with increased public and private investment.

4.3. Loan and Grant Products

Based on the assessment of community needs described in Section 3, the Community Development Program is structured according to two lines of business: Business Development and Real Estate Development.

For the initial lending and granting of public funds for community development purposes (whether sourced from City funds or revolved supplemental mitigation advances), the Program will target 25% of monies to Business Development and 75% to Real Estate Development. Achieving this target distribution will be measured not on a year-by-year basis, but over the multi-year period of the initial disbursements of public funds (2005 to 2012). For subsequent use of loan repayments, the allocation between the two lines of business will be adjusted by the RVCDF if needed to reflect market demand and community development opportunities.

The product descriptions below include representative terms for each loan and grant product. The terms are targets selected to help achieve the community goals for which the product is intended; however, in practice the terms may be adjusted based on the realities of the lending marketplace at the time the loan is negotiated.

4.3.1. Business Development

This line of business offers products for the purpose of providing working capital, purchasing equipment, improving or expanding the place of business, or (for incentive loans) purchasing the place of business. Business Development offers three products: Business Interest Subsidy Grant, Business Incentive Loan, and Façade Improvement Grant. A general description of each product is provided below. Details on the terms of each product are included in Appendix C.

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Business Interest Subsidy Grant

The Business Interest Subsidy Grant addresses an existing gap by enhancing the access of Rainier Valley businesses to loan products currently offered by community-based lending organizations. This product targets borrowers who are less experienced, have poorer credit, and/or inadequate personal assets that could be used as "collateral." The purpose of this grant is to provide an opportunity for those businesses to improve their operations. The grants can be used for working capital or for machinery and equipment.

RVCDF will market the product to eligible businesses and will partner with an existing organization that currently provides a business loan product. The partner organization will originate the loan using its own monies, and the RVCDF will provide a commitment to pay half of the borrower's annual interest costs on the loan. Projections assume an average business loan provided by the partner organization of \$50,000 for a typical term of 10 years, with a total interest rate up to 15% annually. However, the partner organization's actual interest rates and loan terms may vary. The effect of the grant would be to lower the interest cost to the borrowing business and provide additional lending capacity in the Rainier Valley. Each individual transaction will be approved by the RVCDF Board.

Business Incentive Loan

Loan terms offered by commercial banks often limit creditworthy Rainier Valley businesses' ability to expand or improve their business operations. The Business Incentive Loan is intended to fill this gap. The purpose of the loan is to entice creditworthy businesses to start up, expand, or locate within the Community Development Investment Area, or to improve their existing plant and equipment. The loan can be used for working capital, purchasing equipment, improving or expanding the place of business, or purchasing the place of business. This loan is not intended to be used for refinancing of existing debt, unless that refinancing is part of a business expansion or relocation. There will be an initial target limiting working capital to no more than twenty percent (20%) of the total loan amount, but the amount of working capital included in the loan will be based on underwriting and credit risks specific to each transaction. The RVCDF will have the option of subordinating the business incentive loan to a primary loan or offering the incentive loan as a side-by-side loan with one from a partnering commercial bank.

To make the product attractive to borrowers, it features better-than-market terms that include a longer amortization period and lower interest rate than would be offered by commercial banks. The average loan size is assumed to be \$200,000 with a typical term of 15 years, but the loan may range from \$50,000 to \$500,000 or higher depending on the specific transaction and the life of the asset being financed. For floating rate loans (loans with interest rates that vary over time), rates will range from prime minus 1% to prime plus 1%. For fixed rate loans, interest rates will range from the prime rate to prime plus 2%.

Façade Improvement Grant

The Façade Improvement Grant addresses the gap in funding for physical rehabilitation of storefronts, and helps reduce the impediments in efficient delivery of existing funds for this purpose. The Façade Improvement Grant supports physical rehabilitation of business facilities by expanding the reach and enhancing the delivery of the City's current program. The grant is intended to augment the existing Good Neighbor Program which provides City of Seattle funds administered by SEED. The current program presents several opportunities for enhancement: marketing the program, supporting project design technical assistance, providing a match, or expanding the existing program to target specific blocks or areas. The grants will range up to \$25,000.

4.3.2. Real Estate Development

The Real Estate Development line of business includes loans and grants on income-producing property.

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An income-producing property is one that generates revenue to the property owner whether in the form of lease rents or income from property resale. The Real Estate Development line of business targets real estate projects that need additional incentive in the form of more attractive loan terms. The intent is to lower the effective cost of development by reducing the cost of loans that owners need to obtain to finance their developments. By lowering the cost of such loans, the Fund can help developer-owners achieve project feasibility despite the relatively lower rental rates characteristic of the Rainier Valley. Types of projects may include commercial developments (income-producing property, commercial condominiums or commercial live-work units), multi-family residential developments (townhouses, condominiums, or apartments), and mixed-use developments. Loans may be used for site acquisition and/or real estate development.

The Real Estate Development business line offers five products: Real Estate Financing Loan, Site Assembly Interest Subsidy Loan, Site Assembly Loan for For-profits, Site Assembly Loan for Non-profits, and Façade Improvement Grant (This product is the same as that described in the Business Development line of business). A general description of each product is provided below. Selected terms to be used as targets for each product are included in Appendix C.

Real Estate Financing Loan

The Real Estate Financing Loan helps to provide gap financing, a significant barrier to feasible real estate development in the Rainier Valley. The product is designed to fill the gap in available subordinate debt (that is, debt that is secondary to the existence of other primary debts in the project's financing package). The Real Estate Financing Loan forms the core of the Real Estate Development business line. The loan can be used for real estate development, including site acquisition.

The real estate loan offers long-term amortization and a low interest rate. The average loan size is projected to be \$2,000,000 with a typical amortization of 25 years and a typical term of 10 years. Interest rates will be negotiated based on market and project risk factors with an approximate target of 2%. There will be a minimum equity requirement, which will be negotiated. The real estate financing loan will target 80% loan-to-value ratio as established by appraisal; this may be adjusted upward or downward depending on risk. Factors in assessing risk include: personal guarantees, outside collateral, participation in cash flow, proceeds in refinance and sale, and the degree to which the project achieves pre-leasing.

In return for the favorable terms associated with this product, the Fund will participate in cash flow as well as in the proceeds from any sale or a refinancing of the property. Project cash flow will accrue to the Fund after the borrower first receives a preferred return on investment (ROI) to be targeted at 10%. After this 10% return to the borrower, the cash flow and proceeds of sale or refinance will be shared at a distribution of 70% to the borrower and 30% to the Fund. This distribution is also subject to negotiation based on the level of project risk and availability of project collateral. The loan lowers the developer's cost of capital and allows the developer to achieve a market return before needing to share cash flow with the Fund. The goal is to provide a fair return to the borrower while allowing the Fund to modestly participate in any above-market returns from the project.

Site Assembly Interest Subsidy Loan

This product helps to address the impediment of high carrying costs for land using currently available loan products. The product supports site acquisition and land assembly and is available for non-profit developers. The Fund will help non-profit developers by assuming some of the cost of assembling land in the Rainier Valley. RVCDF will partner with an organization that already funds site acquisition for non-profit developers. The partner organization will provide a loan for site acquisition, and the Fund will provide an interest-free loan for up to 50% of the interest costs of the primary loan. This percentage is not fixed and terms will be negotiated. If the prospective project proceeds to construction, the Fund is repaid



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its loan by the borrower no later than construction financing. If the project does not proceed, the Fund will be paid from the sale of the property, to the extent there are proceeds from a sale, unless otherwise pre-agreed with the RVCDF.

Site Assembly Loan for For-profits

Both Site Assembly Loan products address the overall financing gap for site assembly. This product fills a market gap by easing the annual carrying costs of land with interest-only payments. As with the site assembly interest subsidy loan, the purpose of this product is to help carry the cost of assembling land. However, in this case, the Fund provides the capital (i.e. is the lender). The average loan size is expected to be \$1,000,000 with a typical term of four years. Loan payments will be interest-only for the loan term with full repayment upon closing of the project financing or loan maturity. For for-profit borrowers, the interest rate will range from the prime rate to prime plus 2%. Loans up to 80% of project value will be considered, contingent on guarantees of personal and corporate assets.

Site Assembly Loan for Non-profits

The purpose of the Site Assembly Loan for non-profit borrowers is the same as described above for for-profit borrowers. However, some of the loan terms differ. For non-profit borrowers, the Fund will finance site assembly only in combination with another local non-profit lender. The Fund will take an equal position in sharing collateral, that is, if liquidation occurs the Fund will share the collateral equally with the other lender. The RVCDF will provide an incentive interest rate target of prime minus 2 ½ % to reduce the overall interest expense to non-profits for carrying land assembly costs. Interest may also be deferred for the term of the loan, based on underwriting.

Façade Improvement Grant

This product is the same as described in Section 4.3.1, but would be used within the Real Estate business line specifically to complement real estate financing loan packages on existing building upgrades.

4.4. Funding Criteria

This section describes funding criteria. Specifics on eligible borrowers and eligible projects are described for each line of business. The criteria include both required criteria and desirable criteria. Required criteria must be met for RVCDF issuance of a loan or grant. Some required criteria apply to all types of transactions, while others only apply to selected transaction types (for example, business loans for acquisition of land and buildings). Desirable criteria are non-required criteria that will be used to help distinguish among competing applications. Projects do not need to meet any or all the desirable criteria; however, meeting one or more of the desirable criteria will strengthen an application.

4.4.1. Business Development

Eligible Borrowers

Eligible borrowers or grantees are business owners having a place of business in the Community Development Investment Area or business owners (including start-ups) seeking to establish a place of business in the Community Development Investment Area (map shown in Section 4.1).

Eligible Projects

Required Criteria

General Criteria (all Business Development transactions):

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- Place of business to benefit from the loan must be located within the Community Development Investment Area.
- For the initial disbursement of funds, projects must be eligible CDBG activities and meet federal guidelines for providing benefit to low- and moderate-income households and neighborhoods, which may include the creation of new jobs in the Rainier Valley.²
- Projects must meet state constitutional lending of credit requirements, if applicable.³

Working Capital Loans:

- No additional criteria.

Equipment Loans:

- No additional criteria.

Loans on Land and Buildings:

- Project must be consistent with any applicable Neighborhood Plan adopted by the City Council.

Desirable Criteria Providing Additional Focus

Projects meeting the desirable criteria will generally receive more favorable consideration to the extent that they demonstrate the following:

General Criteria (all Business Development transactions):

- Creates new jobs in the Rainier Valley above and beyond that specified by CDBG requirements.
- Increases financial assets for Rainier Valley residents and businesses.
- Diversifies the mix of retail goods and services in the Rainier Valley.

Additional desirable criteria for loans on land and buildings:

- Projects that have any of the following public amenities (same as items referenced in 4.4.2.):
 1. Dedication of indoor or outdoor space for public use;
 2. Pedestrian enhancements, such as overhead weather protection, blank façade limitations, and façade transparency;
 3. Application of "Crime Prevention Through Environmental Design (CPTED) principles; or
 4. Other transit-oriented and pedestrian-oriented design elements responsive to neighborhood preferences as identified in the applicable City-approved Neighborhood Plan, Design Guidelines (Neighborhood and/or City) and/or Station Area Plan.
- Commercial space (not used by the borrower for his/her own business purpose) is leased to non-chain, non-franchise businesses.⁴

² This requirement applies only to use of CDBG funds or CDBG program income, and should not apply to use of loan repayments received by the RVCDF. Details on CDBG requirements are described in Appendix E.

³ This requirement applies only to General Funds disbursed in the first use as Community Development loans and grants and to revolved Sound Transit/King County funds in perpetuity. It does not apply to CDBG funds or money derived from CDBG funds. Details on requirements are described in Section 7.2.

⁴ "Non-chain, non-franchise" is intended to encourage the growth of locally-owned, community-oriented businesses that add diversity and interest to the goods and services available in the Rainier Valley.



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4.4.2. Real Estate Development

Eligible Borrowers

Eligible borrowers or grantees include for-profit and non-profit entities. The intent of the Real Estate Development line of business is not only to support developers of new projects, but also to encourage existing property owners in the Rainier Valley to rehabilitate, improve or expand their properties when doing so supports the Community Development Goals described in Section 4.2.

Eligible Projects

Required Criteria

General Criteria (all Real Estate transactions):

- Projects must be located within the Community Development Investment Area.
- Additionally, projects must either:
 1. Conform to the definition of transit-oriented development (TOD)⁵ or
 2. For projects along the Martin Luther King Jr. Way corridor south of South Henderson Street to the southern border of the Investment Area, must be within the existing Neighborhood Commercial or Industrial zones (see Map in Section 4.1.).
- Projects must conform to all applicable land use, building code, design, and planning requirements at the time of application for RVCDF assistance.
- Projects must be consistent with any applicable City-approved Neighborhood Plan, Design Guidelines (Neighborhood and/or City) and/or Station Area Plan.
- Community Development Program funds will not supplant other comparable resources available to the project.
- For the initial disbursement of funds, projects must be eligible CDBG activities and meet federal guidelines for providing benefit to low- and moderate-income households, which may include the creation of new jobs in the Rainier Valley.⁶
- For revolved funds, housing projects shall continue to provide affordable housing. For the purposes of this Community Development Program, the definition of "affordable" shall be as cited in the Code of Federal Regulations (24 CFR 570.208, 2005 Edition), generally defined as: at least 51% of housing units in the project occupied by households at or below 80% of area median income with affordable rent/sale price as established by City of Seattle guidelines.⁷
- Projects must meet state constitutional lending of credit requirements, if applicable.

Specific Criterion for Existing Buildings:

- Expansion or rehabilitation must either result in a net increase in permanent jobs, or materially contribute to the improved physical appearance and/or public safety of the neighborhood, or both.

Specific Criterion for New Residential Development Projects:

- If the funds are to be used for new construction activities on new multi-family residential projects or on the housing portion of new mixed-use development projects, the project must be carried out by a community-based development organization (CBDO) under U.S. Department of Housing and Urban Development (HUD) regulations. This requirement applies only to the use of CDBG funds or CDBG program income, and should not apply to use of loan repayments received by the RVCDF.

⁵ See Appendix A. Definitions and Map in Section 4.1.

⁶ This requirement applies only to use of CDBG funds or CDBG program income, and should not apply to use of loan repayments received by the RVCDF. Details on CDBG requirements are described in Appendix E.

⁷ This criterion is intended to secure long-term commitments to preserve housing affordability over time.



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Desirable Criteria Providing Additional Focus

Projects meeting the required criteria will generally receive more favorable consideration to the extent that they demonstrate the following:

- For projects containing residential rental units, the inclusion of units occupied by households with a range of household incomes at or below 60% of area median income.
- Include any of the following public amenities (same as items referenced in 4.4.1.):
 1. Dedication of indoor or outdoor space for public use;
 2. Pedestrian enhancements, such as overhead weather protection, blank façade limitations, and façade transparency;
 3. Application of "Crime Prevention Through Environmental Design (CPTED) principles; or
 4. Other transit-oriented and pedestrian-oriented design elements responsive to neighborhood preferences as identified in the applicable City-approved Neighborhood Plan, Design Guidelines (Neighborhood and/or City) or Station Area Plan.
- Commercial space (not used by the borrower for his/her own business purpose) is leased to non-chain, non-franchise businesses.⁸
- Support one or more of the following existing and emerging neighborhood business districts in the Community Development Investment Area:

Rainier Beach/South Henderson Street. Recent years have seen steady economic investment in Rainier Beach, including redevelopment of an anchor supermarket and the entry of another major grocery, drugstores, and small businesses. Neighborhood residents have identified increasing retail services and multi-family owner-occupied housing as neighborhood priorities. Rainier Beach is closely associated with the Rainier Beach/South Henderson Street light rail station, linked via South Henderson Street, and is a major hub for bus service along Rainier Avenue.

Othello/New Holly. This neighborhood node has been growing in economic activity. It has long been anchored by the residential community of Holly Park and in recent years has seen investment from private investors, as well as through the Seattle Housing Authority, who is undertaking a major redevelopment of Holly Park into a mixed-use, mixed-income active residential community. The area includes the Othello/New Holly light rail station and offers near-term potential for multiple mixed-use developments.

MLK at Graham/Orcas. This portion of Martin Luther King Jr. Way is home to a diverse array of businesses, many of whom are refugee and immigrant-owned. The intersection of MLK Jr. Way and South Graham Street includes commercial activity at each corner, and South Graham Street is an important access point into and out of the Rainier Valley due to its direct connection west to the I-5 freeway. Significant portions of this node are being impacted by light rail construction.

Columbia City/South Edmunds Street. This historic commercial and residential district has been steadily undergoing revitalization over the past decade. This is an opportunity for the Fund to support the economic momentum in this neighborhood, created by the efforts of many community individuals and organizations. The plans for this neighborhood identify a need for encouraging residential and commercial development in Columbia City, while limiting the extent of competing commercial development in the adjacent light rail station area. Columbia City is

⁸ "Non-chain, non-franchise" is intended to encourage the growth of locally-owned, community-oriented businesses that add diversity and interest to the goods and services available in the Rainier Valley.



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closely connected via South Edmunds Street to the Columbia City/South Edmunds Street light rail station and is a major hub for bus service along Rainier Avenue.

Mount Baker/South McClellan Street. The North Rainier area, the "gate" to the Rainier Valley from the north, is a hub of economic activity and a prime candidate area for catalyst development projects. The existing concentration of commercial activity and the proximity of employment centers offer the potential for additional retail, professional, and multi-family home ownership projects. The Mount Baker/South McClellan Street light rail station is associated with this neighborhood node.

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5. IMPLEMENTATION

5.1. Product Delivery Considerations

Potential delivery options were analyzed for each grant and loan product for which delivery options could be identified. A number of factors were considered in analyzing and selecting the preferred delivery option for each product.

It is deemed very important that the Board of the RVCDF, as a community-controlled financial institution, retains final decision making control on all transactions. At the same time, Board decision making must be supported with the appropriate level of technical expertise and with processes and systems that ensure accountability and tracking of funds. Additional factors in the analysis included product delivery methods that could be implemented simply and with minimal delivery costs, and ease of coordination among funders.

Consideration was also given to the utilization of existing organizational capacities, of both RVCDF and potential third-party service providers, and whether a delivery option helped build long-term RVCDF capacity. In particular, it was seen as beneficial to take advantage of existing relationships which the RVCDF has built in the community. Finally, the analysis of options looked at the current activities of the RVCDF staff on supplemental mitigation and outreach that will continue through the completion of light rail construction.

5.2. Product Delivery Methods

After careful analysis of the factors described above, a two-phased approach was structured for product delivery, with an initial "transition period" that will extend from 2005 to the end of 2007, and a "steady-state period" after 2007, when light rail construction is scheduled to be completed and supplemental mitigation activities will begin to phase out. The following section describes the delivery methods for each product in each of these two periods.

5.2.1. Business Development

Business Interest Subsidy Grant

As described earlier, the RVCDF will provide a grant to a cooperating lender to defray approximately half the annual interest costs of a business loan. The lender will originate the loan out of its funds, and the RVCDF will provide a commitment to the lender for half the loan's interest costs. Each individual transaction will be approved by the RVCDF Board, with only very limited RVCDF staff effort required for coordination with the cooperating lender. This product will be delivered in the same way both before and after 2007.

Business Incentive Loan

Assumptions

The following assumptions informed the choice of delivery method for the Business Incentive Loan. From 2005 through 2007 the volume of supplemental mitigation advances and activity will remain relatively high and constant, keeping existing RVCDF staff fully occupied. The underwriting required for the business incentive loan focuses on significant repayment risk and collateral concerns and may be different than that required for supplemental mitigation advances. Additionally, there is interest on the part of existing non-profit lenders to assist the RVCDF in the start-up of this product.

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Delivery Method

A phased staffing approach will be implemented. From 2005 through 2007, underwriting and packaging for the loan will be contracted out to existing non-profits. The RVCDF will facilitate a competitive selection process, issuing a Request for Proposals (RFP) to select one or more non-profit lenders. Marketing for the loan product will be carried out by existing RVCDF staff. The RVCDF Board will retain its role as the final decision maker regarding loans. Loan repayments will return to the Fund.

During this period the non-profit lender under contract will also work with RVCDF loan program officers to provide training in underwriting for this product. For back room servicing, which includes tasks such as collection of payments, payment of taxes, insurance, property inspections and monitoring, it is projected that the volume of loans will be relatively small in the transition period, so workload requirements will be nominal. The RVCDF Executive Director will determine the most efficient and effective means of providing for back room servicing.

As supplemental mitigation activities ramp down in 2007, the RVCDF Board will decide whether to continue contracting out the delivery of this product, or to provide underwriting services by RVCDF staff.

Rationale

Contracting out the delivery of this product will allow the RVCDF to focus its current staff capacity on its supplemental mitigation activities. Contracting out also combines the business underwriting skills of existing non-profit lenders with the RVCDF's knowledge of the community and outreach expertise. Finally, this approach keeps open the option of conducting the underwriting in-house after 2007.

Façade Improvement Grant

The Fund will leverage another provider, Southeast Effective Development (SEED), who currently administers façade improvement grants in the Rainier Valley through its Good Neighbor Program. The grant could provide support in a variety of ways: program marketing, supporting additional project design technical assistance, providing a funding match requirement, or expanding the existing program to target specific blocks or areas. RVCDF staff will work with SEED to determine the most effective way to provide RVCDF's grant support. This product will be delivered in the same way both before and after 2007.

5.2.2. Real Estate Development

Site Assembly Interest Subsidy Loan

The Site Assembly Interest Subsidy Loan for non-profits will be made by a cooperating lender. RVCDF will contract with a lending organization that already funds site acquisition. The Fund will provide an interest-free loan to the non-profit borrower in an amount equal to half of interest expenses for an average four year term. This is not a fixed percentage. If the project proceeds to construction, the Fund is repaid its loan by the borrower. If the project does not proceed, the CDF will be paid from the sale of the property, to the extent there are proceeds from a sale. This product will be delivered in the same way both before and after 2007.

Site Assembly Loans and Real Estate Financing Loan

Assumptions

The following assumptions informed the delivery method chosen for the Site Assembly Loans and Real Estate Financing Loan. Numerous non-profit and for-profit developers have expressed interest in applying

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to the Community Development Program for real estate financing and site assembly loans. At the same time, the skills set needed to analyze, negotiate and underwrite real estate transactions are significantly different than the skills required to conduct business lending due to the difference in required collateral, repayment sources and developer qualifications. The City of Seattle's Office of Housing (OH) has made an offer to share its project underwriting information with the RVCDF when a developer applies concurrently to both the RVCDF and OH at the same time for funds for housing developments. Similarly, the City's Office of Economic Development has offered to share underwriting information with the RVCDF when a borrower applies to both the RVCDF and OED for funds for commercial developments. At the same time, the competitive nature of real estate financing makes it difficult to find a non-profit lender who could provide underwriting for the RVCDF without a potential perceived conflict of interest.

Delivery Method

In 2005, the RVCDF will hire a part-time consultant to: 1) help create the systems to implement the real estate loan products, including creation of a loan committee with appropriate technical expertise, 2) assist in drafting a job description for a loan officer that includes the skills set and experience needed to successfully operate the real estate loan products, 3) assist in discussions/negotiations with borrowers who are preparing to apply to the Fund, 4) provide training for the RVCDF board, and 5) assist with the hiring of the real estate loan officer. In early 2006, the RVCDF will hire a real estate loan program officer to manage and conduct the underwriting for its real estate loan products. The RVCDF will also utilize the Office of Housing's assistance with project underwriting when a developer is applying concurrently to both the RVCDF and to OH for housing funding, and OED's assistance to provide underwriting when a developer is applying to both the RVCDF and OED for economic development funding. For non-profit borrowers of the site assembly loan, the RVCDF will develop a joint loan underwriting and servicing process with the other community lending partner. The RVCDF Board will retain final authority to approve each loan transaction.

Rationale

This approach is an optimal match within the context of available Community Development Program resources from 2005 through 2007. During this period, available revenues are limited so the number of real estate loans the Fund will be able to complete is low. However, with the anticipated level of interest in this product from the community, there will be a need to set up the systems early so that RVCDF can begin negotiating with potential developers in 2005 and 2006 and ultimately ensure a successful program.

5.3. Internal Staffing

The product delivery methods described in section 5.2 influence the RVCDF's required internal staffing configuration. Staffing levels may also change over time as volume and type of loan activity evolve, and as light rail supplemental mitigation activities ramp down in 2007. Projections indicate that the following required staffing levels and skills sets are necessary to support the Community Development Program. Final staffing levels and configuration may vary as the RVCDF and its partners gain experience with the loan and grant products.

It is anticipated that in-house staff will be required for the following functions:

- Executive Director
- Loan Program Officer(s)
- Business Assistance/Outreach
- Office Manager
- Pre-Apprenticeship Contract Monitor

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To carry out the product delivery approach described in the previous section, it is anticipated that the RVCDF will have the following in-house staffing levels:

For 2005, RVCDF staff will consist of the Executive Director, two program officers for SMA activities, one business assistance/outreach officer, one office manager, and one pre-apprenticeship contract monitor. This is the RVCDF existing budgeted staff, and no new staff will be hired. Two service contracts will be negotiated: one for underwriting services for the Business Incentive Loan, and one for part-time assistance to set up the systems for the real estate loan products.

For 2006, RVCDF will consist of the Executive Director, two program officers for SMA activities, one business assistance/outreach officer, one office manager, and one pre-apprenticeship contract monitor. Additionally, one new staff will be hired: the full-time real estate loan program officer. The real estate loan products support contract will be terminated, while the contract for underwriting services for the Business Incentive Loan will continue.

For 2007, RVCDF will consist of the Executive Director, two program officers for SMA activities, the real estate loan program officer, one business assistance/outreach officer, one office manager, and one pre-apprenticeship contract monitor. The contract for underwriting services for the Business Incentive Loan will continue.

After 2007, RVCDF will consist of the Executive Director, the real estate program officer, a combined business lending/outreach function and one office manager. Depending on the RVCDF Board's decision, the underwriting for Business Incentive Loans may continue to be contracted out or may be brought in-house.

The following table summarizes the anticipated RVCDF staffing levels described above.

Table 1. RVCDF Staffing Levels 2005 – 2008

	2005	2006	2007	After 2007
Executive Director	1	1	1	1
Program Officers for SMA Activities	2	2	2	0
Business Assistance/Outreach Officer	1	1	1	0
Office Manager	1	1	1	1
Pre-Apprenticeship Contract Monitor	1	1	1	0
Real Estate Program Officer	0	1	1	1
Combined Business Lending/Outreach Function	0	0	0	1
Total Staff	6	7	7	4
Service Contracts	- Underwriting for business incentive loan - Setting up real estate lending	Underwriting for business incentive loan	Underwriting for business incentive loan	TBD

A summary of skills sets for each staff function follows. The descriptions are intended to provide general guidance regarding the necessary job skills. Specific duties may vary.

5.3.1. Executive Director

The Executive Director serves as the chief staff member, provides leadership, and is the organization's main liaison to the Rainier Valley community, all community organizations, public and private funding

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sources, financial institutions, and the media. S/he oversees all management and program operations, and hires and supervises staff, interns, volunteers, and consultants/ and/or contracts with and monitors third-party service providers. The Executive Director reports to the RVCDF Board of Directors and is responsible for performing executive functions such as communicating with the Board and community stakeholders; overseeing all funding disbursements, lending and granting functions; accounting and financial management functions.⁹

5.3.2. Program Officer(s)

From 2005 to 2008, the number of program officers will vary. However, the basic responsibilities of the program officer(s) will include the following:

For grant and loan products provided directly by the RVCDF, the program officer screens requests, markets loan products to potential new borrowers, presents proposals for review by the RVCDF Board and Grants and Loans Committee, negotiates and closes all transactions, maintains data and files relating to all applications and transactions, and monitors and services the loan portfolio.

For loan products provided in conjunction with partner organizations, the program officer(s) will conduct any required RFP process, evaluate and make recommendations to the Executive Director and the Board regarding potential partner organizations, support contract negotiations with the partner organization, and coordinate product implementation between the RVCDF and the partner organization.

The Contract Monitor for the Pre-Apprenticeship Program will oversee the activities of this program under the guidance of the Executive Director and the RVCDF Board. The staff position will exist through 2007, when the four-year Pre-Apprenticeship Program will be completed.

5.3.3. Business Assistance/Outreach Officer

The Business Assistance and Outreach Officer will augment the outreach work conducted by the loan program officers. This role is particularly important in the Rainier Valley due to the diverse composition of the community. For the Community Development Program to be effective, it must be carried out in a culturally-appropriate way. One way to accomplish this is to have an outreach function in addition to the Loan Program Officers that can offer the time and extra effort necessary to work with potential clients from different ethnicities and cultures. In 2008, this role may shift to become a combined business lending/outreach function, depending on the RVCDF Board's decision regarding the delivery of the business incentive loan.

5.3.4. Office Manager

The Office Manager will be responsible for overall administrative management of the RVCDF office. The Office Manager assists the Executive Director on outreach and communications, coordinates with other community groups, answers inquiries about the Fund or RVCDF, and generally staffs the office. The Office Manager assists the Director in staffing the RVCDF Board, communicating with funders, maintaining corporate records, responding to all inquiries for applications, and maintaining office operations.

5.4. Operations

This section outlines the practices and procedures the RVCDF will exercise in receiving and evaluating applications for funding. RVCDF will use best practices within the lending industry and will rely on

⁹ The RVCDF will contract out to support the accounting, budgeting and financial management functions.



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recommendations from a Loan Committee consisting of technical experts. The Board will make final decisions on allocation of funds. The City of Seattle and Sound Transit will provide additional monitoring and oversight of the operations of the RVCDF as detailed in Section 6.

Transparent Loan Application Process

Access to the Community Development Program is open to any individual or entity who meets the criteria described in section 4.4. In conducting the application process, the RVCDF will strive to balance the need for flexibility in order to satisfy the opportunistic nature of development, and the need for clarity and openness of process to provide certainty to potential borrowers and partners. The RVCDF will ensure that the criteria and procedures for the loan application process is openly communicated to the public. The RVCDF will provide public notice of funds availability. Operating policies will be completed that provide detail on product underwriting, financial management, investment management, personnel, and conflict of interest. These policies will be available for public review, and they will form the basis of an open and transparent loan application process.¹⁰ Additionally, a Loan Committee, described below, will be established to provide professional advisory expertise on funding proposals.

Loan Committee

The purpose of the Loan Committee is to provide an objective financial review of specific funding proposals and to ensure technical rigor in funding decisions. The Loan Committee will be appointed by the RVCDF Board and consist primarily of professionals with skills in the business and real estate financing fields. These individuals, with expertise in the types of lending the RVCDF will conduct, will provide advice and assistance to the RVCDF Board to ensure appropriate financial and risk assessment of funding requests. The Committee may also include a representative(s) from the RVCDF Board. The Loan Committee will conduct its technical analysis and make a recommendation to the RVCDF Board for each funding proposal. The RVCDF Board will then make the final funding decision on all proposals.

Coordination with Other Lending Organizations

Whenever possible, RVCDF will coordinate its activities with other lending organizations. This coordination may include: alignment of dates for funding availability, use of common funding application materials, and sharing of applicable information on projects that may be seeking funds from multiple sources. In particular, applicants for real estate loans for projects that include housing development may be requesting funds from several organizations within the network of public funders of affordable housing, making the need for coordination especially strong. At the same time, it is recognized that the Fund may have a program mission that is different from that of other lending organizations. Hence, it is important that the RVCDF coordinate with but not be driven by or become mutually dependent on funding decisions of other organizations.

¹⁰ Application contents pertaining to individual financial information are confidential and will not be publicly available.



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5.5. Implementation Tasks

The RVCDF will complete the following tasks to implement the Community Development Program:

2005

- Augment underwriting policies and procedures as needed for new loan and grant products.
- Negotiate terms and conditions of contractual agreement with City of Seattle.¹¹
- Augment existing operating procedures as needed for new products.
- Implement RFP process for underwriting services for Business Incentive Loan.
- Select third-party partner to provide interim underwriting services for Business Incentive Loan product.
- Implement RFP process for consultant services to set up systems for real estate products.
- Establish Loan Committee for Community Development Program.
- Augment existing outreach plan to include the Community Development Program.
- Develop Notice of Funds Availability or other notification process to announce availability of Community Development Program funds to potential customers.
- Initiate proactive marketing effort for new products.

2006

- Hire a real estate loan program officer.
- Continue proactive marketing effort for new products.

2007

- RVCDF Board decides whether to continue contracting for underwriting services for Business Incentive Loan or whether to provide that function in-house.

¹¹ See Section 6 for additional detail.



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6. GOVERNANCE AND OVERSIGHT

The Rainier Valley Community Development Fund (RVCDF) organization will manage its City-funded loans and their proceeds in trust on behalf of the Rainier Valley Community as defined by the Community Development Investment Area described in Section 4.1. In its responsibility as Trustee, the RVCDF will hold only **legal title** to loan assets and Revolved Money, and shall use them as instruments to accomplish the public purposes identified in the Community Development Program ("CDP") as specified in this Plan, consistent with the terms of the contracts entered into by the City and the RVCDF to implement the Plan. The RVCDF may collect and re-lend or grant money consistent with the CDP, subject to the rights of the City upon certain events under the terms of the Trust Agreement, as generally described later in this Section.

Consideration of the governance structure included analysis of several alternative legal relationships that will define the relationship between the RVCDF and the City. A summary of that analysis is included in Appendix G. The criterion used to evaluate the alternatives includes:

- Support the creation of a community-controlled Fund,
- Assure the permanent commitment of the funds (both the initial allocations and the revolved funds) for Community Development Program purposes in the Rainier Valley,
- Create an accountability mechanism that enables the prompt protection of the CDP funds.

The following sections describe the oversight and governance roles of the RVCDF Board and funder agencies to promote the achievement of established goals for the Community Development Program.

6.1. RVCDF Board Governance

In overseeing the implementation of the Community Development Program, the RVCDF Board will make all final decisions regarding use and management of funds for the program, including the use of principal repayments and interest earned from loans and from idle funds. The Board will maintain the roles and responsibilities it currently fills in managing the Supplemental Mitigation Account (SMA) and Pre-apprenticeship activities, and will assume additional roles in its management of the Community Development Program (CDP). The Board's roles and responsibilities include:

- Overseeing use and management of all Fund monies;
- Approving and overseeing the annual budget;
- Hiring, evaluating and supervising the RVCDF's Executive Director;
- Assessing and approving the process by which all payments, advances, grants and loan write-ups, recommendations, and disbursements to fund prospective customers are made;
- Overseeing final design and implementation of the Community Development Program and the pre-apprenticeship training grant program;
- Overseeing the development of community outreach strategies;
- Overseeing compliance with all service and funding contracts;
- Reviewing and updating financial management, product underwriting, and personnel policies;
- Overseeing the monitoring and evaluation of third-party service contracts;
- Securing any additional funds for use by the RVCDF; and
- Setting the future direction of the Trust Assets consistent with the CDP and approving the RVCDF's business plan.

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The RVCDF Board will also carry out the following oversight functions specific to the Community Development Program:

- Selecting third-party service providers and approving associated contracts;
- Ensuring that program implementation is consistent with the Operating Plan and Operating Plan Amendment;
- Overseeing adjustments to funds allocations among lines of business within the Community Development Program;
- Overseeing changes in the terms of Community Development products and the mix of products offered; and,
- Monitoring the efficacy of the Community Development Program in achieving its mission and stated community goals.

6.2. Oversight by Funding Agencies

6.2.1. City of Seattle

Upon approval of the Community Development Program (CDP) by City Council ordinance and prior to signing of contracts for the use of city CDBG and general funds, the City of Seattle and the RVCDF will consummate a Trust Agreement that details the powers and responsibilities of the City of Seattle and the RVCDF as summarized below. The City will use annual contracts to direct the use of public funds appropriated to execute the CDP. The Trust Agreement will establish the obligations of the RVCDF as Trustee and will govern both the management of assets created by the use of City CDBG funds and subsequent uses of Revolved Money. It is anticipated that both the Trust Agreement and the first year funding agreements will be completed by the end of 2005.

The City of Seattle's primary oversight focus will be to monitor the activities of the RVCDF for consistency with the CDP and with the terms of contracts with the City. For loans and grants made directly with Community Development Block Grant (CDBG) money, the City, based on information provided by the RVCDF, will determine whether proposed activities meet the eligibility criteria for CDBG money. The City will rely on the RVCDF to determine the terms and conditions of the specific program actions within the scope of CDBG rules and contracts.

Changes to the Operating Plan Amendment

As detailed below in Table 2, the level of City concurrence needed to change the content of the Operating Plan Amendment depends on the scope of the proposed change. City concurrence for some changes is not required when the changes affect only uses of Revolved Money.

Table 2. City Concurrence Needed for Changes to the Operating Plan Amendment

Description of Change	Use of CDBG Funds	Use of Revolved Money
1. Change in terms of specific products.	No City concurrence needed so long as the change is consistent with CDBG rules and contracts.	No City concurrence needed
2. Change to cumulative allocation of 75% of CDP Money for real estate development and 25% for business development as detailed in Section 4.3.	Approval required from the Office of Economic Development or other designated department. OED must brief City Council on changes prior to issuing approval to RVCDF.	No City concurrence needed



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3. Material change in the type or delivery of products.	Approval required from the Office of Economic Development or other designated department. OED must brief City Council on changes prior to issuing approval to RVCDF.	Approval required from the Office of Economic Development or other designated department. OED must brief City Council on changes prior to issuing approval to RVCDF.
4. Any change in Required Funding Criteria or a material change to Desirable Funding Criteria as described in Section 4.4	Approval required from the Office of Economic Development or other designated department. OED must brief City Council on changes prior to issuing approval to RVCDF.	Approval required from the Office of Economic Development or other designated department. OED must brief City Council on changes prior to issuing approval to RVCDF.
5. Elimination or addition of a Community Development line of business.	Council approval	Council approval
6. Change in mission or objectives of the Community Development Program as defined in this Operating Plan Amendment.	Council approval	Council approval

Compliance and Performance

The RVCDF, under the management of its Board of Directors, will be primarily responsible for requiring that its borrowers, grantees, contractors and employees comply with program standards, applicable federal requirements, and legal restrictions on the use of public funds. The City will monitor the performance of the RVCDF in ensuring such compliance and in achieving the program objectives of the CDP. This role is outlined below in Table 3.

Table 3. Summary of the City of Seattle's Roles in Overseeing RVCDF Performance

Compliance Issue	Use of CDBG funds	Use of Revolved Money
Performance monitoring	- Review and approval of individual program actions for eligibility, and federal environmental review prior to release of funds. - Annual review of performance and CDBG compliance. - Onsite financial reviews conducted annually for years 2005 - 2007 and at least once every three years thereafter through 2013. - Annual review of audited financial statements. - Annual review of CBDO status.	- Annual report on the use of CDP funds, compliance with the Community Development Program, City contracts, and the Trust Agreement. - Annual review of audited financial statements. - Right to inspect records on request
Expenses for delivery of services associated with the CDP	Negotiated and monitored through the annual contracts between the RVCDF and the City.	Review of annual report on the use of CDP funds and annual audited financial statements
Recourse for ineligible use of funds	City will have various contractual remedies, including withholding disbursement under existing contracts, and recovery of money used for ineligible purposes. In addition, through 2012 or until such time as the City has obligated all general and CDBG funds to be provided to the Fund, the City may reduce or discontinue its annual contracts with the RVCDF. In addition, in case of uncured, willful, or repeated ineligible uses, the City	



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	may designate a substitute Trustee for management of Revolved Money and other Trust Assets.
Status of Funds in the event of the dissolution of the RVCDF	The City will designate another organization(s) to implement the Community Development Program which has: a proficiency in implementing similar programs; a demonstrated history and familiarity with, and commitment to the Rainier Valley; and a local governance structure that is inclusive of Rainier Valley residents and businesses. The organization(s) will take title to Revolved Money and other Trust Assets as Successor Trustee, to be used for Community Development Program purposes in the Rainier Valley.

Trust Agreement

The purpose of the Trust Agreement is to implement the intent that the Revolved Money and loan assets remain community-controlled and self-sustaining for the general welfare and benefit of the Rainier Valley community. The Trust Agreement will also establish standards of performance for the Trustee and the terms and conditions under which the City can designate a replacement Trustee. The key parties to the Trust Agreement are defined below:

- **Grantor (Trustor):** The City of Seattle
- **Trustee:** The Rainier Valley Community Development Fund or any Successor Trustee or Co-trustee so designated by the City.
- **Beneficiary:** The Rainier Valley Community as defined by the Community Development Investment Area in Section 4.1.

Basic Terms of the Trust

The Trust Agreement will specify that all CDBG funds provided to the Trustee that are used for loans, and all earnings, repayments, proceeds and reinvestments, direct and indirect, generated by those funds ("Trust Assets," more specifically defined in Appendix A), will be assets of the Trustee, **held in trust** for the Rainier Valley Community.¹² The Trustee shall hold only **legal title** to those assets, and shall use them only for Community Development Program ("CDP") activities of the types specified in the Trust Agreement, as it may be amended. The Trustee may collect, re-lend and grant money consistent with the CDP and the Trust Agreement, unless and until the Grantor designates a Successor Trustee or imposes restrictions under circumstances defined in the Trust Agreement, as generally described later in this Section.

The Trust Agreement will also include the following provisions:

- **Separate Trust Account:** The Trustee will institute and maintain controls and procedures to identify Trust Assets and keep them separate from other Trustee assets. A separate Trust Account, or accounts as may be necessary, will be used for loans, grants and program delivery costs as defined in the CDP and the Trust Agreement. The Trust Assets are not to be subject to the claims of general creditors of the Trustee. In addition, the Trustee, or any Successor Trustee, will require underlying borrowers to make their payments directly to the bank holding the Trust Account(s).
- **Holding of Promissory Notes:** Each original promissory note from a borrower, made payable to the order of the Trustee and indorsed by the Trustee in blank, will be delivered to and held by the City until the loan is paid in full. The purposes are to protect against any possible loss or

¹² Research with the National Community Capital Association suggests that the Trust structure is consistent with the RVCDF's potential interest in becoming a Community Development Financial Institution (CDFI).



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unauthorized disposition, and to enable the City to transfer the notes to any Successor Trustee. The City will not have the right to transfer the notes to itself or to collect payments for itself.

- *Deeds of Trust:* Deeds of trust on real estate granted by borrowers to secure the loans will name the beneficiary as the Trustee, specifically citing the Trust Agreement between the City and the Trustee.
- *Charitable Trust:* The agreement with the Trustee will expressly provide that the Trustee holds the Trust Assets as trustee of a **charitable trust** within the meaning of Washington law, RCW Ch. 11.110.

Performance Criteria of the Trustee

The Trustee is required to manage the Trust on behalf of the Rainier Valley Community according to the following performance criteria:

- *Legal Status:* The Trustee shall: (1) maintain its status as a 501(c)(3) charitable organization, (2) retain its status as a non-profit corporation legally organized and operating under the laws of the State of Washington, and (3) meet HUD guidelines for a Community Based Development Organization (CBDO) as established in 24 CFR Part 570 through the period of allocation of CDBG funds from the City to the CDP.
- *Sustainability of the Fund:* The City and Rainier Valley community have established a goal of creating a self-sustaining fund that actively invests in the Rainier Valley for the general welfare and benefit of the Rainier Valley community. In support of this goal, the Trustee shall operate under the following terms and conditions:
 - For each of the years 2005 through 2012, all Revolved Money collected in the prior calendar year (including principal, interest and fees) will be reserved in the Trust Account for activities consistent with the Community Development Program. Program delivery costs for the CDP during these years are restricted to costs not to exceed corresponding salary and operating expenses identified in Schedule F of Appendix F. At the discretion of the Office of Economic Development (OED) or any other City Department designated by the Mayor and to the extent agreed to in the annual contract with the City, the Trustee may: (1) exceed the operating expenses identified in Appendix F, and/or (2) use City general funds, CDBG and Revolved Money to pay for its program delivery costs.
 - For 2013 and each subsequent year, the Trustee will ensure that at least 70% of Revolved Money collected in the prior calendar year (including principal, interest and fees) will be reserved in the Trust Account for loans for activities consistent with the Community Development Program.
 - For 2013 and subsequent years, the Trustee may allocate up to 30% of total Revolved Money for the prior calendar year to disbursement of grants authorized under the CDP and/or to pay for CDP program delivery costs of the Trustee. The Trustee will have discretion to allocate these funds among loans, grants, and eligible costs in any given year as it deems appropriate, based on an evaluation of demand for grant funds in the community and the need to support ongoing program delivery costs; however, Trust Assets shall not be used to cover costs for the organization not properly allocable to the CDP.
- *Fiduciary Responsibilities:* The Trustee shall maintain strong accounting, financial management, and underwriting practices that meet or exceed industry standards for Community Development Financial Institutions. The Trustee shall maintain rigorous safeguards against any conflicts of interest and any personal benefits to directors, officers or related persons in connection with loans, grants or contracts involving Trust assets. At a minimum, the Trustee will annually submit the following documentation to help the City evaluate its performance:

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- An aging report detailing the status of all outstanding loans, including identification of which loans are current and which are in default;
- An annual audit that: (1) meets or exceeds federal standards for an A-133 audit, (2) reports separately on the financial status of the Trust and all other activities of the Trustee organization, and (3) confirms loan loss reserves maintained in a separate account as projected in the Community Development Program or as adjusted by mutual consent of the Trustee and the City based on actual portfolio performance in fulfillment of the Community Development Program.

Because of the purposes of the CDP, the Trustee would not have the same duty to assure preservation of principal or security of income, or to diversify, as might be the case for a trustee investing solely for financial returns to beneficiaries; however, the Trustee would exercise reasonable prudence in the making and administration of loans, consistent with achieving the purposes of the CDP.

- *Mixing of Assets:* The Trustee may make side-by-side loans using Trust Assets and other assets only if the Trust's loans are on no less favorable terms and rank at least equally as to security, and all payments are allocated pro-rata between the funding sources.
- *Contract Compliance:* Breach or default by the Trustee under the Trust Agreement or any related contract between the Trustee and the City for execution of the CDP will be considered non-performance under this paragraph.

Remedies for Non-Performance and Right to Cure

Upon the Trustee's failure to meet any of the performance criteria (listed in the previous section entitled "Performance Criteria of the Trustee") the Trustee shall have a right to cure any breach of the Trust Agreement or any related contract between the Trustee and the City before the City may replace the Trustee, except in the case of "triggering events" listed below. The City may initiate a cure process that obligates the Trustee to resolve the City's concern or submit a remedial plan of action satisfactory to the City. The intended effect of this provision is to insure that the Trustee has the right to cure issues of non-performance before the City may replace the Trustee, except in the case of "triggering events" listed below, but does not require the City to initiate a cure process on all performance issues. The City must initiate such a cure process by written notification to the Trustee. The Trustee shall have at least 30 days to respond to such a requirement upon written notification by the City of its concern.

After written notification initiating the cure process, the City shall have the right to appoint a Co-trustee on an interim basis and/or freeze the assets in the Trust Account by notice to the financial institution holding the Trust Account. The written consent of the interim Co-trustee would be required for all actions concerning the trust, with such exceptions as may be specified in the City's notice. The interim Co-trustee would not have the power to take any action without the consent of the Trustee. The term of any interim Co-trustee, and of any freezing of the Trust Account, would expire in 60 days, unless the City then has given notice of a triggering event, as described below, or the continuation of the Co-trustee is a condition of City approval of a remedial plan of action. The interim Co-trustee will remain in place until appointment of a Successor Trustee takes effect, or until any dispute as to a triggering event is resolved (using the dispute resolution procedures described later in this section), or until any conditions of a remedial plan for removal of the Co-trustee are satisfied.

In the event that the non-performance was associated with Trustee action that involved the use or disposition of Trust Assets contrary to the Trust Agreement, the City shall have the right to require the Trustee to reimburse its Trust Account from other sources of funds.

Triggering Events and Subsequent Actions



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The Trustee's failure to cure a matter of non-performance in a timely manner after written notice, in a manner satisfactory to the City, or its failure to perform any term of a remedial plan of action approved by the City, would be a "triggering event." Other "triggering events" would be:

- The dissolution, winding up or liquidation of the organization serving as Trustee;
- Its resignation as Trustee (or removal by court order);
- Bankruptcy, insolvency or receivership of the organization serving as the Trustee;
- Debarment of the organization serving as the Trustee from eligibility for federal funds;
- Cessation of CDP operations;
- Fraudulent conduct by the Trustee; or,
- Multiple instances of non-performance of a similar nature each of which causes the City to give notice and require a cure.

The City shall notify the Trustee after it determines that a triggering event has occurred. At any time after such written notification, the City would have the right to designate a Successor Trustee, approved by the City Council by ordinance or resolution. When designation of a Successor Trustee takes effect, all powers and rights of the Trustee with respect to the Trust Assets would cease, and the Trustee (and interim Co-trustee, if applicable) would be obligated to transfer all such assets to the Successor Trustee. The designation of a Successor Trustee would be effective thirty days after written notice unless the Trustee elects mediation as described below. If the Trustee elects mediation within 30 days, the effectiveness of the designation of a permanent Successor Trustee would be deferred until the dispute over the alleged triggering event is resolved. The Trustee would not be obligated to transfer Trust Assets to a Successor Trustee if the parties agreed on a resolution by which the Trust Assets would remain with the Trustee.

As an alternative to designating a Successor Trustee, after a triggering event the City could also appoint a permanent Co-trustee that would have various powers, and whose written approval would be needed for certain actions, as designated by the City. The dispute resolution provisions outlined in the following section are also available to the Trustee under this circumstance.

Dispute Resolution

Instead of the dispute resolution procedures in the Washington Trust and Estates Dispute Resolution Act, the following would apply after notice of a triggering event:

- **Mediation:** Upon notice from the City that a triggering event has occurred, the RVCDF (or any Successor Trustee), if it disputes that a triggering event has occurred, would have the right to request mediation, within thirty days of the City's written notice. At the timely written request of the Trustee mediation is mandatory. The mediation session would occur within sixty days after the written request for mediation.
- **Mandatory Binding Arbitration:** In the event the mediation fails to resolve the dispute, the RVCDF has the right to pursue arbitration. At the written request of the RVCDF the parties agree that arbitration is mandatory and its conclusions binding. Arbitration shall commence within 90 days after the completion of mediation.
- **Judicial Review:** Either party would have the right to file an action in King County Superior Court to enforce the arbitration decision. Either party would have the right to file a court action in King County Superior Court within 90 days of the arbitrator's decision, and to appeal that decision only on grounds specified in the Washington Arbitration Act, RCW Ch. 7.04, or any successor statute (including Ch. 433, Laws 2005). The party requesting judicial review must improve its position at the Superior Court level, or be responsible for the other party's attorney fees and costs.



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Interim Judicial Relief

During mediation or arbitration and pending any judicial review, either party could seek a temporary order from the Superior Court, or from the arbitrator if applicable, to preserve the Trust Assets or to provide for the ongoing ordinary activities of the Trust, which could include the designation of a single interim Trustee. The parties will agree in the trust agreement that if the Trustee and interim Co-trustee are at an impasse, a single interim Trustee should be appointed pending resolution of any dispute over a notice of a triggering event.

Obligations of Successor Trustee or Co-Trustee

In the event the City appoints either a Co-trustee or a Successor Trustee the terms and conditions described in the CDP and the Trust Agreement shall apply.

6.2.2. Sound Transit

Sound Transit's primary oversight responsibilities for the Community Development Program will be as follows:

- Sound Transit will be responsible for the oversight of Sound Transit funds remaining, if any, after the cessation of supplemental mitigation activities. This would include funds originally allocated by Sound Transit but revolved into the Community Development Program via loan repayments

6.2.3. King County

King County's primary oversight responsibilities for the Community Development Program will be as follows:

- King County will attend RVCDF Board meetings periodically, as it is doing currently. King County will have no contractual relationship with the RVCDF through the Operating Plan Amendment.



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7. CAPITALIZATION AND FINANCIAL FORECAST

7.1. Capitalization

The \$50 million Community Development Fund is being capitalized through annual appropriations of public funds through 2012. The sources of funds include the City of Seattle, King County and Sound Transit. The public financial resources include approximately \$7.2 million from Sound Transit/King County, and \$42.8 million from the City of Seattle, of which \$35.0 million are expected to be federal Community Development Block Grant (CDBG) dollars and \$7.8 million are expected to be General Fund dollars.

The \$7.2 million will be provided by Sound Transit as directed in the Downtown Seattle Transit Tunnel agreement. The tunnel agreement notes that Sound Transit's light rail project would recognize benefits and savings from joint operations in the tunnel as agreed to by King County. The agreement directs payments of \$7.2 million over seven years from Sound Transit to the Community Development Fund's supplemental mitigation account to be used "to support components of transit-oriented development (TOD) projects within the Rainier Valley that serve to increase transit ridership." Since the Operating Plan Amendment assumes an accelerated payment schedule for these funds and their use for supplemental mitigation, the three-party Downtown Seattle Transit Tunnel agreement will be administratively amended to reflect this. Funds for TOD projects will be provided instead through the funds contributed by the City of Seattle.

The \$7.8 million in General Funds and \$35 million of CDBG monies from the City of Seattle are funds that will be appropriated annually to the RVCDF and disbursed *at the time* that projects to be funded are identified and approved by the RVCDF Board and the City of Seattle. These funds will not be pre-allocated to the RVCDF in a lump-sum payment. The amount, timing and conditions of appropriations to the Community Development Program will be detailed in the annual funding agreements between the RVCDF and the City.

Table 4 below summarizes the yearly flow of appropriations to pay for the activities of the Fund.

Table 4. Summary of yearly capital contribution to the Fund (\$ millions)

	2004 ¹³	2005	2006	2007	2008	2009	2010	2011	2012	Total
Sound Transit ¹⁴	\$5.00	\$2.20								\$7.20
City of Seattle-CDBG	\$4.31	\$2.50	\$2.50	\$4.35	\$4.33	\$4.33	\$4.23	\$4.23	\$4.21	\$34.99
City of Seattle-General Fund	\$0.69	\$1.63	\$1.50	\$1.70	\$1.30	\$0.99				\$7.81
Public Grants Contributed	\$10.00	\$6.33	\$4.00	\$6.05	\$5.63	\$5.32	\$4.23	\$4.23	\$4.21	\$50.00

Of the total \$50 million Fund, up to \$21.5 million will be used on supplemental mitigation activities, and \$2 million has been earmarked for a four-year pre-apprenticeship program, per the 2002 Operating Plan. The remainder (at least \$19.5 million) will be available for the Community Development Program.

In addition to the \$19.5 million initially earmarked for the Community Development Program, any residual funds not used for supplemental mitigation activities, any funds repaid from supplemental

¹³ The figures for 2004 include funds for 2002 through 2004.

¹⁴ Funds provided by Sound Transit through the Downtown Seattle Transit Tunnel Agreement.



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mitigation advances (unless recommitted for supplemental mitigation), and any interest earned on community development loan payments, will also be applied to pay for the Community Development Program, under the restrictions and considerations described below. Additional detail on fund capitalization and annual cash flows is included in Appendix F.

7.2. Restrictions on Uses of Funds

The Fund is comprised of public financial resources from different origins (King County/Sound Transit, CDBG, and City General Funds), and certain restrictions apply to each source. The following section summarizes some of the restrictions and considerations that apply to each fund source.

Community Development Block Grant (CDBG) Funds

- Use of CDBG monies must meet a CDBG national objective, be consistent with the eligible CDBG activity as approved in the City's annual Action Plan element of its Consolidated Plan and must follow regulations of the U.S. Department of Housing and Urban Development. Appendix E provides additional information on HUD guidelines and requirements; however, the RVCDF must consult and follow the applicable regulations, as in effect from time to time, principally in 24 Code of Federal Regulations (CFR) Part 570.
- Article 8, Section 7 of the Washington state constitution prohibits gifts and loans to private persons or entities except for the support of the poor and infirm. This provision does not apply to CDBG monies because the City is acting as a conduit for these federal dollars to implement national objectives under federal regulations. CDBG funds may be used for a broad range of loans, grants or contractual payments to private persons and entities.

City of Seattle General Funds

- City General Funds are restricted in two basic ways: they must be used in a manner consistent with applicable law (including the state constitution and statutes and City Charter), and they must be used consistent with the City budget and other applicable ordinances.
- Article 8, Section 7 of the Washington state constitution applies to General Funds. This provision prohibits gifts and loans to private individuals or entities except for the necessary support of the poor and infirm.
- The financial projections for the Community Development Program indicate that the non-CDBG costs that will be incurred for the four-year job apprenticeship program and the RVCDF's program delivery costs through 2012 will use nearly all of the \$7.8 million of General Funds included in the \$50 million.¹⁵

Revolved Sound Transit/King County Funds

- Sound Transit/King County funds must be consistent with Sound Transit's statutory authority, which requires that "agencies providing high capacity transportation services, in cooperation with public and private interests, shall promote transit-compatible land uses and development." This restriction applies in perpetuity.

¹⁵ General Funds can be used for other general government purposes, but as mentioned above, there are restrictions on their use. In addition, there are more restrictions on the use of CDBG funds for program delivery purposes.



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- In practice, this means that these funds must be used for either 1) mitigation of Sound Transit light rail impacts to property owners and tenants, or 2) for transit-oriented development (TOD). Sound Transit/King County funds used for supplemental mitigation advances that are re-committed for supplemental mitigation, meet the first criterion. Supplemental mitigation advance repayments that are not re-committed for supplemental mitigation, must meet the second criterion.
- With regard to the second criterion, transit-oriented development (TOD) is not defined by statute. For the purposes of this Community Development Program the definition of TOD is one that has been jointly developed by the transit staff/divisions of the City of Seattle, Sound Transit, and King County, and with which the Operating Plan Amendment Steering Committee concurs. The definition is described in Appendix A.
- Examples of uses for which Sound Transit/King County funds might be used include: public amenities that would be used by transit riders; planning and financing costs of transit-related low-income housing; payments to fund (publicly owned) utility and street infrastructure that would otherwise have to be paid by private developers as a prerequisite to obtaining permits. If the uses listed above are included in real estate development projects, they may be considered for funding under the real estate financing loan product.
- Use of Sound Transit/King County Funds must also be consistent with Article 8, Section 7 of the Washington state constitution, as described in the preceding section on City of Seattle General Funds.

7.3. General Allocation of Funds by Program Area

As described in section 4.4 the initial lending and granting of public funds for community development purposes will target 25% of monies to Business Development and 75% to Real Estate Development. For subsequent use of loan repayments, the allocation between the two lines of business will be adjusted by the RVCDF if needed.

7.4. Financial Projections

Financial projections for the Community Development Program are included in Appendix F. The projections include:

- Cash Flow Summary
- Terms of Loan and Grant Products
- Loan Product Amortization Schedules
- Summary of Capital Draws
- CDF Operating Projections, and
- Multiple worksheets detailing the lending activities of the Fund.

Explanatory notes for each table are included in the Appendix.

Projected demand for Community Development Program products was estimated based on the experience of the National Development Council, the lead consultants for the financial analysis, as well as the expertise of members of the two Technical Advisory Committees which the RVCDF convened as part of the process of drafting this Operating Plan Amendment. One committee focused on real estate products and the other focused on the business products. These practitioners shared their professional observations

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that demand for the loan and grant products will almost certainly exceed the available supply of resources. At the same time, it is impossible to pre-determine the specifics of future markets. Likely, future cash flows will differ from the forecast presented here; however, the financial analysis does offer a general picture of projected finances for community development activities.

Projections have been developed for the years 2004 through 2013. There are several benchmark periods within that time period. Supplemental mitigation activity is projected to ramp down in 2007 so 2008 represents the first year when the RVCDF is significantly more focused on its community development products. Public funds are projected to end in 2012, so 2013 represents the first year in which the activities of the Community Development Program are funded solely from the revenues generated by the Program. To analyze program sustainability, specific attention has been paid to 2013 to gauge the likely success of the Fund in generating sufficient revenues from lending activity to continue community development activities and to fund adequate operations to support that program work. In 2013, the Fund is projected to generate enough resources to pay for program delivery costs and fund about \$2.8 million of additional Community Development Program activity. The financial forecast in Appendix F projects that this level of activity can be sustained indefinitely from that period on as ongoing loan payments are revolved for future lending.

Table 5. Yearly Cash Flows (\$ millions)

	2004 ¹⁶	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Total Revenues	\$10.02	\$10.93	\$4.90	\$6.54	\$6.51	\$7.70	\$6.05	\$7.31	\$7.73	\$3.81	\$65.43
Total Expenses	\$5.54	\$10.22	\$4.90	\$6.44	\$6.37	\$7.52	\$5.95	\$7.24	\$7.58	\$3.77	\$65.53
Net Cash Flow	\$4.48	\$0.71	\$0.00	\$0.10	\$0.14	\$0.18	\$0.10	\$0.07	\$0.15	\$0.04	<\$0.10
Interest on Idle Funds		\$0.06	\$0.01	\$0.01	\$0.01	\$0.02	\$0.01	\$0.02	\$0.02	\$0.01	\$0.15
Fund Balance	\$4.48	\$0.77	\$0.01	\$0.11	\$0.15	\$0.20	\$0.11	\$0.09	\$0.17	\$0.04	\$0.05

From 2004 to 2013, it is projected that the Fund will generate over \$65 million in revenues with the bulk, \$50 million, coming from public grants. The balance is generated from the program's loan products. Over the same period, the Fund is projected to spend approximately \$8 million (13%) on operating expenses, over \$15 million (25%) on supplemental mitigation activities, \$2 million (3%) on apprenticeship utilization activity, and over \$38 million (58%) on community development activities (\$1.24 million for grants and \$37.1 million in loans). The balance of expenditures, for loan loss reserves¹⁷ and reimbursement for unpaid legal costs, yields a balance of \$44 thousand that carries over into 2014.

Within the Business Development line of business, over \$320,000 will be made available to business district façade improvement efforts. The remaining grant funds, approximately \$805,000, will be used to inject additional capital into the community via the Business Interest Subsidy Grant. These grant funds will leverage over \$1.965 million in loan capital to Rainier Valley businesses, benefiting an estimated 40 businesses. Loan activity for the Business Incentive Loan is projected to total \$7.84 million and is estimated to benefit an additional 42 Rainier Valley businesses.

The Real Estate Development line of business will assist non-profit and for-profit developers to assemble sites and develop commercial and/or mixed use projects. Similar to the Business Development line of business, a portion of the Fund will be used to leverage other community lending, in particular for non-

¹⁶ The figures for 2004 include funds for 2002 through 2004.

¹⁷ Loan loss reserves are projected at 2 to 3 percent for Real Estate Loan products and the Business Incentive Loan. There is no loan loss reserve for the Business Interest Subsidy Grant and the Façade Improvement Grant because the Fund support will be in the form of grants.



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profit site assembly. The \$0.45 million in projected funding will leverage \$3.75 million of additional loan capital to non-profits benefiting an estimated 4 non-profit development projects. The balance of the Real Estate Development line of business, approximately \$28.5 million, will support other development efforts including 4 additional site assembly efforts and direct investment into 10 projects. The Real Estate Financing product is intended to fill the financing gap after other debt and private equity sources. The Fund is projected to loan \$21.54 million to real estate projects totaling \$107 million in total project costs.

In the final analysis of Fund activities from 2004 to 2013, public investments will total \$50,000,000. An additional \$15,424,526 will be generated from Community Development Program activities. Overall, over \$3.20 is leveraged for every \$1 of Fund resources.

Finally, to confirm the flexibility of the financial model, a number of sensitivity studies were conducted to gauge the model's viability. Variables tested included: interest earnings were reduced by 50%, loan losses were doubled, and grants were doubled. With those significant impacts to the model, in 2013, the Fund still generates approximately \$2.1 million for Community Development Program activities (compared to \$2.8 million under the base case assumptions) plus the necessary resources to support program delivery costs. The analysis shows that there is margin for adjustments to the loan terms without hindering the Fund's ability to fulfill its community mission.

The sensitivity analysis showed one variable, however, to be significant. The analysis looked at the impact of the Fund not disbursing loans at the projected levels. The volume of loans was reduced by 50%. This assumption resulted in the greatest reduction in funding available for ongoing Community Development Program activities, \$1.6 million, by 2013. Combining lower loan activity with any of the factors presented in the previous section: lower interest earnings, higher loan losses or increased grant funds, would significantly reduce the ability of the Fund to sustain its Community Development Program. Overall, the analysis shows that it is critical to the Fund's financial sustainability to maintain projected levels of loan activity and to complete well-assessed loan transactions resulting in repayments that will enable ongoing community development activity.

7.5. Sustainability

An important principal guiding the creation of the Community Development Program is that it be self-sustaining. The RVCDF has established the goal that funds disbursed for the Community Development Program will largely consist of revolving loans that will enable the program to sustain itself and serve as a lasting legacy to benefit the Rainier Valley community. CDBG revolved funds will become an asset of the Community Development Program that can be reinvested in the community as opposed to revert back to the City of Seattle in the form of program income, as CDBG monies normally would.

Operationally, sustainability also means the financial condition wherein total RVCDF revenues, exclusive of capital allocations and service fees from the City of Seattle and Sound Transit, meet or exceed the RVCDF's total operating expenditures.

A financial forecast has been developed to provide a financial benchmark against which to assess long-term sustainability of the programs. The primary determinants of sustainability are:

- (1) the mix between grant products and products providing a financial return;
- (2) the financial terms of the loan and equity investment products;
- (3) the schedule of transactions and repayment;
- (4) loan losses; and
- (5) the operating costs of the Fund.

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A mix of product delivery options was selected that maximize benefit to the community while leveraging the most cost-effective delivery methods and a schedule of terms and loan repayments that enables the Fund to be self-sustaining. The financial analysis shown in Appendix F describes how sustainability is achieved over the initial years of program implementation.

As stated previously, for analyzing sustainability, particular interest has been paid to financial projections in 2013. This is the first year in which all of the revenue used by the program is generated by lending activity. Under the current projections, 2013 revenues can fund over \$2.8 million of Community Development Program activity, along with the operating costs to support this level of activity. This annual figure is relatively sustainable into the future as more loans continue to be repaid. Additionally, there has been analysis to consider the effects of reduced income through reduced loan volume, lost interest, higher loan losses and increased grants. While these factors do reduce funds available to the program, the analysis still shows the generation of at least \$1.6 million for community development activities in 2013. As long as the Fund can maintain adequate levels of loan activity, the analysis suggests that the Fund will be sustainable with the recommended mix of products.

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Exhibit A

**APPENDICES
to the
RAINIER VALLEY COMMUNITY DEVELOPMENT FUND
OPERATING PLAN AMENDMENT**

July 19, 2005

**Prepared by:
Operating Plan Amendment Steering Committee**

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Robert Mohn, RVCDF Board
Patricia Paschal, RVCDF Board
Jaime Garcia, RVCDF Executive Director
Steve Johnson, City of Seattle
Ken Takahashi, City of Seattle
Q'Deene Nagasawa, Sound Transit
David Hopkins, King County

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Barbara Bell
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Nemesio Domingo
Elaine Hayes
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Operating Plan Amendment Appendices to Exhibit A



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APPENDIX A. DEFINITIONS

The following terms used in the Operating Plan Amendment have the following definitions unless otherwise noted.

Accounts Receivable. Money owed to a company by a customer for products and services provided on credit. This is treated as a current asset on a balance sheet. A specific sale is generally only treated as an account receivable after the customer is sent an invoice.

Amortization. The gradual elimination of a liability, such as a mortgage, in regular payments over a specified period of time.

Business Development. One of the two lines of business within the Community Development Program. Business Development consists of both loan and grant products to support business growth and development in the Rainier Valley.

Collateral. Assets pledged by a borrower to secure a loan or other credit, and subject to seizure in the event of default.

Community-Based Development Organization (CBDO). Community Development Block Grant funds may be provided to CBDOs to carry out certain activities in conjunction with neighborhood revitalization or community economic development. The criteria used to determine whether an organization qualifies as a CBDO are established in 24 CFR Part 570.

Community-controlled. An overarching principle that characterizes the Rainier Valley Community Development Fund and Community Development Program. Primary decision making authority on mission, programs and use and investment of funds resides with the organization's community-based Board, with oversight by funding agencies.

Community Development Block Grant or "CDBG". The federal Community Development Block Grant program, or funds provided under that program, as the context may require, and also includes any successor program under which the City shall receive, and allocate to the Trustee for the CDP, money that is eligible for the same purposes as are contemplated for CDBG funds in the OPA, but only if the rules of the successor program and applicable law permit the use of revenues derived from loans made with such successor program funds in the manner contemplated by the OPA for Revolved Money.

Community Development Investment Area. The geographic area within which the Rainier Valley Community Development Fund is focusing the activities of its Community Development Program. Any project seeking funding from the Community Development Program is required to be located within the Community Development Investment Area, as described in section 4.1. Note that the Community Development Investment Area is contiguous with the area targeted for "Community Development" activities in section 4.2 of the 2002 Operating Plan (page 11), and titled "Neighborhood Economic Development Target Area" in Figure 2, page 12 of the Operating Plan.

Community Development Program. One of two primary programs administered by the Rainier Valley Community Development Fund organization, the other being the Supplemental Mitigation Account activities. The Community Development Program is the subject of this Operating Plan Amendment. The

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Community Development Program includes two lines of business: Business Development, and Real Estate Development.

Community Development Program Products. The specific loan or grant products that are being provided through the Community Development Program. A description of each loan and grant product is included in section 4.3. and Appendix B.

Co-trustee. A second Trustee, appointed by the City on an interim basis, in the event that the Trustee does not meet the Performance Criteria described in Section 6 of the OPA. The City could also appoint a permanent Co-trustee if the Trustee does not cure for non-performance or if a "triggering event", as described in Section 6, has occurred.

Debt. One of the two categories in which business financing products are usually grouped in the finance industry. A debt product is an obligation owed to another person or entity and is required to be paid by a specific date.

Equity. One of the two categories in which business financing products are usually grouped in the finance industry. An equity product represents ownership interest in a corporation. With an equity product, an investor or lender makes a direct investment of resources with the expectation that they will share in the revenue or income earned from the project. The investor usually has a relatively active role in overseeing, guiding, and/or directing the activities for which the investment is used.

Fund. The \$50 million appropriation of public financial resources committed to the Rainier Valley for light rail supplemental mitigation and community development activities.

Funding agencies. The public agencies that are providing the primary capital contributions to the Rainier Valley Community Development Fund: City of Seattle, King County and Sound Transit.

Loan-To-Value Ratio. The ratio of the principal amount of a loan to the fair market value of an asset. Loan-to-value tells the lender if potential losses due to nonpayment may be recouped by selling the asset.

Low and Moderate Income. Low and moderate income means household annual income is less than the low-income limits for federal Section 8 Housing, generally about 80% of the area median income, as established by the U.S. Department of Housing and Urban Development (HUD).

Neighborhood Revitalization Strategy. A strategy developed under U.S. Department of Housing and Urban Development (HUD) regulations published on January 5, 1995 that authorizes entitlement recipients of federal Community Development Block Grants (CDBG) to develop comprehensive approaches to address economic development needs in a designated neighborhood within their community. HUD offers enhanced flexibility in undertaking economic development activities with their CDBG funds to communities with approved Neighborhood Revitalization Strategies.

Operating Plan. The 2002 plan that governs the Rainier Valley Community Development Fund overall and activities of the Supplemental Mitigation Account. The Operating Plan directed the Community Development Fund to develop an amendment to provide additional detail to describe the Community Development Program. This document is that amendment to the Operating Plan.

Prime. The interest rate that commercial banks charge their most creditworthy borrowers, such as large corporations.

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Proceeds. Money received through a sale or loan. The term sometimes refers to net proceeds (after any commissions, fees or other charges are deducted), and sometimes refers to gross proceeds (before such deductions).

Rainier Valley Community Development Fund (RVCDF). The Rainier Valley Community Development Fund is the community-based, non-profit organization that oversees and implements the use of the \$50 million of public funds provided for business supplemental mitigation and community development in the Rainier Valley. The RVCDF contracts with Sound Transit to manage the Supplemental Mitigation Account consistent with the Operating Plan, and will contract with the City of Seattle to manage the Community Development Program consistent with this Operating Plan Amendment.

Real Estate Development. One of the two lines of business within the Community Development Program. Real Estate Development consists of loan and grant products to support real estate and physical development in the Rainier Valley.

Refinancing. Paying off an existing loan with the proceeds from a new loan, usually of the same size, and using the same property as collateral.

Revolved Money. Amounts received by or for the Trustee that are derived from loans or grants of CDBG money provided by the City, which loans or grants are made by the Trustee as a CBDO carrying out an eligible neighborhood revitalization or community economic development project, and amounts received by or for the Trustee that are derived, directly or indirectly, from loans or investments of Revolved Funds. Revolved Funds include, without limitation, payments of interest, principal, earnings and shared appreciation on such loans, grants, or investments; proceeds to the Trustee of disposition of collateral therefor or property acquired with such loans or grants; revenues from the rental or operation of such collateral or other property; insurance proceeds payable to the Trustee on such collateral or other property; and any payments received directly or indirectly from the sale, disposition, exchange or conversion of instruments or contracts related to such loans or grants; however, "Revolved Money" does not include any money recaptured from a borrower or grantee because of ineligible use of CDBG funds, if under applicable regulations or HUD administrative requirements such recaptured amounts must be used under CDBG requirements.

Self-sustaining. An overarching principle of the Community Development Program. The Program's goal for the majority of funds disbursed is that they be used for revolving loans that will enable the revolving account to sustain itself in perpetuity and serve as a lasting legacy to benefit the Rainier Valley community.

Successor Trustee. A replacement Trustee appointed by the City when a "triggering event" (as defined in Section 6) has occurred. The Successor Trustee will have a proficiency in implementing similar programs, a demonstrated history and familiarity with, and commitment to the Rainier Valley, and a local governance structure that is inclusive of Rainier Valley residents and businesses. It will be required to meet all of the terms and obligations described in the OPA, the Trust Agreement, and any related contracts. Once the Successor Trustee is appointed they have all of the rights and powers of the Trustee they succeed.

Supplemental Mitigation Account (SMA). The initial line of business administered by the Rainier Valley Community Development Fund. The SMA consists of approximately \$21.5 million to support businesses along Martin Luther King Jr. Way that have been impacted by light rail construction.



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Transit-oriented Development (TOD). For the purposes of this Operating Plan Amendment, King County, Sound Transit, and the City of Seattle have jointly to the following definition, to which the RVCDF has concurred:

Generally, physical development that is functionally or physically related to adjacent or nearby transit facilities or transit service. TOD is defined as: Public or private development that supports and promotes transit use. It should be related physically or functionally to transit and includes three components:

1. **Location:** Development is within walking distance of major transit service (1/4 mile of any light rail station or bus stop with multiple routes and/or frequent service).
2. **Land use:** Development that supports and promotes transit ridership, such as housing, jobs, shopping, community services or recreation. Development should maximize transit use by making the best use of underlying zoning capacity to encourage moderate or high-density development clustered near transit. Development encourages a mix of uses, where allowed by underlying zoning.
3. **Design:** Development design that encourages neighborhood and pedestrian activity on the street. Development should enhance the environment for pedestrians in terms of safety, comfort and visual appeal.

Trust Assets. All loans and investments made by the Trustee with CDBG money provided by the City for the CDP, or made with Revolved Money; all rights of the Trustee in any collateral for any such loans; all property or interest therein acquired by the Trustee from any exercise of remedies on any such loans, or in full or partial satisfaction thereof, or in exchange for any Trust Assets; all Revolved Money; any other money or property that shall be contributed to the Trustee on condition that it becomes part of the Trust Assets, and any money or property derived by the Trustee directly or indirectly from Trust Assets.

Trustee. The person or entity that holds and manages the Trust Assets for the benefit of the Rainier Valley Community.

Underwriting. The process by which a lender decides whether 1) a potential creditor is creditworthy, and 2) the proposed use of the funds conforms to established program criteria.

Working Capital. Current assets minus current liabilities. Working capital measures how much in liquid assets a company has available to build its business. The number can be positive or negative, depending on how much debt the company is carrying and the maturity of the debt. In general, companies with significant working capital will be more successful since they can expand and improve their operations. Companies with negative working capital may lack the funds necessary for growth.

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APPENDIX B. SUMMARY OF COMMUNITY OUTREACH

The Rainier Valley community has participated in many planning initiatives during the past two decades. This Appendix includes a summary of significant initiatives, especially in recent years, whose priorities for community development in the Rainier Valley are particularly relevant. While the abbreviated descriptions below cannot do justice to the thousands of individuals and hours of effort that have contributed to these community involvement projects, they do aim to give a collective and cumulative picture of how the work of the Fund responds directly to the community's expressed needs and goals.

B.1. Current Process to Develop OPA (Early 2004 to present)

B.1.1. What: Since early 2004, a RVCDF-led Project Steering Committee has met weekly to develop the content of this Operating Plan Amendment. The Committee also established two Technical Advisory Committees to provide technical review of strategies and recommendations.

B.1.2. Who: The OPA Steering Committee has included representation from the RVCDF Board and staff, the City of Seattle, Sound Transit, and King County. The two Technical Advisory Committees have included for-profit and non-profit developers and leaders. Those involved in the technical committees include representatives from Impact Capital, Southeast Effective Development (SEED), HomeSight, Community Capital Development, City of Seattle Office of Economic Development, City of Seattle Office of Housing, Sound Transit, Seattle Housing Authority, Rainier Chamber of Commerce, Rainier Valley RVCDF, Cascadia Revolving Fund, KeyBank, and Mt. Baker Housing Association.

B.1.3. Relevant Conclusions: The results of the OPA Steering Committee's work are embodied in this Amendment. The two Technical Advisory Committees convened in January 2005 to review draft products and program criteria for the Community Development Program, and provided the following key reactions:

1. The mix of products being proposed is appropriate to existing market gaps and complements existing network of development financing programs.
2. Program criteria provide a clear sense of the intent of the Community Development Program, while allowing sufficient flexibility for the RVCDF Board to review individual projects.
3. Effective marketing will be an important factor in determining whether products offered connect with potential borrowers.
4. Ease of use and accessibility of loan products is important.
5. RVCDF can leverage the close relationships with and deep understanding it has of the Rainier Valley community to carry out its mission. This can be especially helpful in marketing products to potential borrowers and in providing technical assistance to help borrowers become "loan-ready."
6. RVCDF should leverage its comparative strengths and expertise and tap into the strength and expertise of other partners when doing so helps maximize benefit to the community by delivering products more cost-effectively.
7. RVCDF should strive to balance the need for strong underwriting expertise/track record and the need to retain a strong community connection in its work.

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B.2. Southeast Seattle Action Agenda (Autumn 2004)

B.2.1. What: In the autumn of 2004, the Southeast Seattle Action Agenda was a community-driven, City-staffed initiative to establish a vision for the community, building on past planning work. Community members participated in five topical sub-groups. Recommendations from two of these sub-groups, Business and Job Creation and Physical Development, have influenced the development of this Amendment. Also, the members of these two sub-groups were invited to serve as the members of the OPA Technical Advisory Committees to ensure continuity between the work of the Southeast Action Agenda and the development of the OPA.

B.2.2. Who: Active participation from approximately 60 community members representing a cross-section of Rainier Valley neighborhoods, businesses, non-profit agencies, and residents. A community member chaired each of the five sub-groups: Business and Job Creation, Physical Development, Education and Workforce Development, Public Safety/Image, and Arts, Culture and Public Space.

B.2.3. Relevant Conclusions:

1. The primary goals of two of the sub-groups are relevant to the Community Development Program. The Business and Job Creation sub-group identified its main goal as: Support existing businesses throughout the Rainier Valley and encourage investment in new business to: 1) preserve the multi-ethnic mix of local entrepreneurs; 2) provide opportunities for them to benefit from the increased economic activity that will result from the substantial public and private investment planned for the area; and 3) diversify and increase the availability of retail goods, services and jobs within the Rainier Valley.
2. The Physical Development sub-group established the following key goal: Promote opportunities for housing, commercial, mixed-use and transit-oriented developments that benefit the people who live and work in the Rainier Valley, while at the same time preserve the unique characteristics of existing neighborhoods and their racial, cultural and economic diversity. The Community Development Program responds directly to both these objectives.
3. Additionally, these two sub-groups established several Strategies to achieve their stated objectives which they asked the RVCDF to consider in developing the OPA. The following strategies are addressed through the Community Development Program:

Southeast Action Agenda Strategy <i>(specific Strategies are referenced directly from the Agenda)</i>	How Community Development Program Supports
Strategy 1.2.1. Increase awareness and usage of available business technical assistance and financing, with a particular emphasis on serving the multi-ethnic communities of the Rainier Valley in a culturally appropriate and effective manner.	RVCDF will continue to leverage its unique expertise in establishing relationships with small businesses, especially ethnic businesses, to provide culturally-competent technical assistance.
Strategy 1.2.3. and 2.2.5. Identify and fund a limited number of small to medium scale development projects that allow local businesses to become owners of their place of business.	The Business Incentive Loan and/or Real Estate Financing Loan can be used to support this goal.
Strategy 1.2.4. Create a more aggressive façade improvement program that targets existing	The Façade Improvement Grant is for this purpose.



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business nodes with the Rainier Valley, with particular emphasis on the Rainier Avenue corridor.	
Strategy 2.2.1. Develop additional financial tools to assist market rate and affordable rental and homeownership housing and commercial development.	Two of the real estate development products--Site Assembly Loans and Real Estate Financing Loan, can support this goal.
Strategy 2.2.5. Provide low-cost, long-term financing to make improvements to existing commercial properties, beyond façade improvements, in neighborhood business districts.	Either of the two Business Loan products or the Real Estate Financing Loan can be used to support this goal.

B.3. Previous OPA Community Outreach (Spring 2004)

B.3.1. What: In the spring of 2004, the RVCDF sponsored a community outreach effort to initiate planning for the OPA. The effort included 17 stakeholder interviews, attendance at the meetings of 17 neighborhood groups, a community forum with focus groups, and surveys (152 surveys total).

B.3.2. Who: A broad cross-section of the community participated in one or more elements of this effort. The Community Forum was attended by 31 individuals who live, work or do business in the Rainier Valley. Stakeholders interviewed: Emerald City Bible Fellowship, Emerald City Outreach Ministries, Urban League of Metropolitan Seattle, NAACP, New Covenant Christian Center, Center for Empowerment. SEED, Rainier Beach Neighborhood 2014. Interviews with professionals in the non-profit development and community lending industries included: Housing Resources Group, Windermere Real Estate, a local mortgage broker, a local real estate broker/agent, a commercial property owner & developer, Cascadia Revolving Fund, Community Capital Development, Evergreen Community Development, City of Seattle Office of Housing. Neighborhood meetings attended included: Center Park Residents Council, Columbia City Merchants Association, Columbia Place Residential Council, Courtland Action Team, East African Community Development Council, Emerald City Bible Fellowship, Emerald City Outreach Ministries, Genesee Merchants Association, Holly Park Merchants Association, Lakewood / Seward Park Neighborhood Association, MLK@Holly Neighborhood Association, New Covenant Christian Center, Rainier Beach Community Club, Rainier Beach Merchants Association, Rainier Beach Neighborhood 2014, Rainier Chamber of Commerce, Rainier Chamber of Commerce - Community Affairs, Somali Community Services Coalition, Southeast District Council, Union Gospel Mission-Youth Staff, and Vietnamese-American Economic Development Association.

B.3.3. Relevant Conclusions: The most significant community need identified through this outreach effort was for community economic development. Of 152 surveys collected, the top two responses focused on: 1) physical improvement, and 2) business development. Specifically, 71% of respondents expressed a desire to invest in physical improvements to building and properties in the area. Sixty-one percent (61%) of respondents identified the need to support economic development through business and job creation in the Rainier Valley. The results of individual interviews, community meetings, and the community forum echoed the same themes.

B.4. Other Planning Efforts

B.4.1. What: Beyond the current and recent planning described above, other community planning processes have taken place that inform the Fund's work. Among the most significant community-based initiatives have been:



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1. Neighborhood planning (1996 to 1999). Hundreds of residents in thirty-eight neighborhoods across Seattle participated in a City-sponsored, community-driven neighborhood planning effort from 1994 to 1999. In the Rainier Valley, community members coalesced to plan for four areas: North Rainier, Columbia City, MLK@Holly, and Rainier Beach.
2. Light rail station area planning (1998 to 2001). Community members engaged with a City-led initiative to plan for development around light rail stations, including land use, urban design, physical improvements, and economic development. In the Rainier Valley, the effort focused on the four light rail stations: North Rainier/McClellan Street, Columbia City/Edmunds Street, MLK@Holly/Othello Street and Rainier Beach/Henderson Street.
3. Southeast Action Plan (1990 to 1991). The Southeast Action Plan was a community-driven comprehensive planning effort led by Southeast Effective Development. Progress on the plan is reported out by the City of Seattle annually.

Additionally, there have been City-sponsored assessments of the Rainier Valley community. These have included:

1. City of Seattle 2004-2008 Consolidated Plan. The Consolidated Plan is used by cities, counties and states to identify housing, homeless, human and economic development needs and to develop the long-term strategies to address them. The U.S. Department of Housing and Urban Development (HUD) requires any city jurisdiction seeking funding under a group of federal programs to submit a Consolidated Plan. In particular, the Consolidated Plan includes a Needs Assessment to ascertain priorities for CDBG funds.
2. Southeast Neighborhood Revitalization Strategies (2000). Designation as a Neighborhood Revitalization Strategies area enables Southeast Seattle to gain additional flexibilities in how federal Community Development Block Grant resources are used in the community. A set of Revitalization Strategies is developed that captures community priorities, and tracks progress on those priorities over time.

B.4.2. Who: Thousands of Rainier Valley community members have contributed to the completion of these plans and assessments.

B.4.3. Relevant Conclusions: Whether at a neighborhood-specific level or community-wide, all of the plans listed above have identified the need to 1) improve the physical environment and 2) support business activity and job growth in the Rainier Valley.



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APPENDIX C. TERMS OF COMMUNITY DEVELOPMENT PRODUCTS

Grant Products

Façade Improvement Grants

Business Interest Subsidy Grants

Descriptions

Façade Improvement Grants \$ 20,000 average grant

The Façade Improvement Grant addresses the gap in funding for physical rehabilitation of storefronts, and helps reduce the impediments in efficient delivery of existing funds for this purpose. The Façade Improvement Grant supports physical rehabilitation of business facilities by expanding the reach and enhancing the delivery of the City's current program. The grant is intended to augment the existing Good Neighbor Program which provides City of Seattle funds administered by SEED. The current program presents several opportunities for enhancement: marketing the program, supporting project design technical assistance, providing a match, or expanding the existing program to target specific blocks or areas. The grants will range up to \$25,000.

Business Interest Subsidy Grants

\$ 50,000 10 years Interest rate 15.0% CDF Fee 1.0% 100.0%

The Business Interest Subsidy Grant targets borrowers who are less experienced, have poorer credit, and/or inadequate personal assets that could be used as "collateral." The purpose of this grant is to provide an opportunity for those businesses to improve their operations. The grants can be used for working capital or for machinery and equipment. RVCDF will market the product to eligible businesses and will partner with an existing organization that currently provides a business loan product. The partner organization will originate the loan using its own monies, and the RVCDF will provide a commitment to pay half of the borrower's annual interest costs on the loan. Projections assume an average business loan provided by the partner organization of \$50,000 for a typical term of 10 years, with a total interest rate up to 15% annually. However, the partner organization's actual interest rates and loan terms may vary. The effect of the grant would be to lower the interest cost to the borrowing business and provide additional lending capacity in the Rainier Valley. Each individual transaction will be approved by the RVCDF Board.

Partner Loan:

Repayment Schedule

	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	YR10	TOTALS
Annual Debt Service	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$96,801
Annual Interest Portion	7,344	6,968	6,532	6,026	5,439	4,757	3,965	3,047	1,980	743	46,801
Annual Principal Portion	2,336	2,712	3,148	3,654	4,241	4,923	5,715	6,633	7,700	8,937	50,000
CDF Annual Expense to Lender	3,672	3,484	3,266	3,013	2,719	2,378	1,983	1,523	990	371	23,400
RV Business Expense to Lender	6,008	6,196	6,414	6,667	6,961	7,302	7,697	8,157	8,690	9,309	73,400

For the average business loan - required repayments to the lender would amount to \$9,680 per year. The Rainier Valley business would be responsible for ALL principal payments PLUS 50% of interest expenses. The CDF would pay the other 50% of interest expenses through a grant with the partner organization. The full cost of this grant over the 10 year life of the loan amounts to \$23,400. In the end, the CDF "enables" the partner organization to make available a \$50,000 loan with the full cost to the CDF of \$23,400. This program is described as a grant program because CDF funds are provided as a grant to the partner lending organization.

Business Incentive Loans

Average Loan Size	Average Amortization	Interest Rate	Loan Fee	Loss Rate
\$ 200,000	15 years	5.0%	1.5%	3.0%

Loan terms offered by commercial banks often limit creditworthy Rainier Valley businesses' ability to expand or improve their business operations. The Business Incentive Loan is intended to fill this gap. The purpose of the loan is to entice creditworthy businesses to start up, expand, or locate within the Community Development Investment Area, or to improve their existing plant and equipment. The loan can be used for working capital, purchasing equipment, improving or expanding the place of business, or purchasing the place of business. This loan is not intended to be used for refinancing of existing debt, unless that refinancing is part of a business expansion or relocation. There will be an initial target limiting working capital to no more than twenty percent (20%) of the total loan amount, but the amount of working capital included in the loan will be based on underwriting and credit risks specific to each transaction. The RVCDF will have the option of subordinating the business incentive loan to a primary loan or offering the incentive loan as a side-by-side loan with one from a partnering commercial bank.

To make the product attractive to borrowers, it features better-than-market terms that include a longer amortization period and lower interest rate than would be offered by commercial banks. The average loan size is assumed to be \$200,000 with a typical term of 15 years, but the loan may range from \$50,000 to \$500,000 or higher depending on the specific transaction and the life of the asset being financed. For floating rate loans (loans with interest rates that vary over time), rates will range from prime minus 1% to prime plus 1%. For fixed rate loans, interest rates will range from the prime rate to prime plus 2%.

Repayment Schedule										
Example for Typical Loan:	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	TOTALS
Annual Debt Service	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	\$189,790
Annual Interest Portion	9,791	9,321	8,827	8,308	7,762	7,188	6,585	5,951	5,284	73,600
Annual Principal Portion	9,188	9,658	10,152	10,671	11,217	11,791	12,394	13,028	13,695	116,191
Annual CDF Income (principal and interest)	18,979	18,979	18,979	18,979	18,979	18,979	18,979	18,979	18,979	189,790

Grant Products

Façade Improvement Grants

Descriptions

Façade Improvement Grants

\$ 20,000 average grant

The Façade Improvement Grant addresses the gap in funding for physical rehabilitation of storefronts, and helps reduce the impediments in efficient delivery of existing funds for this purpose. The Façade Improvement Grant supports physical rehabilitation of business facilities by expanding the reach and enhancing the delivery of the City's current program. The grant is intended to augment the existing Good Neighbor Program which provides City of Seattle funds administered by SEED. The current program presents several opportunities for enhancement: marketing the program, supporting project design technical assistance, providing a match, or expanding the existing program to target specific blocks or areas. The grants will range up to \$25,000.

Loans/Investments

Site Assembly Interest Subsidy Loan

Site Assembly Loan

Real Estate Development Financing

Descriptions

Site Assembly Interest Subsidy Loans

Average Loan

Size

Average Term

Interest Rate

Loan Fee

Loss Rate

\$ 1,000,000

4 years

6.0%

1.0%

2.0%

This product helps to address the impediment of high carrying costs for land using currently available loan products. The product supports site acquisition and land assembly and is available for non-profit developers. The Fund will help non-profit developers by assuming some of the cost of assembling land in the Rainier Valley. RVCDF will partner with an organization that already funds site acquisition for non-profit developers. The partner organization will provide a loan for site acquisition, and the Fund will provide an interest-free loan for up to 50% of the interest costs of the primary loan. This percentage is not fixed and terms will be negotiated. If the prospective project proceeds to construction, the Fund is repaid its loan by the borrower no later than construction financing. If the project does not proceed, the Fund will be paid from the sale of the property, to the extent there are proceeds from a sale, unless otherwise pre-agreed with the RVCDF.

Example for Typical Loan:

Repayment Schedule

	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9
Annual Debt Service	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Annual Interest Portion	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
Annual Principal Portion -	0	0	0	0	1,000,000	0	0	0	1,000,000
CDF Annual Expense	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Non-Profit Annual Expense	30,000	30,000	30,000	30,000	1,030,000	30,000	30,000	30,000	1,030,000
CDF Income	0	0	0	0	120,000				120,000

One Loan Cycle

	Average Loan Size	Average Term	Interest Rate	Loan Fee	Loss Rate
Site Assembly Loan	\$ 1,000,000	4 years	5.0%	1.5%	2.0%

The Site Assembly Loan addresses the overall financing gap for site assembly. As with the site assembly interest subsidy loan, the purpose of this product is to help carry the cost of assembling land. However, in this case, the Fund provides the capital (i.e. is the lender). This product fills a market gap by easing the annual carrying costs of land with interest-only payments, and will be available to both non-profit and for-profit developers. The average loan size is expected to be \$1,000,000 with a typical term of four years. For for-profit borrowers the interest rate will range from the prime rate to prime plus 2 percentage points. Loans up to 80% of project value will be considered, contingent on guarantees of personal and corporate assets. Loan payments will be interest-only for the loan term with full repayment upon closing of the project financing or loan maturity.

For non-profit borrowers, the Fund will finance site assembly only in combination with another local non-profit lender. The Fund will take an equal position in sharing collateral, that is, if liquidation occurs the Fund will share the collateral equally with the other lender. The RVCDF will provide an incentive interest rate target of prime minus 2 1/2% to reduce the overall interest expense to non-profits for carrying land assembly costs. Interest may also be deferred for the term of the loan, based on underwriting.

Example for Typical Loan:

	Repayment Schedule								
	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9
Annual Debt Service	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Annual Interest Portion	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Loan Repayment	0	0	0	0	1,000,000	0	0	0	1,000,000
CDF Annual Income	50,000	50,000	50,000	50,000	1,050,000	50,000	50,000	50,000	1,050,000
					One Loan Cycle				



Real Estate Financing Loans

Average Loan Size	Average Amortization	Average Term	Interest Rate	Loan Fee	Loss Rate
2,000,000	25 years	7 - 10	2.0%	1.5%	3.0%

The Real Estate Financing Loan helps to provide gap financing, a significant barrier to feasible real estate development in the Rainier Valley. The product is designed to fill the gap in available subordinate debt (that is, debt that is secondary to the existence of other primary debts in the project's financing package). The Real Estate Financing Loan forms the core of the Real Estate Development business line. The loan can be used for real estate development, including site acquisition.

The real estate loan offers long-term amortization and a low interest rate. The average loan size is projected to be \$2,000,000 with a typical amortization of 25 years and a typical term of 10 years. Interest rates will be negotiated based on market and project risk factors with an approximate target of 2%. There will be a minimum equity requirement, which will be negotiated. The real estate financing loan will target 80% loan-to-value ratio as established by appraisal; this may be adjusted upward or downward depending on risk. Factors in assessing risk include: personal guarantees, outside collateral, participation in cash flow, proceeds in refinance and sale, and the degree to which the project achieves pre-leasing.

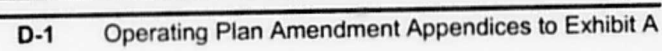
In return for the favorable terms associated with this product, the Fund will participate in cash flow as well as in the proceeds from any sale or a refinancing of the property. Project cash flow will accrue to the Fund after the borrower first receives a preferred return on investment (ROI) to be targeted at 10%. After this 10% return to the borrower, the cash flow and proceeds of sale or refinance will be shared at a distribution of 70% to the borrower and 30% to the Fund. This distribution is also subject to negotiation based on the level of project risk and availability of project collateral. The loan lowers the developer's cost of capital and allows the developer to achieve a market return before needing to share cash flow with the Fund. The goal is to provide a fair return to the borrower while allowing the Fund to

Example for Typical Loan:

Repayment Schedule

	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9
Annual Debt Service	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725
Annual Interest Portion	39,431	38,174	36,891	35,582	34,247	32,885	31,496	30,078	28,632
Annual Principal Portion	62,294	63,551	64,834	66,143	67,478	68,840	70,229	71,647	73,093
Cash Flow Participation					100,000	100,000	100,000	100,000	100,000
CDF Annual Income	101,725	101,725	101,725	101,725	201,725	201,725	201,725	201,725	201,725

APPENDIX D. RAINIER VALLEY ZONING



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APPENDIX E. KEY CDBG REQUIREMENTS AND CONSIDERATIONS

This appendix summarizes some of the key statutory and regulatory provisions that must be considered prior to use of federal Community Development Block Grant (CDBG) funds. The Trustee will evaluate the eligibility of projects proposed to be funded by CDBG funds according to all the applicable rules and regulations under 24 Code of Federal Regulations (CFR) Part 570.

The following statutory and regulatory provisions are among the key requirements the Trustee must consider prior to proposing use of CDBG funds.

1. The project must meet a CDBG national objective.
2. The project must be a CDBG eligible activity authorized in the City's Action Plan.
3. An economic development activity generally must satisfy applicable federal public benefit standards.
4. The project must undergo federal environmental review.
5. The project must satisfy federal Davis Bacon – prevailing wage requirements and other labor standards, if applicable.
6. Compliance with federal property acquisition, non-displacement and relocation provisions is required.

The following is a summary description of applicable regulations for the six provisions listed above. Numbered notations refer to the Code of Federal Regulations (CFR).

1. CDBG National Objective

Each CDBG funded project must meet a national objective. In the case of the Community Development Program, that objective is benefit to low- and moderate-income persons (CFR 570.208). This objective generally can be met if the project fulfills one of the following criteria:

- Creation of permanent jobs (not construction jobs)
 - 51% of jobs benefit low-moderate income persons (see Appendix A)
 - Jobs presumed to benefit low-moderate income individuals in low income areas
- Creation of affordable housing: A unit is affordable if (i) it is occupied by a low- and moderate-income person and (ii) the rent/sale price does not exceed guidelines published annually by the City of Seattle. Generally, 51% of housing units need to be affordable.
- Creation of area benefit¹
 - 51% of residents are low- and moderate-income persons
 - Primarily residential area
 - Project provides benefits available to all area residents (e.g., local grocery store)
- Limited clientele
 - 51% of those receiving benefit are low- and moderate-income persons

¹ Job creation or retention efforts undertaken pursuant to an approved Neighborhood Revitalization Strategy (see Appendix A) and focusing on the selected neighborhood are deemed to meet the national objective requirements for low/mod area benefit.



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- o Presumed limited clientele for activities that exclusively serve certain groups²

2. CDBG Eligible Activity

Each CDBG funded project must involve an eligible activity. For the Community Development Program outlined in this Operating Plan Amendment, the Trustee will issue grants and loans with CDBG funds as a Community Based Development Organization (CBDO) under the authority of CFR 570.204. This provision allows the City to provide CDBG funds to a qualified CBDO to carry out certain activities in connection with neighborhood revitalization and/or community economic development.

- A neighborhood revitalization project must include activities of sufficient size and scope to have an impact on the economic distress of a particular neighborhood.
- A community economic development project must include activities that will increase economic opportunity, principally for low and moderate income persons, or that retain or create jobs. Projects that address a lack of affordable housing accessible to existing or planned jobs are considered eligible under a community economic development project.
- A CBDO must demonstrate "direct and controlling" involvement for a project to qualify under CFR 570.204. The CBDO can demonstrate this by undertaking the activity directly or through a contract with an entity other than the City. When the CBDO is a lender, the CBDO must structure the loan documents to enforce compliance with HUD requirements.
- CDBG rules regarding subrecipients of City CDBG funds do not apply to a CBDO, unless otherwise stipulated by the City (CFR 570.500).

The Trustee will also use CDBG to fund the supplemental mitigation activities of the Community Development Fund. Examples of eligible activities applicable to the Supplemental Mitigation Program include:

- Acquisition of real property by a nonprofit entity for a public purpose (CFR 570.201)
- Rehabilitation of buildings and properties (CFR 570.202)
- Micro enterprise assistance (CFR 570.201(o))
- Special economic development activities (CFR 570.203), including:
 - o Acquisition, construction loans, and grants to non-profits
 - o Loans and grants for economic development to for-profits

3. Public Benefit Standards for Special Economic Development Activities

The City must ensure that a minimum level of public benefit is obtained when CDBG funds are used for special economic development projects. Public benefit standards are to be applied to activities funded under relevant categories, jobs and provisions of goods and services, both on an individual activity basis and on all such activities in the aggregate.

- Individual Activity Standards:
 - o For an activity that creates or retains jobs, the use of CDBG funds cannot exceed \$50,000 per full-time equivalent for each permanent job; or,
 - o For an activity that provides goods and services to residents of an area, the amount of CDBG funds provided for the activity cannot exceed \$1,000 per low- and moderate-income person served.

² Refers to projects and programs that serve exclusively a specific target group of clientele, for example, the homeless.



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- **Aggregate Standards:** Activities that are subject to the public benefit standards and pass the individual activity tests outlined above also must generally, in the aggregate, either:
 - Create or retain at least one full-time equivalent, permanent job per \$35,000 of CDBG funds used for all such activities; or,
 - Provide goods and services to residents of any area, such that the number of low- and moderate-income persons residing in the area served by the assisted business amounts to at least one low- and moderate-income person per \$350 of CDBG funds used for all such activities.

Any activity that provides services to the residents of an area or creates or retains jobs through businesses assisted in an area pursuant to a Neighborhood Revitalization Strategy approved by HUD under the provisions of 24 CFR Part 91.215(e) may be excluded from the aggregate standards described above per 24 CFR Part 209(b)(2)(v).

4. Environmental Review

Each CDBG funded project must undergo federal environmental review (24 CFR Part 58).

- A project is not eligible for CDBG funding unless it has first undergone and satisfied federal environmental review requirements.
- Federal environmental review includes items such as historical review of a property, and compliance with certain federal environmental laws such as the Endangered Species Act and the Coastal Zone Management Act. This process is distinct from an EIS or Phase 1 environmental review.
- The review is performed by the City of Seattle Human Services Department with review time generally ranging from 2 weeks to 2 months depending on the project scope.
- The process must be complete, generally meaning approval by HUD of a Request for Release of Funds, before actions are taken on the project, including actions using other sources of money.

5. Davis-Bacon Prevailing Wage

Certain CDBG funded projects must comply with federal Davis-Bacon prevailing wage requirements and related labor laws.

- This requirement is triggered when CDBG funds are used to finance construction.
- The requirement is not triggered by use of CDBG for acquisition and soft costs.

6. Uniform Relocation Act and Other Non-displacement and Relocation Rules

CDBG funded projects need to comply with the City of Seattle's Residential Anti-displacement and Relocation Assistance Plan, as well as all relocation assistance required by 24 CFR Section 42; the federal Uniform Relocation Act and regulations thereunder, 49 CFR Part 24; 24 CFR Section 570.606 and any other applicable federal laws or regulations.



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APPENDIX F. FINANCIAL PROJECTIONS

**RAINIER VALLEY
COMMUNITY DEVELOPMENT FUND
FINANCIAL PROJECTIONS
2004 – 2013**

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**RVCDF - Community Development Program
Pro Forma Statement of Cash Flows**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Beginning Balance	\$ -	\$ 4,475,939	\$ 774,352	\$ 30,807	\$ 106,148	\$ 150,570	\$ 198,543	\$ 116,097	\$ 89,120	\$ 173,016	
Cash In:											
New Capital Contributions (see Schedule G)											
Total Public Funds	\$ 9,997,600	\$ 6,330,000	\$ 4,000,000	\$ 6,050,000	\$ 5,630,000	\$ 5,320,000	\$ 4,230,000	\$ 4,230,000	\$ 4,212,400	\$ -	\$ 50,000,000
Loan Principal Repayments	\$ -	\$ 22,711	\$ 49,980	\$ 158,198	\$ 301,270	\$ 1,487,235	\$ 737,354	\$ 1,915,301	\$ 2,131,623	\$ 2,207,061	\$ 8,800,700
Interest Earned - Loan Products (see Schedule C-2)	\$ -	\$ 69,991	\$ 89,524	\$ 223,049	\$ 377,403	\$ 616,902	\$ 748,042	\$ 786,441	\$ 906,231	\$ 921,090	\$ 4,240,000
Fees (Legal) Collected (see Schedule C-4)	\$ -	\$ 6,688	\$ 4,354	\$ 17,740	\$ 21,677	\$ 12,990	\$ 21,240	\$ 26,490	\$ 27,802	\$ 11,865	\$ 100,000
Cash Flow Distributions (see Schedule C-3)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,750	\$ 44,375	\$ 149,375	\$ 272,500	\$ 423,750	\$ 900,000
Origination Fees (see Operating Statement)	\$ 19,688	\$ 23,925	\$ 12,400	\$ 60,425	\$ 73,925	\$ 90,425	\$ 72,425	\$ 90,425	\$ 94,925	\$ 70,050	\$ 600,000
Total Cash In	\$ 10,017,288	\$ 10,929,253	\$ 4,930,610	\$ 6,540,218	\$ 6,510,423	\$ 7,703,766	\$ 6,851,979	\$ 7,314,129	\$ 7,734,621	\$ 3,806,832	\$ 65,430,420
Cash Out:											
Operations											
Salary Expense (see Schedule F)	\$ 373,612	\$ 446,530	\$ 556,910	\$ 587,456	\$ 404,202	\$ 457,211	\$ 481,510	\$ 507,173	\$ 534,272	\$ 562,911	\$ 4,942,700
Operating Expenses (see Schedule F)	\$ 407,731	\$ 383,039	\$ 429,149	\$ 425,360	\$ 270,967	\$ 279,106	\$ 287,538	\$ 296,146	\$ 305,032	\$ 314,099	\$ 2,800,000
Sub - Total - Operations	\$ 781,343	\$ 829,569	\$ 986,059	\$ 1,012,817	\$ 675,169	\$ 736,317	\$ 769,048	\$ 803,318	\$ 839,304	\$ 877,010	\$ 7,742,700
Programs											
Disbursement SMA Program Activity (see Schedule E)	\$ 4,760,000	\$ 7,129,000	\$ 2,600,000	\$ 700,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,189,000
Loan Loss Reserve (see Schedule C-2)	\$ -	\$ 37,850	\$ 24,800	\$ 110,850	\$ 137,850	\$ 170,850	\$ 134,850	\$ 180,850	\$ 179,850	\$ 70,050	\$ 1,000,000
Apprenticeship Utilization Grants (see Schedule D)	\$ -	\$ 461,000	\$ 384,750	\$ 384,750	\$ 384,750	\$ 384,750	\$ -	\$ -	\$ -	\$ -	\$ 2,000,000
Total Legal / Closing Costs (see Schedule C-4)	\$ -	\$ 13,375	\$ 8,708	\$ 35,479	\$ 43,354	\$ 25,979	\$ 42,479	\$ 52,979	\$ 55,604	\$ 23,729	\$ 280,000
Funds Available for Programs (see Schedule D)	\$ 4,475,939	\$ 2,458,459	\$ 926,293	\$ 4,206,322	\$ 5,239,300	\$ 6,385,871	\$ 5,305,602	\$ 6,276,982	\$ 6,659,856	\$ 2,836,043	
Disbursement Community Development Activity	\$ -	\$ 1,750,000	\$ 900,000	\$ 4,200,000	\$ 5,100,000	\$ 6,200,000	\$ 5,000,000	\$ 6,200,000	\$ 6,500,000	\$ 2,800,000	\$ 30,000,000
Loans Disbursed	\$ -	\$ 1,595,000	\$ 860,000	\$ 4,045,000	\$ 4,945,000	\$ 6,045,000	\$ 4,845,000	\$ 6,045,000	\$ 6,345,000	\$ 2,685,000	\$ 37,000,000
Grants - Other Than Apprenticeship Grants	\$ -	\$ 155,000	\$ 40,000	\$ 155,000	\$ 155,000	\$ 155,000	\$ 155,000	\$ 155,000	\$ 155,000	\$ 115,000	\$ 1,200,000
Total Cash Out	\$ 5,541,349	\$ 10,220,794	\$ 4,904,317	\$ 6,443,896	\$ 6,371,123	\$ 7,517,896	\$ 5,946,377	\$ 7,237,148	\$ 7,574,765	\$ 3,770,789	\$ 65,520,400
Net Cash Flow	\$ 4,475,939	\$ 708,459	\$ 26,293	\$ 96,322	\$ 139,300	\$ 185,871	\$ 105,602	\$ 76,982	\$ 159,856	\$ 36,843	
Plus: Interest on Idle Funds (see Schedule H)	\$ -	\$ 65,893	\$ 4,514	\$ 9,826	\$ 11,270	\$ 12,673	\$ 10,496	\$ 12,139	\$ 13,160	\$ 3,204	\$ 50,000
Ending Balance	\$ 4,475,939	\$ 774,352	\$ 30,807	\$ 106,148	\$ 150,570	\$ 198,543	\$ 116,097	\$ 89,120	\$ 173,016	\$ 44,347	\$ 4,537,377

1 - Figures for 2004 include revenues from 2002-2004



NOTES AND ASSUMPTIONS - CDF CASH FLOW

Beginning Balance	The beginning balance for any funding year is the carry-over balance from the previous year. Carry-over balances are funds authorized for use by the CDF but unspent. These funds may be in CDF accounts earning interest or may not have been drawn down from public funders yet.
Cash In:	Cash In summarizes all revenue available to the CDF for that year. It does not include interest earnings in idle fund balances. Those interest earnings are included in the carry-over balance.
New Capital Contributions	New capital contributions, per year, are detailed in <i>Schedule G</i> . They include annual public grants authorized in that year but may not be fully spent in that year. Unspent funds carry-over to the following year.
Total Public Funds & Loan Principal Payments	
Loan Principal Repayment	Loan repayments from CDF loans as detailed in <i>Schedule C-2 - Loan Activity</i> and summarized in <i>Schedule G</i> .
Interest Earned - Loan Products	Interest earned is detailed on <i>Schedule C-2 - Loan Activity</i> . It includes all projected interest to be paid on CDF loan products in that year.
Fees (Legal) Collected	CDF loan products will require legal services and other closing costs that are expected to be paid by the borrower. Costs are summarized in <i>Schedule C-4 - Legal Fees</i> and are shown per loan product. Only 50% of costs are projected to be collected as some CDF deals may not close and recover those fees.
Cash Flow Distributions	The CDF Real Estate Development Financing product includes CDF participation in the project's cash flow. This amount will vary for every project. For these projections, it is assumed that they will generate approximately a 5% return beginning in Year 5 of the loan. These projections are detailed in <i>Schedule C-2 - Loan Activity</i> .
Origination Fees	The CDF will charge a loan fee for each of its loan products. Fees range from 1% - 1.5% of the loan amount committed and are detailed in the <i>Operating Statement tab</i> . This projection does not include origination fees from SMA activity.
Cash Out:	Cash Out summarizes all projected disbursements of the CDF in that year. It includes funding for operations, loan loss reserves, unreimbursed legal expenses and program costs.
Operations	Includes all CDF operating expenses such as personnel costs, other operating expenses including consultant services, Sound Transit fees and Wells Fargo escrow fees. Operating expenses are detail in <i>Schedule F - Operating Expenses</i> .
Salary Expense	Includes all direct personnel costs including salaries and benefits.
Operating Expense	Includes all non-personnel expenses.
Disbursement: SMA Program Activity	Includes direct mitigation funding from the CDF. Does not include the CDF operating expenses. SMA expenditures are provided in <i>Schedule E - SMA Activity</i> . These are annual estimates and will vary annually as relocation and mitigation work proceeds. SMA activity is projected to wind down in Year 2007.
Loan Loss Reserve	Funds are set aside annually as a loan loss reserve. Loan loss reserves are intended to be used for CDF needs to replace uncollected loan payments. Loan loss rates are provided in <i>Schedule A - Loan Products</i> and range from 2% - 3%. Funding for the Loan Loss reserve is detailed in <i>Schedule C-2 - Loan Activity</i> .
Apprenticeship Utilization Grants	The CDF has budgeted \$2,000,000 to be spent over 4 years to support apprenticeship utilization within the Rainier Valley. Funding is provided as grants and may change annually based on program goals but cannot exceed the \$2,000,000 budgeted.
Total Legal / Closing Costs	CDF loan legal services and other closing costs. Costs are summarized in <i>Schedule C-4 - Legal Fees</i> and are shown per loan product.
Funds Available for Programs	This figure represents the net annual amount available for community development efforts. Total Cash In MINUS CDF Operating Expenses, SMA Disbursements, Funds set-
Disbursement: Community Development Activity	This figure represents the actual amount of funds projected to be disbursed in that year for Community Development activity. It is detailed in <i>Schedule B - Funds Available</i> . Given the nature and timing of community development activity, the CDF will not be able to disburse all available funds in that year. The amount projected is an estimate of funds to be disbursed in that year and will change as the CDF generates applications for funding. The balance is not lost but rather part of the carry-over and available the next year. Of the amount projected to be disbursed, and per the CDF's policy, 25% of available funds are projected for Business Development purposes with the remaining 75% projected for Real Estate Development purposes. Within Business Development, wherever possible, the amount of \$115,000 is provided to the Business Interest Subsidy Grant Program. The balance of business funds are then allocated to the Business Incentive Loan Program. Within the Real Estate area, general estimates are made for non-profit loans (1-2 per year, at most) with a larger amount funding Private / Non profit Site Assembly Loans. The bulk of real estate funds are targeted to the CDF's Real Estate Financing Progr
Loans Disbursed	Represents actual loan funds disbursed and expected in that year. Loan funds disbursed are detailed in <i>Schedule B - Funds Available</i> and carried into <i>Schedule C-2 - Loan Activity</i> to determine loan payments. Loan products include the Business Incentive Loans, Site Assembly loans and Real estate Development Loans.
Grants - Other Than Apprenticeship Grants	Grants represent community development funds that the CDF does not project getting back. They are detailed in <i>Schedule D - Grant Activity</i> . Grant products of the CDF include Facade Improvement grants and Business Interest Subsidy grants.
Plus: Interest on Idle Funds¹	Some of the funds for the CDF will generate additional interest earnings until they are needed for program activity. These are detailed in <i>Schedule H - Fund Investment</i> . Funds available from Sound Transit, other funds drawn down by the CDF for reserves and the interest subsidy grants are deposited into accounts to generate interest earnings. Other deposits have not been projected from loan payments to keep the earning conservative.
Ending Balance	The Ending Balance represents the net annual cash flow to the CDF for its activity. It also represents the carry-over balance that is used in the following year for CDF activities.



Schedule A
Loans and Grants Terms

	Average Loan Size	Average Amortization	Interest Rate	Loan Fee	Loan Loss
Loans Products					
Business Incentive Loans	\$ 200,000	15 years	5.0%	1.5%	3.0%
Site Assembly Loans					
For Profit/ Non-Profit - ¹	1,000,000	4 years	5.0%	1.5%	2.0%
Non Profit - ²	1,000,000	4 years	6.0%	1.0%	2.0%
Real Estate Financing Loans - ³	2,000,000	25 years	2.0%	1.5%	3.0%
Grants:					
Façade Improvement Grants	\$20,000				
Business Interest Subsidy Grants - ⁴	\$23,400				
Pre-Apprenticeship Training - ⁵	\$461,000				

¹ Site assembly financing. Interest - only payments -- 4 year term and balance due at the end of the 4th year. CDF provides loan capital. Rates are lower for a non-profit borrower.

² Site Assembly financing - non profit organizations. Loan capital provided by partner organization. CDF provides 50% of that loan's interest expenses. Payment at the end of the loan term, with interim financing at the end of Year 4, or the sale of the real estate, whichever is sooner.

³ Below-market financing rate. Long-term amortization (25 years) with a shorter term (7 - 10 years). CDF participates in cash flow after a preferred return to the developer -- projected at an additional 5% cash-on-cash return to CDF beginning in Year 5.

⁴ Actually provided as a grant to partner organization that originates the loan. Grant amount projected at the entire 10 year cost of the interest rate subsidy.

⁵ - Grant amount includes additional outreach expenses.



Schedule B
Summary of Community Development Activity

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Funds Available for Community Development Activity	\$ -	\$ 2,458,450	\$ 924,293	\$ 4,296,322	\$ 5,230,300	\$ 6,385,871	\$ 5,105,602	\$ 6,276,982	\$ 6,650,856	\$ 2,836,043	\$ 40,904,729
Funds Programmed - Loans and Grant	0	1,750,000	900,000	4,300,000	5,100,000	6,300,000	5,000,000	6,200,000	6,500,000	2,800,000	38,850,000
Small Business Activity (25%)		437,500	225,000	1,050,000	1,275,000	1,550,000	1,250,000	1,550,000	1,625,000	700,000	10,212,500
Facade Improvement Grants	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	0	360,000
Business Interest Subsidy Grants	115,000	0	115,000	115,000	115,000	115,000	115,000	115,000	115,000	115,000	900,000
Business Incentive Loans	282,500	185,000	895,000	1,120,000	1,395,000	1,095,000	1,395,000	1,395,000	1,470,000	585,000	8,652,500
Sub - Total - Business Activity	437,500	225,000	1,050,000	1,275,000	1,550,000	1,250,000	1,550,000	1,550,000	1,625,000	700,000	10,212,500
Real Estate Activity (75%)		1,312,500	675,000	3,150,000	3,825,000	4,750,000	3,750,000	4,650,000	4,875,000	2,100,000	28,637,500
Facade Improvement Grants	0	0	0	0	0	0	0	0	0	0	0
Site Assembly Interest Subsidy Loans	0	100,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	400,000
Site Assembly Loans	1,000,000	0	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	0	1,000,000	1,000,000	7,000,000
Real Estate Financing Loans	312,500	575,000	2,100,000	2,775,000	3,600,000	2,700,000	4,600,000	3,825,000	3,825,000	1,050,000	21,237,500
Sub - Total - Real Estate Activity	1,312,500	675,000	3,150,000	3,825,000	4,650,000	3,750,000	4,650,000	4,675,000	4,875,000	2,100,000	28,637,500



Schedule C-1
Summary of Loan Funds Disbursed By Other Lenders

Many CDF products were created to encourage increased lending by other entities for businesses and real estate investments in the Rainier Valley. These include the Business Interest Subsidy Grants and the Non Profit Site Assembly Loans. In addition the CDF's Real Estate Development Financing product is intended to provide "gap" financing with other debt and developer equity.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
CDF Funds Programmed	0	1,595,000	860,000	4,045,000	4,945,000	6,045,000	4,845,000	6,045,000	6,345,000	2,085,000	37,860,000
Small Business Development Activity											
Business Interest Subsidy Grants		115,000	0	115,000	115,000	115,000	115,000	115,000	115,000	115,000	600,000
Real Estate Development Activity											
Site Assembly Interest Subsidy Loans	0	100,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	400,000
Real Estate Financing Loans	312,500	575,000	2,100,000	2,775,000	3,600,000	2,700,000	4,600,000	3,825,000	1,050,000		21,897,000
# Loans Assisted With CDF Funding:											
Business Interest Subsidy Grants		4.91	-	4.91	4.91	4.91	4.91	4.91	4.91	4.91	20.33
Site Assembly											
Site Assembly Interest Subsidy Loans	0	0.0	0.8	0.4	0.4	0.4	0.4	0.4	0.4	0.4	3.8
Real Estate Financing Loans	0	0.2	0.3	1.1	1.4	1.8	1.4	2.3	1.9	0.5	10.3
Total Number of Loans		5.1	1.1	6.4	6.7	7.1	6.7	7.6	7.2	5.9	33.3
\$ Volume Loans Induced		\$ 245,721	\$ 833,333	\$ 662,388	\$ 662,388	\$ 662,388	\$ 662,388	\$ 662,388	\$ 662,388	\$ 662,388	\$ 5,716,771
Business Interest Subsidy Grants		\$ 245,721	\$ -	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 1,000,771
Site Assembly Interest Subsidy Loans		\$ -	\$ 833,333	\$ 416,667	\$ 416,667	\$ 416,667	\$ 416,667	\$ 416,667	\$ 416,667	\$ 416,667	\$ 2,700,000
\$ Real Estate Project Induced											
Real Estate Financing (20%)	-	312,500	575,000	2,100,000	2,775,000	3,600,000	2,700,000	4,600,000	3,825,000	1,050,000	21,897,000
Total Project Size	-	1,562,500	2,875,000	10,500,000	13,875,000	18,000,000	13,500,000	23,000,000	19,125,000	5,250,000	107,897,000
\$ Volume Leveraged	-	1,260,000	2,300,000	8,400,000	11,100,000	14,400,000	10,800,000	18,400,000	15,300,000	4,300,000	85,500,000
\$ Total CDF EXPENDITURE		427,500	675,000	2,265,000	2,940,000	3,765,000	2,865,000	4,765,000	3,990,000	1,215,000	25,897,000
\$ TOTAL FUNDS LEVERAGED	\$	1,495,721	\$ 3,133,333	\$ 9,062,388	\$ 11,762,388	\$ 15,062,388	\$ 11,462,388	\$ 19,062,388	\$ 15,962,388	\$ 4,862,388	\$ 95,386,771
LEVERAGE RATION - OTHER FUNDS PER CDF \$	\$	3.50	\$ 4.64	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.00	\$ 4.01
ADDITIONAL BUSINESSES ASSISTED		4.91	0.00	4.91	4.91	4.91	4.91	4.91	4.91	4.91	20.33
REAL ESTATE PROJECTS FUNDED		0	1	1	2	2	2	3	2	1	18



Schedule C-2
Summary of Loan Disbursements and Repayments

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Funds Programmed - Loans	0	1,595,000	860,000	4,045,000	4,945,000	6,045,000	4,845,000	6,045,000	6,345,000	2,085,000	37,410,000
Business Development Activity											
Business Interest Subsidy Grants		115,000	0	115,000	115,000	115,000	115,000	115,000	115,000	115,000	900,000
Business Incentive Loans		282,500	185,000	895,000	1,120,000	1,395,000	1,095,000	1,395,000	1,470,000	585,000	8,422,000
Real Estate Activity											
Site Assembly - NonProfit Borrower		0	100,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	400,000
Site Assembly - Private Borrower		1,000,000	0	1,000,000	1,000,000	1,000,000	1,000,000	0	1,000,000	1,000,000	7,000,000
Real Estate Financing Loans		312,500	575,000	2,100,000	2,775,000	3,600,000	2,700,000	4,600,000	3,825,000	1,050,000	21,867,000
# Loans Originated:											
Business Incentive Loans	0	1.4	0.9	4.5	5.6	7.0	5.5	7.0	7.4	2.9	42.1
Site Assembly - Private Borrower	0	1.0	0.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	7.0
Site Assembly - NonProfit	0	0.0	0.8	0.4	0.4	0.4	0.4	0.4	0.4	0.4	3.8
Real Estate Financing Loans	0	0.2	0.3	1.1	1.4	1.8	1.4	2.3	1.9	0.5	10.2
Total Number of Loans		2.6	2.0	6.9	8.4	10.2	8.2	9.7	10.7	4.9	64.4
\$ Disbursed:											
Business Incentive Loans	-	282,500	185,000	895,000	1,120,000	1,395,000	1,095,000	1,395,000	1,470,000	585,000	8,422,000
Site Assembly - Private Borrower	-	1,000,000	-	1,000,000	1,000,000	1,000,000	1,000,000	-	1,000,000	1,000,000	7,000,000
Site Assembly - NonProfit	-	-	100,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	400,000
Real Estate Financing Loans	-	312,500	575,000	2,100,000	2,775,000	3,600,000	2,700,000	4,600,000	3,825,000	1,050,000	21,867,000
\$ Volume Disbursed		1,595,000	860,000	4,045,000	4,945,000	6,045,000	4,845,000	6,045,000	6,345,000	2,085,000	37,410,000
Cumulative Loans Disbursed	0	\$ 1,595,000	\$ 2,455,000	\$ 6,500,000	\$ 11,445,000	\$ 17,490,000	\$ 22,335,000	\$ 28,380,000	\$ 34,725,000	\$ 37,410,000	
\$ Volume Loans Induced											
Business Interest Subsidy Grants	\$	245,721	\$ 833,333	\$ 662,388	\$ 662,388	\$ 662,388	\$ 662,388	\$ 662,388	\$ 662,388	\$ 662,388	\$ 5,715,771
Site Assembly - Private Borrower	\$	245,721	\$ -	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 1,965,771
Site Assembly - NonProfit	\$	-	\$ 833,333	\$ 416,667	\$ 416,667	\$ 416,667	\$ 416,667	\$ 416,667	\$ 416,667	\$ 416,667	\$ 3,700,000
Cumulative Loans Induced		\$ 1,079,055	\$ 1,741,443	\$ 2,403,831	\$ 3,066,219	\$ 3,728,607	\$ 4,390,995	\$ 5,053,383	\$ 5,715,771		
\$ Loans - Repayments											
Interest Payments											
Business Incentive Loans	\$	13,830	\$ 22,223	\$ 64,907	\$ 116,444	\$ 178,644	\$ 222,566	\$ 278,106	\$ 333,386	\$ 341,031	\$ 1,071,137
Site Assembly - Private Borrower	\$	50,000	\$ 50,000	\$ 100,000	\$ 150,000	\$ 150,000	\$ 200,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 1,000,000
Site Assembly - NonProfit	\$	-	\$ -	\$ -	\$ -	\$ 120,000	\$ 100,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 370,000
Real Estate Financing Loans	\$	6,161	\$ 17,301	\$ 58,142	\$ 110,959	\$ 178,258	\$ 225,476	\$ 303,335	\$ 372,864	\$ 380,059	\$ 1,897,841
Total Interest Paid	\$	69,991	\$ 89,524	\$ 223,049	\$ 377,403	\$ 626,902	\$ 748,042	\$ 786,441	\$ 906,251	\$ 921,090	\$ 4,720,000
Cumulative Interest Received	\$	69,991	\$ 159,516	\$ 382,564	\$ 759,967	\$ 1,386,869	\$ 2,134,912	\$ 2,921,352	\$ 3,827,603	\$ 4,748,693	
Cash Flow Payments											
Real Estate Financing Loans	\$	-	\$ -	\$ -	\$ -	\$ 15,625	\$ 44,375	\$ 149,375	\$ 272,500	\$ 423,750	\$ 905,625
Total Cash Flow Payments Received	\$	-	\$ -	\$ -	\$ -	\$ 15,625	\$ 44,375	\$ 149,375	\$ 272,500	\$ 423,750	\$ 905,625
Cumulative Cash Flow Received	\$	-	\$ -	\$ -	\$ -	\$ 15,625	\$ 60,000	\$ 209,375	\$ 481,875	\$ 905,625	

F-7 Operating Plan Amendment Appendices to Exhibit A



7/19/05

Schedule C-2
Summary of Loan Disbursements and Repayments - CONTINUED

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Principal Received:											
Business Incentive Loans	\$ 12,978	\$ 22,140	\$ 64,388	\$ 119,133	\$ 189,313	\$ 249,301	\$ 326,140	\$ 410,355	\$ 438,880	\$ 1,000,000	\$ 1,000,000
Site Assembly - Private Borrower	-	-	-	-	1,000,000	-	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Site Assembly - Non Profit	-	-	-	-	-	100,000	50,000	50,000	50,000	50,000	300,000
Real Estate Financing Loans	9,733	27,839	93,810	182,136	297,942	382,033	539,162	671,268	718,181	718,181	2,000,000
Total Principal Received	\$ 22,711	\$ 49,980	\$ 158,198	\$ 301,270	\$ 1,487,255	\$ 737,354	\$ 1,915,301	\$ 2,131,623	\$ 2,207,061	\$ 2,207,061	\$ 8,000,000
Cumulative Principal Received	\$ 22,711	\$ 72,691	\$ 230,899	\$ 532,169	\$ 2,019,413	\$ 2,756,767	\$ 4,672,068	\$ 6,803,691	\$ 9,010,752	\$ 11,217,813	\$ 19,217,813
Loans Written Off:											
Business Incentive Loans	\$ 8,475	\$ 5,550	\$ 26,850	\$ 33,600	\$ 41,850	\$ 32,850	\$ 41,850	\$ 44,100	\$ 17,550	\$ -	\$ 200,000
Site Assembly - Private Borrower	20,000	-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	140,000
Site Assembly - Non Profit	-	2,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	8,000
Real Estate Financing Loans	9,375	17,250	63,000	83,250	108,000	81,000	138,000	114,750	31,500	-	600,000
Total Loans Written Off	\$ 37,850	\$ 24,800	\$ 110,850	\$ 137,850	\$ 170,850	\$ 134,850	\$ 180,850	\$ 179,850	\$ 70,050	\$ -	\$ 808,000
Cumulative Loans Written Off	\$ 37,850	\$ 62,650	\$ 173,500	\$ 311,350	\$ 482,200	\$ 617,050	\$ 797,900	\$ 977,750	\$ 1,047,800	\$ 1,047,800	\$ 1,855,800
NET ANNUAL INCOME	\$ 54,852	\$ 114,704	\$ 270,397	\$ 540,823	\$ 1,950,932	\$ 1,394,921	\$ 2,670,267	\$ 3,130,524	\$ 3,481,851	\$ 3,481,851	\$ 13,000,000
Interest and Cash Flow Income	\$ 69,991	\$ 89,524	\$ 223,049	\$ 377,403	\$ 642,527	\$ 792,417	\$ 935,816	\$ 1,178,751	\$ 1,344,840	\$ 1,344,840	\$ 6,000,000
Principal Repayment Income	\$ 22,711	\$ 49,980	\$ 158,198	\$ 301,270	\$ 1,487,255	\$ 737,354	\$ 1,915,301	\$ 2,131,623	\$ 2,207,061	\$ 2,207,061	\$ 9,000,000
Net Outstanding Loans	\$ 1,572,289	\$ 2,405,828	\$ 4,341,802	\$ 11,143,780	\$ 16,882,745	\$ 21,897,446	\$ 26,464,889	\$ 32,893,377	\$ 36,282,828	\$ 39,764,679	\$ 55,764,679



Schedule C-3
Summary of Loan Legal Expenses

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Funds Programmed - Loans	0	1,595,000	860,000	4,045,000	4,945,000	6,045,000	4,845,000	6,045,000	6,345,000	2,685,000	37,000,000
Small Business Development Activity											
Business Interest Subsidy Grants		115,000	0	115,000	115,000	115,000	115,000	115,000	115,000	115,000	930,000
Business Incentive Loans		282,500	185,000	895,000	1,120,000	1,395,000	1,095,000	1,395,000	1,470,000	585,000	8,422,000
Real Estate Development Activity											
Site Assembly Interest Subsidy Loans	0	100,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	490,000
Site Assembly Loans	1,000,000	0	1,000,000	1,600,000	1,600,000	1,000,000	1,000,000	0	1,000,000	1,000,000	7,900,000
Real Estate Financing Loans	312,500	575,000	2,100,000	2,775,000	3,600,000	2,700,000	4,600,000	3,825,000	1,050,000		21,577,500
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
# Loans Originated:											
Business Incentive Loans	0	1.4	0.9	4.5	5.6	7.0	5.5	7.0	7.4	2.9	42.1
Site Assembly											
Site Assembly Loans	0	1.0	0.0	1.0	1.0	1.0	1.0	0.0	1.0	1.0	7.0
Site Assembly Interest Subsidy Loans	0	0.0	0.8	0.4	0.4	0.4	0.4	0.4	0.4	0.4	3.8
Real Estate Financing Loans	0	0.2	0.3	1.1	1.4	1.8	1.4	2.3	1.9	0.5	7.3
Total Number of Loans		2.6	2.0	6.9	8.4	10.2	8.2	9.7	10.7	4.9	60.6
\$ Legal Expense (Average per Loan)											
Business Incentive Loans	2,500										
Site Assembly											
Site Assembly Loans	7,500										
Site Assembly Interest Subsidy Loans	2,500										
Real Estate Financing Loans	15,000										
\$ CDF Expenditure - Legal Fees											
Business Incentive Loans	3,531	2,313	11,188	14,000	17,438	13,688	17,438	18,375	7,313		105,301
Site Assembly											
Site Assembly Loans	7,500	0	7,500	7,500	7,500	7,500	7,500	0	7,500	7,500	52,500
Site Assembly Interest Subsidy Loans	0	2,083	1,042	1,042	1,042	1,042	1,042	1,042	1,042	1,042	9,378
Real Estate Financing Loans	2,344	4,313	15,750	20,813	0	20,250	34,500	28,688	7,875		154,001
\$ Total Loan Fee Expenditures	13,375	8,708	35,479	43,354	25,979	42,479	52,979	55,644	23,729		301,000
\$ Annual Expense - Uncollected Legal Fees	6,688	4,354	17,740	21,677	12,990	21,240	26,490	27,882	11,865		190,000

Schedule C-4
Loan and Grant Amortization Schedules

Grants

	Average Loan Size	CDF Capital	Average Amortization	Interest Rate	Loan Fee	Loan Rate
Business Interest Subsidy Grants	\$ 50,000	23,400	10 years	15.0%	1.0%	100.0%

Loans/Investments

	Average Loan Size	CDF Capital	Average Amortization	Interest Rate	Loan Fee	Loan Rate
Business Incentive Loans	\$ 200,000	\$ 200,000	15 years	5.0%	1.5%	3.0%
Site Assembly - Private / Nonprofit	\$ 1,000,000	\$ 1,000,000	4 years	5.0%	1.5%	2.0%
Site Assembly - Non Profit	\$ 1,000,000	\$ 120,000	4 years	6.0%	1.0%	2.0%
Real Estate Financing Loans	\$ 2,000,000	\$ 2,000,000	25 years	2.0%	1.5%	3.0%

Repayment Schedules

	YR1	YR2	YR3	YR4	YR5	YR6	YR7	YR8	YR9	YR10	TOTALS
Business Interest Subsidy Grants											
Annual Debt Service	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	\$9,680	
Annual Interest Portion	7,344	6,968	6,532	6,026	5,439	4,757	3,965	3,047	1,980	743	
Annual Principal Portion	2,336	2,712	3,148	3,654	4,241	4,923	5,715	6,633	7,700	8,937	50,000
CDF Annual Expense	3,672	3,484	3,266	3,013	2,719	2,378	1,983	1,523	996	371	23,400
RV Business Annual Expense	6,008	6,196	6,414	6,667	6,961	7,302	7,697	8,157	8,609	9,309	73,400
Business Incentive Loans											
Annual Debt Service	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	\$18,979	
Annual Interest Portion	9,791	9,321	8,827	8,308	7,762	7,188	6,585	5,951	5,284	4,583	
Annual Principal Portion	9,188	9,658	10,152	10,671	11,217	11,791	12,394	13,028	13,695	14,396	
Site Assembly Loans											
Site Assembly - Private Borrower											
Annual Debt Service	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	
Annual Interest Portion	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	
Annual Principal Portion - ₁	0	0	0	0	1,000,000	0	0	0	1,000,000	0	
Site Assembly - Non Profit Borrower											
Annual Debt Service	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	
Annual Interest Portion	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	
Annual Principal Portion - ₂	0	0	0	0	1,000,000	0	0	0	1,000,000	0	
CDF Annual Expense	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	300,000
CDF Revenue					120,000	120,000	120,000	120,000	120,000	120,000	1,200,000
₁ - Principal paid at the end of the 4th year. After loan is repaid (revolves) - funds not available for 6 months.											
Real Estate Financing Loans											
Annual Debt Service	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725	\$101,725	
Annual Interest Portion	39,431	36,174	36,891	35,582	34,247	32,885	31,496	30,078	28,632	27,157	
Annual Principal Portion - ₃	62,294	65,551	64,834	66,143	67,478	68,940	70,229	71,647	73,093	74,568	
Cash Flow Participation - ₃					100,000	100,000	100,000	100,000	100,000	100,000	

₁ - Project refinances a CDF Balloon Payment at the end of YR 10
₂ - CDF Cash Flow participation estimated as a 5% cash-on-cash return beginning in YR 5



Schedule D
Summary of Grant Disbursements

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTALS
Number of Grants Disbursed:											
Façade Improvement Grants		2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	18.0
Pre-Apprenticeship Training		1.0	1.0	1.0	1.0	1.0					
Business Interest Subsidy Grants	0.0	4.9	0.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	39.3
Total Number of Made	0.0	6.9	2.0	6.9	6.9	6.9	6.9	6.9	6.9	6.9	57.3
\$ Volume Grants Disbursed:											
Façade Improvement Grants 20,000	-	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	0	320,000
Pre-Apprenticeship Training / Outreach	-	461,000	384,750	384,750	384,750	384,750	-	-	-	-	2,000,000
Business Interest Subsidy Grants -											
1 23,400	-	115,000	-	115,000	115,000	115,000	115,000	115,000	115,000	115,000	920,000
\$ Volume Grants Disbursed	\$ -	\$ 616,000	\$ 424,750	\$ 539,750	\$ 539,750	\$ 539,750	\$ 155,000	\$ 155,000	\$ 155,000	\$ 115,000	\$ 3,240,000
\$ Value - Small Business Capital Induced		\$ 245,721	\$ -	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 245,721	\$ 1,965,771
Cumulative Grants Disbursed	\$ -	\$ 616,000	\$ 1,040,750	\$ 1,580,500	\$ 2,120,250	\$ 2,660,000	\$ 2,815,000	\$ 2,970,000	\$ 3,125,000	\$ 3,240,000	
Cumulative Value - Small Business Capital		\$ 245,721	\$ 245,721	\$ 491,443	\$ 737,164	\$ 982,886	\$ 1,228,607	\$ 1,474,328	\$ 1,720,050	\$ 1,965,771	

1 - The grant amount shown reflects the entire ten-year subsidy amount for a \$50,000 loan whose term averages 10 years.



Schedule E
Summary of Supplemental Mitigation Account (SMA) Disbursements

	2004 ₁	2005 ₂	2006 ₃	2007 ₃	2008 ₃	2009	2010	2011	2012	2013	TOTALS
SMA Activity											
SMA Program Disbursement	4,760,000	7,129,000	2,600,000	700,000	0	0	0	0	0	0	15,189,000
SMA - Program Delivery Costs - ₃	712,023	712,727	857,718	698,464	159,035						3,139,967
TOTAL - SMA ACTIVITY	5,472,023	7,841,727	3,457,718	1,398,464	159,035	0	0	0	0	0	18,328,967

Footnotes

- ₁ - Disbursements in 2004. Other disbursements have been approved but will not fund until 2005.
₂ - Represents estimates and are likely to change as individual mitigation needs proceed.
₃ - Program Delivery Costs include CDF operating expenses for SMA activities, Wells Fargo escrow fees and Sound Transit fees.



Schedule F
Draft Staffing & Salary Assumptions

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Salary Expense - :	366,572	322,371	412,526	435,153	321,631	338,675	356,674	375,683	395,762	416,971
FTE (Full-time equivalent)	6	5	6	6	4	4	4	4	4	4
Taxes / Benefits ¹	98,963	124,159	144,384	152,304	112,571	118,536	124,836	131,489	138,517	145,940
Total Staff Expense	\$ 373,618	\$ 446,530	\$ 556,910	\$ 587,456	\$ 434,202	\$ 457,211	\$ 481,510	\$ 507,173	\$ 534,278	\$ 562,911
Operating Expense - :										
Contract Services	\$ 56,830	\$ 40,400	\$ 41,600	\$ 42,800	\$ 44,100	\$ 45,400	\$ 46,800	\$ 48,200	\$ 49,600	\$ 51,100
Contract Services - Real Estate Underwriting	\$ -	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract Services - Business Loan Services	\$ -	\$ 10,000	\$ 50,000	\$ 55,000	\$ 56,650	\$ 58,350	\$ 60,100	\$ 61,903	\$ 63,760	\$ 65,673
Language Services - Contracted	\$ -	\$ 25,000	\$ 25,800	\$ 26,600	\$ 27,400	\$ 28,200	\$ 29,000	\$ 29,900	\$ 30,800	\$ 31,700
Advertising	\$ 1,073	\$ 1,105	\$ 1,138	\$ 1,172	\$ 1,208	\$ 1,244	\$ 1,281	\$ 1,320	\$ 1,359	\$ 1,400
Telephone	\$ 8,036	\$ 8,277	\$ 8,525	\$ 8,781	\$ 9,045	\$ 9,316	\$ 9,595	\$ 9,883	\$ 10,180	\$ 10,485
Training	\$ 2,787	\$ 6,000	\$ 6,200	\$ 6,400	\$ 5,120	\$ 5,300	\$ 5,500	\$ 5,700	\$ 5,900	\$ 6,100
Postage	\$ 517	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Printing	\$ 1,448	\$ 1,500	\$ 1,600	\$ 1,700	\$ 1,800	\$ 1,900	\$ 2,000	\$ 2,100	\$ 2,200	\$ 2,300
Supplies	\$ 5,967	\$ 6,300	\$ 6,500	\$ 6,700	\$ 6,900	\$ 7,100	\$ 7,300	\$ 7,500	\$ 7,700	\$ 7,900
Subscriptions & publications	\$ 1,339	\$ 1,400	\$ 1,500	\$ 1,600	\$ 1,700	\$ 1,800	\$ 1,900	\$ 2,000	\$ 2,100	\$ 2,200
Travel & transportation	\$ 4,713	\$ 5,000	\$ 5,200	\$ 5,400	\$ 5,600	\$ 5,800	\$ 6,000	\$ 6,200	\$ 6,400	\$ 6,600
Hosting	\$ 2,891	\$ 3,100	\$ 3,200	\$ 3,300	\$ 3,400	\$ 3,500	\$ 3,600	\$ 3,700	\$ 3,800	\$ 3,900
Dues & memberships	\$ 610	\$ 628	\$ 647	\$ 667	\$ 687	\$ 707	\$ 728	\$ 750	\$ 773	\$ 796
Equipment rental & maintenance	\$ 3,336	\$ 3,588	\$ 3,700	\$ 3,800	\$ 3,900	\$ 4,000	\$ 4,100	\$ 4,200	\$ 4,300	\$ 4,400
Outreach & facilities rent	\$ 440	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633
Licenses & Fees	\$ 464	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580	\$ 597	\$ 615	\$ 633
Insurance	\$ 10,024	\$ 10,600	\$ 10,918	\$ 11,246	\$ 11,583	\$ 11,930	\$ 12,288	\$ 12,657	\$ 13,037	\$ 13,428
Occupancy / Office Rent	\$ 26,817	\$ 27,301	\$ 28,100	\$ 28,900	\$ 29,800	\$ 30,700	\$ 31,600	\$ 32,500	\$ 33,500	\$ 34,500
Professional fees	\$ 111,280	\$ 46,800	\$ 48,204	\$ 49,700	\$ 51,200	\$ 52,700	\$ 54,300	\$ 55,900	\$ 57,600	\$ 59,300
Bank Service Charges	\$ 408	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400	\$ 400
Interest Expense	\$ 56	\$ 58	\$ 59	\$ 61	\$ 63	\$ 65	\$ 67	\$ 69	\$ 71	\$ 73
Fixed Asset Purchases	\$ 6,256	\$ 6,600	\$ 6,800	\$ 7,000	\$ 7,200	\$ 7,400	\$ 7,600	\$ 7,800	\$ 8,000	\$ 8,200
Miscellaneous	\$ 1,439	\$ 1,482	\$ 1,527	\$ 1,572	\$ 1,620	\$ 1,668	\$ 1,718	\$ 1,770	\$ 1,823	\$ 1,878
Total Operating Expense	\$ 246,731	\$ 222,039	\$ 268,149	\$ 264,360	\$ 270,967	\$ 279,106	\$ 287,538	\$ 296,146	\$ 305,032	\$ 314,099
ST Fee + Wells Fargo Escrow Fee	\$ 161,000	\$ 161,000	\$ 161,000	\$ 161,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Employee & Operating	\$ 781,349	\$ 829,569	\$ 986,059	\$ 1,012,817	\$ 705,169	\$ 736,317	\$ 769,048	\$ 803,318	\$ 839,310	\$ 877,010

Assumptions:

- ¹ Salary and benefits inflate 6% annually.
² Operating expenses inflate 3% annually

6.0%
3.0%



NOTES AND ASSUMPTIONS

Salary Expense - 1	Salaries are projected per CDF staff position. The salary amount is from the CDF 2004 Year-End Budget and the approved CDF 2005 budget.
FTE (Full-time equivalent)	FTE represents the full-time equivalent of positions within the CDF. There may be full and part-time positions and the FTE translate those positions into full-time positions. Due to this, the FTE may not represent actual staff in the office.
Taxes / Benefits ²	Payroll taxes and employee benefits are based on the 2004 Year End Budget and the approved 2005 CDF Budget. They represent approximately 35% of employee salaries and will change over time based on benefits provided and their annual costs.
Total Staff Expense	The total CDF expense for direct salary costs plus employee benefits.
Operating Expense - 2 :	
Contract Services	These costs represent contracted services to the CDF such as legal and accounting, third-party charges.
Contract Services - Real Estate Underwriting	The Budget assumes some contract for services to assist the CDF with real estate loan underwriting and development of underwriting guidelines and funding processes until the CDF has full-time organization capacity. This expense is eliminated in 2007 as the CDF hires appropriate staff and underwrite in-house.
Contract Services - Business Loan Services	The Budget assumes some contract for services to assist the CDF with business loan underwriting and servicing. The figure provided is an estimate and may be higher or lower based on submittals to a planned RFP for services. In 2007 - 2008 the CDF will evaluate these services and determine their extension or provision of business development underwriting and servicing in-house. If the services are provided in-house, then those costs would be reflected in salary expenses instead of contracted services.
Language Services - Contracted	Due to the diversity of the Rainier Valley there is a need for broad language services. The CDF will contract for language services and make them available to service providers without additional charge.
Advertising	Annual costs for public notices, advertisements, etc.
Telephone	Annual costs for CDF telephone services.
Training	Annual projection for staff training expenses. Includes fees and tuition costs - no travel expenses.
Postage	Annual mailing, postage service costs.
Printing	Annual projection for printing services for CDF materials.
Supplies	Annual projection for CDF office supplies.
Subscriptions & publications	Annual projection for subscriptions and publication costs.
Travel & transportation	Annual travel costs and reimbursements for local and other travel.
Hosting	Annual costs for parking and hosting expenses for community and board meetings.
Dues & memberships	Annual projection for CDF organization and approved staff membership dues expenses.
Equipment rental & maintenance	Annual rental/lease expense for equipment and servicing of that equipment in CDF offices.
Outreach & facilities rent	Annual costs of additional community outreach not in the above categories, including room charges.
Licenses & Fees	Annual projected costs for various CDF licensing fees.
Insurance	Annual projected costs for CDF Directors & Officers insurance and organization liability insurance.
Occupancy / Office Rent	Annual expenses for CDF offices.
Professional fees	Annual projection for other professional fees not in the above categories.
Bank Service Charges	Annual projection for bank charges for CDF accounts.
Interest Expense	Projected annual costs for CDF lines of credit, other interest expenses.
Fixed Asset Purchases	Projected annual costs for furniture, computers and other fixed asset purchases.
Miscellaneous	Annual expenses not in the above categories.
ST Fee + Wells Fargo Escrow Fee	Annual fee charged to the CDF to cover public agency costs and escrow fees from Wells Fargo on Sound Transit account.



Schedule G
Summary of CDF Capital Draws

	INCLUDES SMA ACTIVITY				SMA ACTIVITY ENDS						
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Source of Public Investment											
Sound Transit - J	5,000,000	2,200,000									7,200,000
City of Seattle - CDBG	4,312,500	2,500,000	2,500,000	4,350,000	4,330,000	4,330,000	4,230,000	4,230,000	4,212,400	0	34,994,900
City of Seattle - Sales Tax	685,100	1,630,000	1,500,000	1,700,000	1,300,000	990,000	0	0	0	0	7,805,100
TOTAL - PUBLIC GRANTS	9,997,600	6,330,000	4,000,000	6,050,000	5,630,000	5,320,000	4,230,000	4,230,000	4,212,400	0	50,000,000
TOTAL PUBLIC INVESTMENT	9,997,600	6,330,000	4,000,000	6,050,000	5,630,000	5,320,000	4,230,000	4,230,000	4,212,400	0	50,000,000
CUMULATIVE TOTAL - PUBLIC INVESTMENT	9,997,600	16,327,600	20,327,600	26,377,600	32,007,600	37,327,600	41,557,600	45,787,600	50,000,000	50,000,000	
CDF Loan Principal Payments	0	22,711	49,980	158,198	301,270	1,487,255	737,354	1,915,301	2,131,623	2,207,061	9,010,752
Total - Capital Available	9,997,600	6,352,711	4,049,980	6,208,198	5,931,270	6,807,255	4,967,354	6,145,301	6,344,023	2,207,061	59,010,752

Notes:

J - Funds provided by Sound Transit are attributed to a purchase offset with King County.



Schedule H
Summary of Investment Earnings - Idle Funds

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
FUNDS AVAILABLE FOR INVESTMENT											
Beginning Balance	\$ -	\$ 2,701,621	\$ 185,070	\$ 402,862	\$ 462,062	\$ 519,575	\$ 430,320	\$ 497,686	\$ 539,566		
Annual Public Investments - 2005 Soundtransit Carry-Over -	\$ 2,500,000										
SUB - TOTAL FUNDS AVAILABLE	\$ 2,500,000										
CASH AND PROGRAM SET-ASIDES											
CDA Grant Program Commitments											
Business Interest Subsidy Grants -	\$ -	\$ 115,000	\$ -	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 575,000
Site Assembly - Interest Subsidy Loans -	\$ -	\$ -	\$ 100,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ 300,000
ANNUAL EXPENDITURES - CDA GRANT PROGRAM COMMITMENTS											
Business Interest Subsidy Grants	0	17,122	17,122	34,096	51,218	79,389	91,078	82,777	73,141	61,957	\$ 290,826
Site Assembly Interest Subsidy Loans	0	0	25,000	37,500	50,000	62,500	50,000	50,000	50,000	150,000	\$ 225,000
BALANCE - CDA GRANT PROGRAM - FOR INVESTMENT	0	97,878	155,756	282,186	312,942	336,052	284,974	304,697	346,556	262,099	\$ 2,383,140
DEPOSITS - LOAN LOSS RESERVE	0	37,850	24,800	110,850	137,850	170,850	134,850	180,850	179,850	70,050	\$ 1,047,800
PROJECTED CARRY - OVER BALANCE	0 (CDBG Funds)										
BALANCE INVESTED - ANNUALLY	2,635,728	188,556	393,836	459,792	506,902	419,824	485,547	526,406	332,140		
INTEREST INCOME - ANNUALLY	0	65,893	4,514	9,826	11,270	12,673	10,496	12,139	13,160	8,304	\$ 139,970
INVESTMENT RATE	2.50%										



Pro Forma Balance Sheet

NOTE: These financial forecasts are preliminary and are still being refined.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
ASSETS:										
Cash & Cash Equivalents	\$ 4,475,939	\$ 774,352	\$ 30,807	\$ 106,148	\$ 150,570	\$ 198,543	\$ 116,097	\$ 89,120	\$ 173,016	\$ 44,347
Outstanding Loans (See Sched B)	\$ -	\$ 1,572,289	\$ 2,405,020	\$ 6,341,802	\$ 11,143,730	\$ 16,002,745	\$ 21,597,646	\$ 26,464,699	\$ 32,593,377	\$ 35,202,939
Less: Loan Loss Reserve	-	(37,850)	(24,800)	(110,850)	(137,850)	(170,850)	(134,850)	(180,850)	(179,850)	(70,050)
Total Net Outstanding Loans & Investments	\$ -	\$ 1,534,439	\$ 2,380,220	\$ 6,230,952	\$ 11,005,880	\$ 15,831,895	\$ 21,462,796	\$ 26,283,849	\$ 32,413,527	\$ 35,132,889
Total Assets	\$ 4,475,939	\$ 2,308,791	\$ 2,411,028	\$ 6,337,100	\$ 11,156,450	\$ 16,030,439	\$ 21,578,894	\$ 26,372,969	\$ 32,586,543	\$ 35,177,236
NET ASSETS:										
Cumulative Change in Net Assets	\$ 9,235,939	\$ 14,242,329	\$ 16,913,158	\$ 21,593,041	\$ 26,302,870	\$ 30,921,578	\$ 34,968,018	\$ 39,097,230	\$ 43,422,305	\$ 43,783,439
Total Net Assets	\$ 9,235,939	\$ 14,242,329	\$ 16,913,158	\$ 21,593,041	\$ 26,302,870	\$ 30,921,578	\$ 34,968,018	\$ 39,097,230	\$ 43,422,305	\$ 43,783,439



Pro Forma Statement of Activities

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Interest Earned on Loans (CDA)	\$ -	\$ 69,991	\$ 89,524	\$ 223,049	\$ 377,403	\$ 626,902	\$ 748,042	\$ 786,441	\$ 906,251	\$ 921,090
Cash Flow Participation						15,625	44,375	149,375	272,500	423,750
Interest Earned on Advances (SMA)										
Origination Fees (CDA)	19,688	23,925	12,400	60,425	73,925	90,425	72,425	90,425	94,925	70,050
Origination Fees (SMA)										
Public Grants (for grant/loan disbursements)	9,997,600	6,330,000	4,000,000	6,050,000	5,630,000	5,320,000	4,230,000	4,230,000	4,212,400	-
Interest on Idle Funds ¹	-	65,893	4,514	9,826	11,270	12,673	10,496	12,139	13,160	8,304
TOTAL REVENUES	\$ 10,017,288	\$ 6,489,810	\$ 4,106,438	\$ 6,343,299	\$ 6,092,598	\$ 6,065,625	\$ 5,105,338	\$ 5,268,380	\$ 5,499,236	\$ 1,423,194
Expenditures										
Salary Expense (See Sched. F)	\$ 373,618	\$ 446,530	\$ 556,910	\$ 587,456	\$ 434,202	\$ 457,211	\$ 481,510	\$ 507,173	\$ 534,278	\$ 562,911
Operating Expenses	407,731	383,039	429,149	425,360	270,967	279,106	287,538	296,146	305,032	314,099
Operating Expenses	\$ 781,349	\$ 829,569	\$ 986,059	\$ 1,012,817	\$ 705,169	\$ 736,317	\$ 769,048	\$ 803,318	\$ 839,310	\$ 877,010
Grants Disbursed	-	616,000	424,750	539,750	539,750	539,750	155,000	155,000	155,000	115,000
TOTAL OPERATING EXPENDITURES	\$ 781,349	\$ 1,445,569	\$ 1,410,809	\$ 1,552,567	\$ 1,244,919	\$ 1,276,067	\$ 924,048	\$ 958,318	\$ 994,310	\$ 992,010
Provision for Loan Loss Reserve		37,850	24,800	110,850	137,850	170,850	134,850	180,850	179,850	70,050
CHANGE IN NET ASSETS	\$ 9,235,939	\$ 5,006,390	\$ 2,670,830	\$ 4,679,883	\$ 4,709,829	\$ 4,618,708	\$ 4,046,440	\$ 4,129,211	\$ 4,325,075	\$ 361,134



APPENDIX G. SUMMARY OF GOVERNANCE OPTIONS FOR TREATMENT OF REVOLVED FUNDS AND ASSETS

Issues	Options		
	RVCDF as Trustee under a Trust Agreement	RVCDF under Contract to Separate Trustee	RVCDF Administers Revolved CDBG Funds under Contract to the City of Seattle
Role of the Rainier Valley Community Development Fund (RVCDF) Organization	RVCDF serves as Trustee of the Trust Fund and accounts for and segregates the funds from its other assets.	Separate Trustee of the Trust Fund contracts with the RVCDF to administer loans and grants consistent with the Community Development Plan.	RVCDF makes grants and loans with revenues from revolved CDBG loans as a subrecipient to the City.
Treatment of revenues received from CDBG loans	Revenues from revolved CDBG loans are not subject to federal CDBG restrictions; i.e., a CBDO making qualified loans. RVCDF as Trustee holds title to the assets, in trust for the community (not for the general benefit of the RVCDF).	Revenues from revolved CDBG loans are not subject to federal CDBG restrictions; i.e., a CBDO making qualified loans. The separate Trustee holds title to the assets, in trust for the community (not for the general benefit of the Trustee).	Revolved funds are CDBG program income subject to federal CDBG restrictions and dedicated to the purposes of the CDP unless otherwise directed by future action through the Consolidated Plan.
Availability of the funds to the claims of general creditors of RVCDF	RVCDF serving as Trustee increases protection from other general creditors of the organization compared to the RVCDF owning the assets outright	A Trustee independent of the RVCDF would protect the assets from claims by general creditors of the RVCDF	Protections are weaker than those provided by a Trust.
Permanent dedication of the funds for the benefit of the Rainier Valley community as prescribed in the CDP	Revenues from qualified CDBG loans made by a CBDO, are an asset of the Trust permanently dedicated to the purposes of the CDP	Revenues from qualified CDBG loans made by a CBDO, are an asset of the Trust permanently dedicated to the purposes of the CDP	The funds are part of the City's CDBG entitlement and will be used for the purposes of the CDP unless otherwise directed by future action through the Consolidated Plan.

G-1 Operating Plan Amendment Appendices to Exhibit A

7/19/05



Additional Reporting Requirements	RVCDF required to report all financial information and activities regardless of its role as trustee. It must segregate reports regarding trust funds and activities from its reports on other funds and associated activities in its annual report to IRS and the Office of the Secretary of Washington State.	Trustee reports annually to the IRS and State AG Office separate from the RVCDF.	RVCDF maintains its current annual reporting requirements to the IRS and Secretary of State.
Liability of RVCDF	The potential for liability for the use of the funds exists even if RVCDF held the funds in its own name rather than as trustee. The Trust agreement will be drafted to state that the city stipulates there are no individual beneficiaries to the Trust. RVCDF could be subject to action by successor trustee for recovery of misappropriated trust funds.	As the governing body of a public charitable organization, individual Board members of RVCDF face potential personal liability for their actions as members of the Board.	As the governing body of a public charitable organization, individual Board members of RVCDF face potential personal liability for their actions as members of the Board.
Ability to designate substitute Trustee for default of duties	RVCDF monitors its own individual transactions for compliance with the Trust. Upon occurrence of a triggering event, the city can name a successor Trustee. A successor Trustee could require an accounting and possible restitution from RVCDF for misuse of funds.	The City of Seattle can designate a substitute Trustee for default of its duties.	The City of Seattle responsible to address performance issues and can designate an alternative administrator for the Community Development Program.



7/19/05

APPENDIX H. REFERENCES AND RESOURCES

City of Seattle Department of Transportation, King County Metro and Sound Transit. *Memo on Joint Definition of Transit-Oriented Development*. Seattle: June 2004.

City of Seattle Office of Economic Development and Rainier Valley Community Groups. *Southeast Seattle Community Development Action Agenda: Draft Community Report*. Seattle: November 2004.

City of Seattle Office of Economic Development. *Southeast Community Development Plans Comparison Matrix*. Seattle: July 2004.

City of Seattle Strategic Planning Office and Edmunds Station Area Advisory Committee. *Edmunds Light Rail Station Area Plan*. Seattle: 2001.

City of Seattle Strategic Planning Office and Henderson Station Area Advisory Committee. *Henderson Light Rail Station Area Plan*. Seattle: 2001.

City of Seattle Strategic Planning Office and North Rainier Station Area Advisory Committee. *McClellan Light Rail Station Area Plan*. Seattle: 2001.

City of Seattle Strategic Planning Office and Othello Station Area Advisory Committee. *Othello Light Rail Station Area Plan*. Seattle: 2001.

Columbia City/Hillman City/Genesee Planning Committee. *Columbia City/Hillman City/Genesee Neighborhood Plan*. Seattle: February 1999.

MLK @ Holly Neighborhood Planning Association. *MLK @ Holly Neighborhood Plan*. Seattle: July 1998.

North Rainier Neighborhood Planning Committee. *North Rainier Neighborhood Plan*. Seattle: February 1999.

Rainier Beach 2014 Neighborhood Planning Committee. *Rainier Beach 2014 Neighborhood Plan*. Seattle: March 1999.

Rainier Valley Community Development Fund. *Draft Operating Plan Amendment, version 6*. Seattle: June 2004.

Rainier Valley Community Development Fund. *Operating Plan Amendment Technical Advisory Committee Meeting Notes*. Seattle: January 2005.

Rainier Valley Community Development Fund. *Operating Plan Amendment Project Steering Committee Meeting Notes*. Seattle: October 2004 – January 2005.

Rainier Valley Community Development Fund. *Operating Plan Amendment Workshop Notes*. Seattle: Spring 2004.

Rainier Valley Community Development Fund. *Operating Plan, version 5*. Seattle: September 2002

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EXHIBIT B

**FRAMEWORK FOR MONITORING THE PERFORMANCE OF THE
RAINIER VALLEY COMMUNITY DEVELOPMENT FUND**

On-going Program Monitoring and Management. A program specialist from the Office of Economic Development will be assigned to monitor the progress of the Rainier Valley Community Development Fund (CDF) and will:

- develop the contracts for the use of Community Development Block Grant and finance general funds,
- provide information and assistance to the CDF in program development and compliance with City and federal requirements,
- review agency invoices prior to payment, and
- monitor CDF progress toward meeting negotiated performance standards and CDBG national objectives.

The specialist will work closely with CDF staff and will record contacts and any problems with contract performance.

Desk Monitoring Reviews. The program specialist will perform this review mid-way in the program year and it will include:

- Review of contract compliance,
- Comparison of projected and reported service levels,
- Comparison of budgeted and invoiced costs, and
- Review of progress made in response to previously identified problems.

On-site Selective Monitoring and Assistance. The program specialist will visit the CDF at least twice in the first year and at least once in subsequent years. During these visits the Program Specialist will review program performance with agency staff, spot check selected areas of compliance, observe program operations, informally interview program clients and provide training and/or technical assistance to the agency. The outcome of this visit will be recorded in writing and will become part of the project file.

Comprehensive Agency Self-assessment. The CDF will be required to conduct a comprehensive self-assessment. The Office of Economic Development will provide an advance copy of the monitoring tool (checklist) to complete. This process will enable the CDF to anticipate the scope of the monitoring, to facilitate the monitoring process and to correct deficiencies in administrative systems prior to monitoring.

On-site Comprehensive Assessment and Monitoring Reviews. The Office of Economic Development will perform an annual assessment of the CDF to cover compliance with relevant city and federal requirements. OED staff will develop specialized checklists for each program area served by the CDF with its local and federal funds. These performance assessments will cover: program performance, agency procedures, management controls, and fiscal controls. They will also pay close attention



to risk factors such as: audit findings, staff turnover, and problems identified in mid-year reviews.

In-depth Review and Monitoring of Financial Records. Because of the complexity of the financial obligations facing a newly formed Community Development Financial Institution, OED will annually conduct an in-depth audit of the CDF's financial records and systems.

Quality of Performance. The CDF shall be responsible for the quality of services provided to the City of Seattle. Its responsibilities shall not be reduced by recommendations or assistance received from the City nor by any communications that vary from the terms and conditions of the contract unless a corresponding amendment is made to the contract.

The City shall judge the adequacy and efficiency of the services provided, the sufficiency of records and the results produced in accordance with the performance standards established in the contract. If during the course of the contract, the services rendered do not produce the desired results, the CDF shall take such corrective action as the City may require.

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Kristi Beattie
August 5, 2005
OPA Ordinance
Version #1

Form revised December 9, 2004

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Office of Economic Development	Steve Johnson/684-0208	Kristi Beattie/684-5266

Legislation Title:

AN ORDINANCE relating to community development in the Rainier Valley, approving an amendment to the operating plan for the Transit-Oriented Community Development Fund for Southeast Seattle; authorizing the Office of Economic Development to negotiate and execute a trust agreement and other agreements with the Rainier Valley Community Development Fund for the execution of a community development program; and ratifying and confirming prior acts.

• **Summary of the Legislation:**

This legislation authorizes an amendment to the operating plan ("the Plan") passed in 2002 to govern the initial activities of the Transit Oriented Community Development Fund for Southeast Seattle. The Operating Plan Amendment ("OPA") contained in this legislation describes the products and services developed to implement the transit-oriented and community development activities of the Fund legislation as required by Section 3 of Ordinance 120796. The passage of this legislation authorizes the Office of Economic Development to execute, deliver, perform, administer, modify and enforce contracts and a trust agreement with the Rainier Valley Community Development Fund ("the RVCDF").

• **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

In April 2002, the City of Seattle entered into an agreement (Ord. 120796) with Sound Transit to establish, oversee, and capitalize Seattle's portion of the Fund. In December of the same year the City adopted an operating plan (Ord. 121021) to govern the initial activities of the Fund, including supplemental mitigation of impacts to Rainier Valley businesses due to Link light rail construction; apprenticeship preparation for residents of the Rainier Valley; and, preparation of receiving sites for businesses requiring relocation as a result of Link light rail construction.

Ordinance 121021 also required that there be an amendment to the original Plan, referred to as the Operating Plan Amendment ("the OPA"), before expenditure of any City of Seattle



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Kristi Beattie
August 5, 2005
OPA Ordinance
Version #1

payments to the Fund on the transit-oriented and community development activities described in the Plan. The City of Seattle ("the City") and Sound Transit have subsequently contracted with the Rainier Valley Community Development Fund ("the RVCDF") to implement the initial plan and prepare an amendment to the Plan to govern the community and transit-oriented development activities of the Fund as provided in this legislation. The intent of the City in approving the OPA is that, subject to its approval by Sound Transit and to the completion of necessary agreements and other legal requirements, City funds, to the extent appropriated, may be disbursed for the Community Development Program ("the CDP") activities described in the OPA.

The passage of this legislation authorizes the Director of the Office of Economic Development (OED) to execute, deliver, perform, administer, modify and enforce contracts with RVCDF, and to deliver the specific products and services identified in the OPA for the implementation of the CDP. Further, the Director of OED is authorized to execute, deliver, perform, administer, modify and enforce a trust agreement with the RVCDF as Trustee ("Trust Agreement") governing the use of repayments of loans originated with Community Development Block Grant (CDBG) funds committed by the City and any assets of the RVCDF resulting directly or indirectly from the use of these CDBG funds. The principal purpose of the Trust Agreement is to ensure that revolved money and loan assets resulting from the use of the City's CDBG funds remain community-controlled and self-sustaining for the general welfare and benefit of the Rainier Valley community.

- Please check one of the following:

☒ **This legislation does not have any financial implications.** (Stop here and delete the remainder of this document prior to saving and printing.)

☐ **This legislation has financial implications.** (Please complete all relevant sections that follow.)

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Schedule F(2)
Program Distribution - Employee Costs and Operating Expenses

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Salary Expense - Total	\$ 373,618	\$ 446,530	\$ 556,910	\$ 587,456	\$ 434,202	\$ 457,211	\$ 481,510	\$ 507,173	\$ 534,278	\$ 562,911
Salary Costs - SMA Activity	\$ 328,965	\$ 362,994	\$ 468,791	\$ 392,066	\$ 91,293	\$ -	\$ -	\$ -	\$ -	\$ -
Salary Costs - Community Development Activity - ,	\$ 44,653	\$ 83,536	\$ 88,118	\$ 195,391	\$ 342,908	\$ 457,211	\$ 481,510	\$ 507,173	\$ 534,278	\$ 562,911
Operating Expense:	\$ 407,731	\$ 383,039	\$ 429,149	\$ 425,360	\$ 270,967	\$ 279,106	\$ 287,538	\$ 296,146	\$ 305,032	\$ 314,099
Operating Expense - SMA Activity	\$ 383,058	\$ 349,734	\$ 388,927	\$ 306,398	\$ 67,742	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expense - Community Development Activity - ,	24,673	33,306	40,222	118,962	203,225	\$ 279,106	\$ 287,538	\$ 296,146	\$ 305,032	\$ 314,099
CDF Total Operating Costs	\$ 781,349	\$ 829,569	\$ 986,059	\$ 1,012,817	\$ 705,169	\$ 736,317	\$ 769,048	\$ 803,318	\$ 839,310	\$ 877,010
SMA Activity	\$ 712,023	\$ 712,727	\$ 857,718	\$ 698,464	\$ 159,035	\$ -	\$ -	\$ -	\$ -	\$ -
Community Development Activity	\$ 69,326	\$ 116,842	\$ 128,341	\$ 314,353	\$ 546,134	\$ 736,317	\$ 769,048	\$ 803,318	\$ 839,310	\$ 877,010

, - Community development activity includes CDF management of community development program and apprentice utilization program.



City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

August 16, 2005

Honorable Jan Drago
President
Seattle City Council
City Hall, 2nd Floor

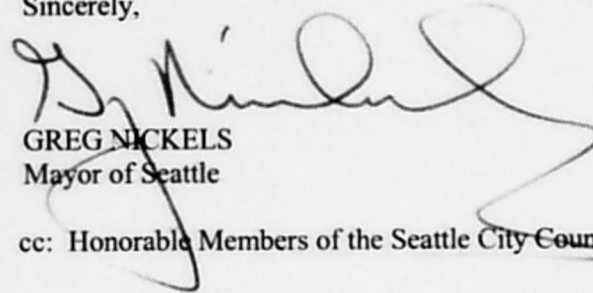
Dear Council President Drago:

I am pleased to transmit the attached proposed Council Bill authorizing an amendment to the operating plan for the Transit-Oriented Community Development Fund for Southeast Seattle. The Operating Plan Amendment (OPA) will govern the community and transit-oriented development activities of the Fund. Council approval of this amendment will authorize the Director of the Office of Economic Development to negotiate and execute the necessary agreements with the Rainier Valley Community Development Fund (RVCDF) for the execution of the community development program detailed in the proposed amendment.

The City of Seattle, Sound Transit and King County collaborated in the creation of the Transit-Oriented Community Development Fund for Southeast Seattle (the Fund) to lessen the immediate impacts of light rail construction and ensure that the benefits of the investment accrue to the people who currently live and work in the Rainier Valley. Three years ago the City and Sound Transit delivered on the first objective by approving an operating plan for the delivery of supplemental mitigation services provided by the RVCDF to businesses impacted by light rail construction. This legislation fulfills the City's promise to the community that the Fund will also serve as a community-controlled financial institution that will invest in the Rainier Valley for generations. The community development program detailed in this amendment to the original operating plan will create businesses and jobs, and the development of affordable housing and commercial space in the Rainier Valley.

Thank you for your careful consideration of this legislation and I look forward to working with the Council to preserve and strengthen cultural diversity, long-term livability, and economic opportunity in the Rainier Valley. Should you have questions, please contact Steve Johnson in the Office of Economic Development at 684-0208.

Sincerely,



GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, Email: mayors.office@seattle.gov

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ORDINANCE

1
2 AN ORDINANCE relating to community development in the Rainier Valley, approving an amendment
3 to the operating plan for the Transit-Oriented Community Development Fund for Southeast
4 Seattle; authorizing the Office of Economic Development to negotiate and execute a trust
5 agreement and other agreements with the Rainier Valley Community Development Fund for the
6 execution of a community development program; and ratifying and confirming prior acts.

7 WHEREAS, Ordinance 120796, passed on April 29, 2002, authorized the Mayor to enter into an
8 agreement with the Central Puget Sound Regional Transit Authority ("Sound Transit") to
9 establish, oversee, and fund Seattle's portion of the Transit-Oriented Community Development
10 Fund for Southeast Seattle ("the Fund"); and

11 WHEREAS, subsequent to the City Council passage of Ordinance 120796, the Mayor executed an
12 agreement ("2002 Funding Agreement") with Sound Transit to establish, oversee, and fund
13 Seattle's portion of the Fund; and

14 WHEREAS, Ordinance 121021, passed on December 9, 2002, adopted an operating plan ("the Plan") to
15 govern the initial activities of the Fund, including supplemental mitigation of impacts to Rainier
16 Valley businesses due to Link light rail construction; apprenticeship preparation for residents of
17 the Rainier Valley; and preparation of receiving sites for businesses requiring relocation as a
18 result of Link light rail construction; and

19 WHEREAS, Ordinance 121021 also required that there be an amendment to the original Plan, referred
20 to as the Operating Plan Amendment ("the OPA"), before expenditure of any City of Seattle
21 payments to the Fund on the transit-oriented and community development activities described in
22 the Plan; and

23 WHEREAS, the City of Seattle ("the City") and Sound Transit have subsequently contracted with the
24 Rainier Valley Community Development Fund ("the RVCDF"), a nonprofit corporation, to
implement the initial Plan and prepare an amendment to the Plan to govern the community and
transit-oriented development activities of the Fund; and

WHEREAS, construction of light rail is now underway and the RVCDF is actively implementing the
supplemental mitigation program detailed in the Plan and has initiated an apprenticeship
preparation program that has trained and placed Rainier Valley residents in construction jobs;
and

1 WHEREAS, Ordinance 121763 passed on March 28, 2005 approved a Substitute Funding Agreement to
2 replace the 2002 Funding Agreement and to establish, oversee and fund Seattle's portion of the
3 Transit-Oriented Community Development Fund for Southeast Seattle; and

4 WHEREAS, the Substitute Funding Agreement provides that, subject to certain conditions and
5 limitations, the City shall pay a total of \$35 million in Community Development Block Grant
6 (CDBG) funds, which are expected to be provided by the federal Department of Housing and
7 Urban Development (HUD), for activities approved by the City and Sound Transit in the Plan
8 and in any amendment to the Plan;

9 WHEREAS, a group of community and business leaders, community-based organizations and public
10 and private sector organizations have developed an Action Agenda for the revitalization of
11 Southeast Seattle that identified the business and real estate development programs of the
12 RVCDF as a key component of the revitalization strategy; and

13 WHEREAS, the RVCDF Board has approved and forwarded to the City and Sound Transit for review
14 and approval a draft amendment to the Plan (Exhibit A) that is the result of the work of a steering
15 committee that included representatives of the RVCDF and its Board, the City, King County and
16 Sound Transit; NOW, THEREFORE,

17 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

18 Section 1. The City of Seattle ("the City") approves the amendment to the operating plan ("the
19 OPA") for the Transit-Oriented Community Development Fund for Southeast Seattle ("the Fund")
20 attached to this Ordinance as Exhibit A, entitled "Operating Plan: Rainier Valley Community
21 Development Fund." The City Council finds that the OPA describes the products and services
22 developed to implement the transit-oriented and community development activities of the Fund in
23 sufficient detail to meet the requirements of Section 3 of Ordinance 120796 passed on April 29, 2002.
24 The intent of the City in approving the OPA is that, subject to its approval by Sound Transit and to the
completion of necessary agreements and other legal requirements, City funds, to the extent appropriated,
may be disbursed for the Community Development Program ("the CDP") activities described in the

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1 OPA, as it may be amended according to its terms, and as so disbursed shall constitute "payments to the
2 Fund" for purposes of the Substitute Funding Agreement. The City does not intend by such approval to
3 establish any liability or obligation of the City not contained in the Substitute Funding Agreement.

4
5 Section 2. The Director of the Office of Economic Development (OED) is authorized to
6 execute, deliver, perform, administer, modify and enforce contracts with the RVCDF for the RVCDF to
7 carry out community development activities with CDBG money consistent with 24 CFR Section
8 570.204, and for the RVCDF to deliver the specific products and services identified in the OPA for the
9 implementation of the CDP. The contracts shall commit the expenditure only of funds appropriated for
10 the respective purposes, and only after the OPA shall have been approved by Sound Transit and after the
11 trust agreement authorized in the next section of this ordinance shall have become effective. In addition
12 to reporting requirements established by HUD and contained in Section 6 of the OPA, OED shall
13 monitor performance substantially as outlined in Exhibit B to this ordinance, entitled "Framework for
14 Monitoring the Performance of the Rainier Valley Community Development Fund." The contracts shall
15 contain provisions enabling the City to implement the oversight measures described in such Exhibit.

16
17 Section 3. The Director of OED is authorized to execute, deliver, perform, administer, modify
18 and enforce a trust agreement with the RVCDF as Trustee ("Trust Agreement") governing the use of
19 repayments of loans originated with CDBG funds committed by the City and any assets of the RVCDF
20 resulting directly or indirectly from the use of these CDBG funds. The principal purpose of the Trust
21 Agreement is to ensure that revolved money and loan assets resulting from the use of the City's CDBG
22 funds remain community-controlled and self-sustaining for the general welfare and benefit of the
23 Rainier Valley community. The Trust Agreement will also establish standards of performance for the
24

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1 Trustee and the terms and conditions under which the City can designate a replacement Trustee. The
2 Trust Agreement shall be substantially consistent with the description in Section 6 of the OPA.
3

4 Section 4. The Mayor and the Director of OED and their respective designees each is authorized
5 to execute, deliver, perform, administer, modify and enforce such additional agreements and documents
6 as may be reasonably necessary or appropriate to implement the agreements authorized in this
7 ordinance.
8

9 Section 5. Any acts taken by the Director of OED in furtherance of the purpose of this
10 ordinance, but prior to its effective date, are hereby ratified and confirmed. If there are inconsistencies
11 between the provisions of this ordinance, or any other law, regulation or ordinance, and the provisions of
12 the OPA or the Plan, the applicable law, regulation or ordinance shall govern. Except as otherwise
13 required by this Section, to the extent the OPA is inconsistent with the Plan, the OPA shall control.
14 Nothing in Ordinance 121021 shall authorize any amendment to the terms of the OPA. Nothing in this
15 Ordinance or the OPA shall be construed to modify or waive any provision of any agreement now in
16 effect between the City and RVCDF.
17

18 Section 6. The several provisions of this ordinance are declared to be separate and severable
19 and the invalidity of any clause, sentence, paragraph, subdivision, section, or portion of this ordinance,
20 or of any provision of the OPA approved hereby, or the invalidity of the application thereof to any
21 person or circumstance, shall not affect the validity of the remainder of this ordinance or of the OPA or
22 the validity of its application to other persons or circumstances.
23
24

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1 Section 7. This ordinance shall take effect and be in force thirty (30) days from and after its
2 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
3 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

4 Passed by the City Council the ____ day of ____, 20__, and signed by me in open session
5 in authentication of its passage this ____ day of ____, 20__.

6
7 President ____ of the City Council

8 Approved by me this ____ day of ____, 20__.

9 Gregory J. Nickels, Mayor

10 Filed by me this ____ day of ____, 20__.

11
12 City Clerk

13 (Seal)

14
15
16 Exhibit A: Rainier Valley Community Development Fund Operating Plan Amendment

17 Exhibit B: Framework for Monitoring the Performance of the Rainier Valley Community
18 Development Fund



RAINIER VALLEY COMMUNITY DEVELOPMENT FUND OPERATING PLAN AMENDMENT

July 19, 2005

**Prepared by:
Operating Plan Amendment Steering Committee**

Dawn Blanch, RVCDF Board
Robert Mohn, RVCDF Board
Patricia Paschal, RVCDF Board
Jaime Garcia, RVCDF Executive Director
Steve Johnson, City of Seattle
Ken Takahashi, City of Seattle
Q'Deene Nagasawa, Sound Transit
David Hopkins, King County

**Approved by:
RVCDF Board of Directors**

David Okimoto, Board Chair
Greg Anderson
Barbara Bell
Dawn Blanch
David Chen
Sally Clark
Nemesio Domingo
Elaine Hayes
Andrew McConnell
Robert Mohn
Patricia Paschal
Priya Singh
Joshua Williams

Consultants:

John Howell and Trang Tu, Cedar River Group
John Finke and Chuck Depew, National Development Council

Operating Plan Amendment Exhibit A



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1. EXECUTIVE SUMMARY

The Rainier Valley Community Development Fund (RVCDF) is a community-based, non-profit organization founded in 2002 to establish and manage the \$50 million Fund mandated by the Sound Transit Board for the Rainier Valley in conjunction with at-grade light rail. This Fund is to be used to provide supplemental mitigation to businesses affected by light rail construction and to support community development in the Rainier Valley. In this Operating Plan Amendment, "Fund" is used to denote the \$50 million public financial resources committed to the Rainier Valley, and "RVCDF" refers to the non-profit organization formed to implement the programs created by the Fund.

An Operating Plan adopted in 2002 governs the RVCDF's initial work of assisting businesses impacted by light rail construction. This work is referred to as supplemental mitigation account (SMA) activities. However, the long-term vision for the Fund is to use a portion of its assets to create a self-sustaining, community-controlled fund that supports community development in the Rainier Valley. This portion of the Fund's activities is called the Community Development Program (CDP). The 2002 Operating Plan describes the general vision and principles for the Community Development Program, and directs that the details for the Program are to be defined in a subsequent Operating Plan Amendment (OPA). The purpose of this Operating Plan Amendment is to describe the Community Development Program and its goals, products, eligibility criteria, governance, and financial projections. The OPA was developed by the RVCDF Board with assistance from a Project Steering Committee comprised of representatives from RVCDF, the City of Seattle, King County and Sound Transit.

The Community Development Program will be capitalized by public funds to be appropriated by the City of Seattle between 2005 and 2012 to pay for activities defined in this OPA. Of the total \$50 million mandated for use in Southeast Seattle, up to \$21.5 million may be spent on supplemental mitigation activities, and \$2 million is earmarked for a four-year pre-apprenticeship job training program, per the 2002 Operating Plan. The remainder will be available for the Community Development Program as defined in this OPA. Any residual funds not used for supplemental mitigation activities, any funds repaid from supplemental mitigation advances (unless recommitted for supplemental mitigation) and any interest earned on community development loan payments will be dedicated to eligible activities defined in this OPA. This Operating Plan Amendment applies only to the public funds under management by the RVCDF as described above and is not intended to address other lines of business, staffing, or organizational issues related to other sources of funds the RVCDF may secure over time.

The Community Development Program focuses on needs identified through several community planning efforts. Of these, the most recent have been the process to develop this amendment since early 2004, the Southeast Action Agenda developed in the autumn of 2004, and the community outreach conducted by the RVCDF in the spring of 2004. These efforts have consistently identified two critical community priorities: 1) supporting business growth and development, and 2) promoting physical improvements in the Rainier Valley. The Community Development Program is a direct and strategic response to these objectives.

The Community Development Program consists of two lines of business: Business Development and Real Estate Development. For the initial use of funds for community development purposes, 25% of funds governed by the OPA will be targeted to Business Development and 75% will be targeted to Real Estate Development. Business Development encourages small business formation, strengthens existing businesses in the Rainier Valley, and promotes job creation. Business loan and grant products include a Business Interest Subsidy Grant, a Business Incentive Loan, and a Façade Improvement Grant. Real Estate Development encourages new catalyst development and physical improvements in the Rainier Valley. This includes a range of physical revitalization activities involving both new construction and

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rehabilitation of existing building stock, for the purpose of stimulating economic activity, increasing the inventory of commercial spaces for Rainier Valley businesses, and promoting affordable housing for Rainier Valley residents. Real estate loan and grant products include a Site Assembly Loan for Non-profits, a Site Assembly Loan for For-profits, a Site Assembly Interest Subsidy Loan, and a Real Estate Financing Loan.

In delivering these loan and grant products, the RVCDF has completed a strategic analysis to determine the preferred delivery method for each product. As the implementing organization of the Community Development Program, the RVCDF will maximize benefit to the community in the most cost-effective manner, strategically using its strengths and expertise, while leveraging the strengths and expertise of other community partners when appropriate. As a result of the strategic analysis, the RVCDF has determined that it will directly provide some products, while others will be offered in conjunction with established partner organizations.

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2. BACKGROUND AND SCOPE OF OPERATING PLAN AMENDMENT

2.1. History of Rainier Valley Community Development Fund

On November 18, 1999 the Sound Transit Board mandated by resolution 99-34 the establishment of a \$50 million Transit-Oriented Community Development Fund for Southeast Seattle. The Federal Transit Administration's Amended Record of Decision for the Link Light Rail Project, issued in February 2002, makes the establishment of a \$50 million Community Reinvestment Fund a project requirement.¹ This Fund, created to address the adverse impacts of at-grade light rail construction, is to be used to provide supplemental mitigation to businesses affected by light rail construction and to support community development in the Rainier Valley. Sound Transit, the City of Seattle, and King County have committed to capitalizing the Fund.

The Rainier Valley Community Development Fund (RVCDF) is a community-based, non-profit organization founded in 2002 to execute and manage the \$50 million Fund. In this Operating Plan Amendment, the term "Fund" is used to denote the \$50 million in public financial resources committed to the Rainier Valley, and "RVCDF" refers to the non-profit organization formed to implement the programs created by the Fund.

The initial use of the Fund, under the management of the RVCDF, has been to provide financial assistance to the businesses along the light rail alignment and to reduce the impact of construction on those businesses. An Operating Plan adopted in 2002 governs this work, which is referred to as supplemental mitigation account (SMA) activities. The Fund will continue to assist these businesses through the course of light rail construction, which Sound Transit forecasts will be completed in 2007.

However, the long-term vision for the Fund is to use a portion of its assets to create a self-sustaining, community-controlled fund that supports community development in the Rainier Valley. This long-term investment program is called the Community Development Program. The 2002 Operating Plan describes the general vision and principles for the Community Development Program, and states that the Program details are to be defined in a subsequent Operating Plan Amendment.

The purpose of this Operating Plan Amendment (OPA, or Amendment) is to describe the Community Development Program and its goals, products, eligibility criteria, governance, and financial flows. The OPA was drafted by the RVCDF Board with assistance from a Project Steering Committee, comprised of representatives from the RVCDF board and staff, the City of Seattle, King County and Sound Transit. After the OPA is approved by the RVCDF Board, Sound Transit, and the City of Seattle, program details will be developed and documented by the RVCDF in policies and procedures consistent with the Operating Plan Amendment.

2.2. Scope of Operating Plan Amendment

The Operating Plan Amendment applies only to the public funds (described below) used for Community Development Program purposes, and the management of those programs by the RVCDF. The Operating

¹ Resolution 99-34 and the Amended Record of Decision use slightly different terms for the Fund, but are referring to the same \$50 million of public financial resources for the Rainier Valley.



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Plan Amendment supplements and, in the event of inconsistency, supersedes the Operating Plan. It is not intended to address other lines of business, staffing, or organizational issues related to other sources of funds the RVCDF may secure over time.

The City of Seattle, Sound Transit and King County are providing \$50 million to capitalize the Fund. The City of Seattle is providing \$42.8 million through annual appropriations from 2005 to 2012. The remaining \$7.2 million is being provided by Sound Transit as directed in the Downtown Seattle Transit Tunnel agreement.

Of the total \$50 million mandated for the Fund, up to \$21.5 million may be used for light rail supplemental mitigation activities, and \$2 million has been earmarked for a four-year pre-apprenticeship job training program, per the 2002 Operating Plan. The remainder will be available for the Community Development Program. Additional detail on fund capitalization, funds restrictions and annual cash flows is included in Section 7 and Appendix F.

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3. NEEDS ASSESSMENT AND GAP ANALYSIS

3.1. *Mission Statement for the Rainier Valley Community Development Fund*

The mission of the Rainier Valley Community Development Fund is to be a self-sustaining, community-controlled financial institution that preserves and strengthens cultural diversity, long-term livability, and economic opportunity for Rainier Valley residents, business and institutions.

3.2. *Strategic Vision for Community Development Program*

To create a strategic vision for the Community Development Program, the RVCDF conducted a thorough gap analysis comprised of several steps. First, community needs were assessed and confirmed, as described in section 3.2.1. The two highest priorities were: supporting business growth and promoting physical development. Not only have recent community efforts identified these priorities, but numerous past initiatives have articulated these longstanding and fundamentally important needs. Next, existing providers of financing for business and real estate development were identified and assessed, as described in section 3.2.2. Gaps in products and services were then identified, detailed in section 3.2.3. This formed the basis for defining the products and implementation of the Community Development Program, which are structured to avoid duplication while serving unmet needs in the community.

3.2.1. *Identification of Community Needs*

The Community Development Program focuses on needs that have been identified through community planning efforts in the Rainier Valley over many years. Thousands of community members have been involved in these initiatives, and the products described in this Amendment respond directly to the priorities that have been identified. These various planning efforts have been documented in numerous reports and plans, and additional descriptions of them are included in Appendix B. Key initiatives have included the following:

Current Process to Develop OPA

Since early 2004, a Project Steering Committee (described in section 2.1) has met weekly to develop the content of this Operating Plan Amendment. The Committee has included representation from the RVCDF Board and staff, the City of Seattle, Sound Transit, and King County. The Committee also established two Technical Advisory Committees to provide technical review of strategies and recommendations. These Committees included for-profit and non-profit developers, for-profit and non-profit lenders, the Rainier Chamber of Commerce, the Seattle Housing Authority, and others.

Southeast Seattle Action Agenda

In the autumn of 2004, the City of Seattle facilitated a community engagement process to develop goals and strategies for the Rainier Valley in five topical areas: Business and Job Creation, Physical Development, Education and Workforce Development, Public Safety, and Arts, Culture and Public Space. Recommendations from the Business and Job Creation and Physical Development topical areas have influenced the development of this Amendment.

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Previous OPA Process

In the spring of 2004, the RVCDF sponsored a significant community outreach effort to initiate planning for the OPA. The work included stakeholder interviews, organization meetings, focus groups, community meetings, and surveys. A multi-agency Steering Committee met regularly to provide guidance to this work.

Consolidated Plan Process

As required by the U.S. Department of Housing and Urban Development (HUD), the City of Seattle Consolidated Plan outlines funding policies and strategies for the use of Community Development Block Grant monies. In 2004, the Seattle Office of Economic Development led a planning process that developed strategies and actions for the parts of the plan that promote financial independence of low- and moderate-income residents and invest in the development of economically distressed neighborhoods.

Other Community Planning Efforts

Several important planning processes have been conducted in the Rainier Valley in the past fifteen years, including the creation of neighborhood plans (1996 to 1999), light rail station area plans (1998 to 2001), and the Southeast Action Plan (1990 to 1991).

These efforts have articulated the community's needs and development goals. Two of the most consistent and strongly-expressed economic development priorities for the Rainier Valley are:

- Support business activity and small business growth, and
- Improve the physical environment (new and redevelopment)

These two priorities form the strategic base for the Community Development Program, further described in Section 4.

3.2.2. Existing Products and Providers

To identify the best use of the Fund's resources, and to meet the needs described in the previous section, the Project Steering Committee and its consultants identified business and real estate financing products that are currently available in the marketplace, and how they are delivered.

Business Financing

In the business financing industry, products are typically grouped into two categories: debt and equity. A debt product is an obligation owed to another person or entity and is required to be paid by a specific date. For a debt product, a lender typically does not participate in overseeing the activities for which the loan is being used, beyond standard loan servicing and management. An equity product represents ownership interest in a corporation. With an equity product, an investor or lender makes a direct investment of resources with the expectation that the investor will share in the revenue or income earned from the project. The investor often plays an active role in overseeing, guiding, and/or directing the activities for which the investment is used. The description below groups existing business financing products as either debt or equity, and lists the sources available, from those available to high risk borrowers to those available to low risk borrowers.

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Debt sources

Credit cards. For small sums (typically below \$50,000), the most prominent form of small business debt is personal credit cards. The credit is readily available and although interest rates are relatively high, it is not unreasonably priced given the risk and lack of collateral requirement.

Community-based lenders. In Seattle, the largest community lenders for small businesses are Community Capital Development and Cascadia Revolving Fund. Both are non-profit community lenders that focus on investing in traditionally underserved communities. They both have larger geographic service areas than that of the RVCDF. These lenders seldom lend sums over \$200,000. Their programs are characterized by intensive administrative costs, along with shorter loan terms and higher interest rates compared with conventional financing that reflect the relatively higher risks they are taking.

Asset-based lenders (Factors). Asset-based lenders are commercial lenders who lend against business assets, most commonly accounts receivable and inventory. They advance funds that are then repaid through collection of the businesses' receivables. Interest rates are typically 9% to 15%. Asset-based lenders only work with businesses that have established sales histories and reliable accounts receivable.

Small Business Administration (SBA) loan guarantees. This includes the SBA 7a guarantee and SBA 504 programs. The SBA 7a loan program provides term working capital and fixed asset financing for machinery, equipment, land and buildings. The benefit of the program is that it provides longer loan terms compared with conventional financing, made possible by the SBA loan guarantee to lenders. Interest rates on these loans are capped at the prime interest rate plus 2.75%. Loan sizes range from \$25,000 to \$1,500,000. The loans are primarily provided by banks, with only a few SBA-approved non-bank lenders in the nation. The SBA 504 program is a fixed asset loan that provides 10- and 20-year term loans currently at interest rates between 6% and 7%. It targets a more established and generally more creditworthy category of borrowers than does the 7a loan program.

Commercial loans. Unguaranteed bank loans tend to be similar in structure to SBA guaranteed loans but with loan sizes and other characteristics that exclude them from the guarantee programs. The creditworthiness of borrowers of these loans tends to be somewhat stronger than borrowers of SBA guaranteed loans. Often the loan terms are shorter, and the interest rates lower than on SBA guaranteed loans.

Capital markets. Beyond bank loans, debt sources include the capital markets. Capital markets are comprised primarily of larger commercial banks and institutional financing sources. These sources typically look for strong borrowers and will not provide loans to small businesses. Interest rates and terms correspond to the risk taken by the lender.

Equity sources

Venture capital. Venture capital occupies a very small niche at the high risk end of the lending spectrum. This equity source targets transactions where a business expects to see extraordinarily rapid business growth, and requires the ability to manage that growth on the part of the entrepreneur. Without the potential for rapid growth, the venture capital model does not work.

Refinancing equity out of current assets. Another prominent source of business equity is from refinancing personal assets such as home equity. This is only available to individuals with equity in real property. Rates and terms depend on the asset and the market.



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Family and friends. For many small businesses, the first source of equity is from family and friends. The availability of such equity depends on these individuals having disposable resources to invest. Much of the non-traditional investment in the Rainier Valley currently comes from this source.

Real Estate Financing

There are fewer sources of real estate financing than there are sources of business financing. In Seattle, few real estate financing sources exist, especially those that would assist with site acquisition. Those that are available tend to be short-term construction and pre-construction loans provided by non-profit entities such as Impact Capital and Enterprise Foundation, equity programs exclusively for low-income housing, and the limited Federal Section 108 funding for commercial development.

The real estate financing industry groups loans into two primary categories, construction and permanent loans.

Construction loans

Construction lenders are typically banks. They provide debt for construction and rehabilitation of income-producing property. Loan terms cover the period of construction plus a short time span to allow for closing on the permanent loan. Rates are between prime minus 1% (the prime interest rate minus 1 percentage point) and prime plus 2%. Loans are almost always conditioned on the borrower having an approved permanent loan commitment.

Permanent loans

Permanent lenders are usually commercial banks, insurance companies, and mortgage companies who provide the long-term financing on projects. These loans are typically amortized over 20 to 30-year terms, with fixed or floating rates. Lenders often require projects to have pre-lease commitments from 50% to break-even or greater. Often, the loans will be due before they are fully amortized.

Site acquisition

The real estate financing industry does not typically provide loans for site acquisition. When banks do finance site acquisition, it is typically at a loan-to-value ratio of 50% or lower.

3.2.3. Gaps and Strategic Role

Given this spectrum of available loan products and lenders, there are several strategic roles the Community Development Program can play to help achieve the community's priorities. The general vision of the Fund is to fill gaps in the provision of business and real estate products to Rainier Valley residents and businesses.

Business Financing Gaps

Small businesses are an integral part of the Rainier Valley economy. They provide for the needs of neighborhoods, and they provide jobs and income for residents. Many new businesses benefit from the Valley's role as an incubator for new economic entities. Yet many businesses do not have access to credit through traditional sources, and subsequently face difficulty finding the capital to expand their enterprises or sustain them through difficult business cycles.

As described above, products currently in the marketplace come with some significant limitations. Asset-based lenders work only with businesses that are established. The SBA 7a loan is primarily provided by banks. The SBA 504 product generally targets more creditworthy borrowers. Community lenders tend to offer shorter loan terms with higher interest rates. Commercial loans have standards that may be

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prohibitive to many potential borrowers. Refinancing equity out of current assets is only available to individuals with equity in real property. And capital markets do not provide debt to small businesses. As a result, the following niches have been identified to support business development:

Lending for high-risk businesses

There is a need for a product that targets business owners who would likely be unable to qualify for a loan based on traditional lending criteria. This "high-risk" group of potential borrowers includes businesses deemed less creditworthy by traditional lending standards, and also those that may represent "non-traditional" lending clients such as refugee and immigrant-owned businesses. While such clients may be able to access loan products from community-based lenders, the high rate of interest commensurate with the level of risk may discourage potential borrowers.

Incentive lending for creditworthy businesses

There are many business owners in the Rainier Valley who would likely be able to qualify for a loan, but choose not to, for a variety of reasons, often based on their assessment that it is not in their financial interest to do so. Loan products with more attractive terms than those currently available could offer an incentive to these "fence-sitters" to invest further in their businesses.

Façade Improvements

There is also an opportunity for the Community Development Program to help fill a niche in strengthening the community's façade improvement resources. These City-sponsored funds are currently administered by Southeast Effective Development (SEED), a long-time non-profit developer in the Rainier Valley. However, given the vast opportunities for supporting physical improvements in the community, the relatively small amount of funds available annually for this purpose, and the dollar matching requirements placed on the participating businesses, the Fund can augment SEED's capacity to implement this program.

Real Estate Financing Gaps

New investment is slow in coming to the Rainier Valley because development costs exceed what investors can expect to earn back in lease rents or purchase prices. At the same time, the community desires to preserve affordability for housing, goods and services. Additionally, the community has many under-utilized and poorly maintained properties. In many cases, the property owner's perception of the economic benefits of additional investment fails to outweigh the costs of improvements, with scant consideration of the communitywide benefits of the improvement.

Further, as described earlier, the real estate financing industry also presents some significant limitations. Overall, there is a narrow pool of alternative real estate financing sources, and the loan products that do exist often come with leasing and/or financial requirements that make their use prohibitive for many Rainier Valley development projects. There are fewer banks that lend on long-term loans, their loan products often have pre-leasing requirements (signed leases), and may require larger amounts of private equity in the project.

As mentioned in the previous section, it is difficult for developers to secure a site assembly loan. Purchasing property is not an income-generating activity and therefore is difficult to finance. Private equity is most commonly used to purchase property. This situation leads to significant financing gaps for land assembly if the developer does not have adequate equity to buy and hold the land.

As a result, the following niches have been identified to support real estate development:



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Incentive lending

There is a need to create a loan product that targets property owners who have under-utilized properties on which there is potential for upgrading, rehabilitation, or new development. Providing a product with attractive terms could be an incentive for these owners to invest in their properties.

Site assembly

There is a niche to fill in supporting site assembly. The niche would include providing a product to help subsidize the cost of carrying land when non-profit developers seek financing from other lenders, as well as providing a site assembly loan product which the Fund itself underwrites, available to both non-profits and for-profits.

Cross-cutting Community Gaps

Cutting across both business and real estate financing is a significant gap in lending to refugee and immigrant-owned businesses. These businesses comprise a significant portion of the economic activity in the Rainier Valley and underscore the Valley's importance as a business incubator. A variety of reasons may contribute to this gap. Ethnic businesses may be perceived as high-risk, and/or more complex to work with. There may be language and cultural issues that leave these "non-traditional borrowers" outside the service abilities of existing providers. For example, some ethnic communities do not believe in accruing interest. Often, owners lack familiarity with and understanding of the lending community and its procedures. Or they may simply prefer to tap into their family and their own community structures for support.

To address this need, the loan products offered by the Fund will require more than simply offering translation or interpretation services. They will require a broader framework of cultural competency to address some of the cultural and knowledge gaps and to effectively reach these communities. The RVCDF, because of its close involvement with and credibility in the Rainier Valley and because of the relationships built by its multicultural staff in delivering its light rail supplemental mitigation products, is in a unique position to fill this gap and help build wealth and equity for refugee and immigrant-owned businesses. The RVCDF also is focused on a relatively narrow geographic area, unlike other non-profit lenders, who cover a broader territory. As a result, it is better able to reach potential borrowers using a highly personalized and relationship-based approach.

The gap analysis described above forms the foundation on which the Community Development Program rests. Impediments to investment were analyzed in order to identify the strategic niches which the Program could fill. The products and delivery approach described in the following sections were designed expressly and strategically to fill these gaps in community investment.



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4. COMMUNITY DEVELOPMENT PROGRAM

The Community Development Program consists of a set of loan and grant products and eligibility criteria structured specifically to achieve community goals. This section describes these elements of the program. Section 4.1 describes the geographic Investment Area of the Community Development Program and several proposed amendments to the boundaries of the Investment Area. Section 4.2 identifies the primary community goals that the Community Development Program strives to achieve. Section 4.3 gives a general description of each loan and grant product offered by the Community Development Program. Section 4.4 describes criteria that will be used in evaluating loan applications.

4.1. Community Development Investment Area

The Community Development Investment Area was approved as part of the RVCDF's 2002 Operating Plan. The boundaries of the Investment Area were delineated to target areas within the Rainier Valley that could most benefit from resources to support business development and physical revitalization.

This Operating Plan Amendment makes several adjustments to the boundaries of the Community Development Investment Area. Both the original boundaries and the adjustments are depicted in Figure 1 on the following page. The adjustments are described in the paragraphs that follow.

The northern boundary of the Investment Area was defined by an arc of ¼-mile radius around the Mount Baker/South McClellan Street light rail station. This boundary does not correspond to any established planning areas or any commonly accepted boundary of Rainier Valley, and it fails to encompass important commercial areas along Rainier Avenue South that are well served by bus transit. The northern boundary of the Community Development Investment Area is modified in this Operating Plan Amendment. The new northern boundary will be South Atlantic Street, immediately south of I-90. This east-west route is a traditional northern delineation for the Rainier Valley, coincides with the north boundary of the North Rainier Neighborhood Planning Group, and is consistent with the Southeast District Council delineation.

The east and west boundaries of the northerly extension encompass the commercial areas on the west and east sides of Rainier Avenue South and Martin Luther King Jr. Way South. The boundary does not include single-family zoned areas beyond the commercial corridors.

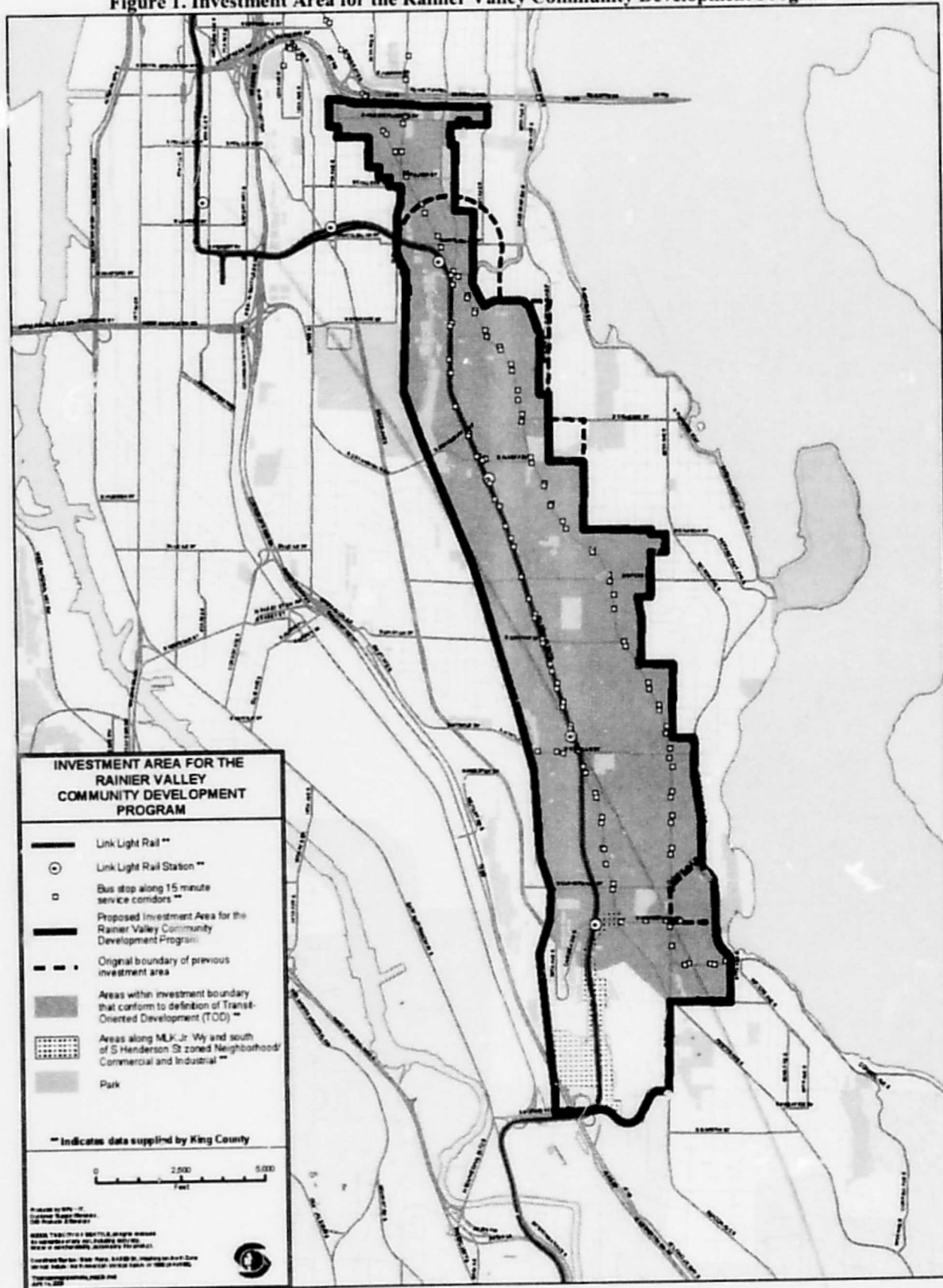
Additionally, this Amendment adjusts three segments of the Investment Area's eastern boundary to be more closely contiguous with the boundaries of the Neighborhood Revitalization Strategy Area (NRSA). The NRSA is a designation approved by the U.S. Department of Housing and Urban Development. Alignment of boundaries is important for two reasons. First, the designation enables a NRSA to take advantage of additional flexibilities in the use of CDBG monies. Because this Community Development Program will be capitalized largely by CDBG dollars, it is critical that the Investment Area boundaries are as similar as possible to the NRSA boundaries. Second, the NRSA designation is based on an area having a significant percentage of low- and moderate-income households in the selected Census block groups. The average percentage across all the block groups must meet a minimum threshold. Including block groups with relatively low percentages of low- and moderate-income households reduces the average, and vice versa.

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Figure 1. Investment Area for the Rainier Valley Community Development Program



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The three NRSA-related adjustments to the Investment Area boundary are also reflected in Figure 1. Along the southeastern boundary of the Investment Area in Rainier Beach, one block group is added which expands the boundary, as indicated by the dashed line. The block group is bounded by South Henderson Street, Rainier Avenue South, Seward Park Avenue South and Cloverdale Place South. This block group has a significant percentage of low- and moderate-income households, at 64.9%. The portions of the area along Rainier Avenue South and South Henderson Street are also zoned Neighborhood Commercial and may present potential opportunities for investment by the Fund.

In addition, two block groups and part of a third block group that are currently in the Investment Area as defined in the 2002 Operating Plan, are removed. The first block group is bounded by South Alaska Street, South Genesee Street, 38th Avenue South and 42nd Avenue South. This area has a relatively low percentage of low- and moderate-income households, at 31.9%, and is zoned single-family. The area includes the Rainier Community Center, playfields, and single-family homes.

The other area to be deleted is along 38th Avenue South between South Dakota Street and South Horton Street. The adjustment consists of moving the boundary one block west along 38th Avenue South between South Dakota and South Horton Street. The area to be deleted is zoned entirely single-family and includes a relatively low percentage of low- and moderate-income households, at 19.6%. North of South Court Street, the adjusted boundary would follow the diagonal contour of York Road South, to its intersection with South Horton Street.

As stated in the 2002 Operating Plan, businesses and projects located outside the Community Development Investment Area but within one or two blocks may be eligible for community development funding, if, in the RVCDF's estimation, the benefits from the project/business accrue to Rainier Valley residents and the project meets the funding criteria established in Section 4.4. The foregoing adjustments apply only to the Community Development Program investment area and do not affect the "Supplemental Mitigation" program area as defined in the 2002 Operating Plan.

In preparing this Amendment, there was deliberation regarding where, within the Investment Area, projects would be eligible for the various Community Development Program products, specifically the real estate investment products. One consideration was how investment of funds in different neighborhoods would support transit-oriented community development (TOD). The City, Sound Transit and King County worked together to develop a joint definition of TOD. That definition is included in Appendix A. The areas within the Investment Area that conform to the definition of TOD are shown in Figure 1. Additionally, there are areas along Martin Luther King Jr. Way south of South Henderson Street that do not conform to the definition of TOD, but should be eligible for the Fund's real estate investment products. This area includes properties that are currently zoned for neighborhood-commercial and industrial purposes. This area is also shown in Figure 1.

Another consideration was to insure that real estate investment supports commercial, multi-family, and mixed-use developments in locations consistent with local land use and zoning regulations. To see how current Rainier Valley zoning designations relate to the Community Development Investment Area, refer to Appendix D.

It is intended that approval of this OPA includes approval of the Community Development Investment Area map shown in Figure 1. This includes approval of the TOD boundaries shown on the map, regardless of potential future changes in transit routes or route frequency in the Rainier Valley.

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4.2. Community Development Goals

The following goals have been developed for the Community Development Program. They were derived from the various Rainier Valley community planning efforts described in section 3.2.1 and Appendix B. Community Development Program activities are intended to accomplish the following:

- Support projects that benefit low- and moderate-income residents, businesses, and institutions in the Rainier Valley.
- Use community development funds as a catalyst for fostering commercial and residential development in the Rainier Valley.
- Improve Rainier Valley's physical environment by enhancing the commercial and multi-family residential building stock.
- Encourage local ownership of properties and businesses.
- Increase employment opportunities through the strengthening of Rainier Valley businesses.
- Augment the supply of affordable housing to limit the potential for displacement caused by rising living costs associated with increased public and private investment.

4.3. Loan and Grant Products

Based on the assessment of community needs described in Section 3, the Community Development Program is structured according to two lines of business: Business Development and Real Estate Development.

For the initial lending and granting of public funds for community development purposes (whether sourced from City funds or revolved supplemental mitigation advances), the Program will target 25% of monies to Business Development and 75% to Real Estate Development. Achieving this target distribution will be measured not on a year-by-year basis, but over the multi-year period of the initial disbursements of public funds (2005 to 2012). For subsequent use of loan repayments, the allocation between the two lines of business will be adjusted by the RVCDF if needed to reflect market demand and community development opportunities.

The product descriptions below include representative terms for each loan and grant product. The terms are targets selected to help achieve the community goals for which the product is intended; however, in practice the terms may be adjusted based on the realities of the lending marketplace at the time the loan is negotiated.

4.3.1. Business Development

This line of business offers products for the purpose of providing working capital, purchasing equipment, improving or expanding the place of business, or (for incentive loans) purchasing the place of business. Business Development offers three products: Business Interest Subsidy Grant, Business Incentive Loan, and Façade Improvement Grant. A general description of each product is provided below. Details on the terms of each product are included in Appendix C.

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Business Interest Subsidy Grant

The Business Interest Subsidy Grant addresses an existing gap by enhancing the access of Rainier Valley businesses to loan products currently offered by community-based lending organizations. This product targets borrowers who are less experienced, have poorer credit, and/or inadequate personal assets that could be used as "collateral." The purpose of this grant is to provide an opportunity for those businesses to improve their operations. The grants can be used for working capital or for machinery and equipment.

RVCDF will market the product to eligible businesses and will partner with an existing organization that currently provides a business loan product. The partner organization will originate the loan using its own monies, and the RVCDF will provide a commitment to pay half of the borrower's annual interest costs on the loan. Projections assume an average business loan provided by the partner organization of \$50,000 for a typical term of 10 years, with a total interest rate up to 15% annually. However, the partner organization's actual interest rates and loan terms may vary. The effect of the grant would be to lower the interest cost to the borrowing business and provide additional lending capacity in the Rainier Valley. Each individual transaction will be approved by the RVCDF Board.

Business Incentive Loan

Loan terms offered by commercial banks often limit creditworthy Rainier Valley businesses' ability to expand or improve their business operations. The Business Incentive Loan is intended to fill this gap. The purpose of the loan is to entice creditworthy businesses to start up, expand, or locate within the Community Development Investment Area, or to improve their existing plant and equipment. The loan can be used for working capital, purchasing equipment, improving or expanding the place of business, or purchasing the place of business. This loan is not intended to be used for refinancing of existing debt, unless that refinancing is part of a business expansion or relocation. There will be an initial target limiting working capital to no more than twenty percent (20%) of the total loan amount, but the amount of working capital included in the loan will be based on underwriting and credit risks specific to each transaction. The RVCDF will have the option of subordinating the business incentive loan to a primary loan or offering the incentive loan as a side-by-side loan with one from a partnering commercial bank.

To make the product attractive to borrowers, it features better-than-market terms that include a longer amortization period and lower interest rate than would be offered by commercial banks. The average loan size is assumed to be \$200,000 with a typical term of 15 years, but the loan may range from \$50,000 to \$500,000 or higher depending on the specific transaction and the life of the asset being financed. For floating rate loans (loans with interest rates that vary over time), rates will range from prime minus 1% to prime plus 1%. For fixed rate loans, interest rates will range from the prime rate to prime plus 2%.

Façade Improvement Grant

The Façade Improvement Grant addresses the gap in funding for physical rehabilitation of storefronts, and helps reduce the impediments in efficient delivery of existing funds for this purpose. The Façade Improvement Grant supports physical rehabilitation of business facilities by expanding the reach and enhancing the delivery of the City's current program. The grant is intended to augment the existing Good Neighbor Program which provides City of Seattle funds administered by SEED. The current program presents several opportunities for enhancement: marketing the program, supporting project design technical assistance, providing a match, or expanding the existing program to target specific blocks or areas. The grants will range up to \$25,000.

4.3.2. Real Estate Development

The Real Estate Development line of business includes loans and grants on income-producing property.

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An income-producing property is one that generates revenue to the property owner whether in the form of lease rents or income from property resale. The Real Estate Development line of business targets real estate projects that need additional incentive in the form of more attractive loan terms. The intent is to lower the effective cost of development by reducing the cost of loans that owners need to obtain to finance their developments. By lowering the cost of such loans, the Fund can help developer-owners achieve project feasibility despite the relatively lower rental rates characteristic of the Rainier Valley. Types of projects may include commercial developments (income-producing property, commercial condominiums or commercial live-work units), multi-family residential developments (townhouses, condominiums, or apartments), and mixed-use developments. Loans may be used for site acquisition and/or real estate development.

The Real Estate Development business line offers five products: Real Estate Financing Loan, Site Assembly Interest Subsidy Loan, Site Assembly Loan for For-profits, Site Assembly Loan for Non-profits, and Façade Improvement Grant (This product is the same as that described in the Business Development line of business). A general description of each product is provided below. Selected terms to be used as targets for each product are included in Appendix C.

Real Estate Financing Loan

The Real Estate Financing Loan helps to provide gap financing, a significant barrier to feasible real estate development in the Rainier Valley. The product is designed to fill the gap in available subordinate debt (that is, debt that is secondary to the existence of other primary debts in the project's financing package). The Real Estate Financing Loan forms the core of the Real Estate Development business line. The loan can be used for real estate development, including site acquisition.

The real estate loan offers long-term amortization and a low interest rate. The average loan size is projected to be \$2,000,000 with a typical amortization of 25 years and a typical term of 10 years. Interest rates will be negotiated based on market and project risk factors with an approximate target of 2%. There will be a minimum equity requirement, which will be negotiated. The real estate financing loan will target 80% loan-to-value ratio as established by appraisal; this may be adjusted upward or downward depending on risk. Factors in assessing risk include: personal guarantees, outside collateral, participation in cash flow, proceeds in refinance and sale, and the degree to which the project achieves pre-leasing.

In return for the favorable terms associated with this product, the Fund will participate in cash flow as well as in the proceeds from any sale or a refinancing of the property. Project cash flow will accrue to the Fund after the borrower first receives a preferred return on investment (ROI) to be targeted at 10%. After this 10% return to the borrower, the cash flow and proceeds of sale or refinance will be shared at a distribution of 70% to the borrower and 30% to the Fund. This distribution is also subject to negotiation based on the level of project risk and availability of project collateral. The loan lowers the developer's cost of capital and allows the developer to achieve a market return before needing to share cash flow with the Fund. The goal is to provide a fair return to the borrower while allowing the Fund to modestly participate in any above-market returns from the project.

Site Assembly Interest Subsidy Loan

This product helps to address the impediment of high carrying costs for land using currently available loan products. The product supports site acquisition and land assembly and is available for non-profit developers. The Fund will help non-profit developers by assuming some of the cost of assembling land in the Rainier Valley. RVCDF will partner with an organization that already funds site acquisition for non-profit developers. The partner organization will provide a loan for site acquisition, and the Fund will provide an interest-free loan for up to 50% of the interest costs of the primary loan. This percentage is not fixed and terms will be negotiated. If the prospective project proceeds to construction, the Fund is repaid



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its loan by the borrower no later than construction financing. If the project does not proceed, the Fund will be paid from the sale of the property, to the extent there are proceeds from a sale, unless otherwise pre-agreed with the RVCDF.

Site Assembly Loan for For-profits

Both Site Assembly Loan products address the overall financing gap for site assembly. This product fills a market gap by easing the annual carrying costs of land with interest-only payments. As with the site assembly interest subsidy loan, the purpose of this product is to help carry the cost of assembling land. However, in this case, the Fund provides the capital (i.e. is the lender). The average loan size is expected to be \$1,000,000 with a typical term of four years. Loan payments will be interest-only for the loan term with full repayment upon closing of the project financing or loan maturity. For for-profit borrowers, the interest rate will range from the prime rate to prime plus 2%. Loans up to 80% of project value will be considered, contingent on guarantees of personal and corporate assets.

Site Assembly Loan for Non-profits

The purpose of the Site Assembly Loan for non-profit borrowers is the same as described above for for-profit borrowers. However, some of the loan terms differ. For non-profit borrowers, the Fund will finance site assembly only in combination with another local non-profit lender. The Fund will take an equal position in sharing collateral, that is, if liquidation occurs the Fund will share the collateral equally with the other lender. The RVCDF will provide an incentive interest rate target of prime minus 2 ½ % to reduce the overall interest expense to non-profits for carrying land assembly costs. Interest may also be deferred for the term of the loan, based on underwriting.

Façade Improvement Grant

This product is the same as described in Section 4.3.1, but would be used within the Real Estate business line specifically to complement real estate financing loan packages on existing building upgrades.

4.4. Funding Criteria

This section describes funding criteria. Specifics on eligible borrowers and eligible projects are described for each line of business. The criteria include both required criteria and desirable criteria. Required criteria must be met for RVCDF issuance of a loan or grant. Some required criteria apply to all types of transactions, while others only apply to selected transaction types (for example, business loans for acquisition of land and buildings). Desirable criteria are non-required criteria that will be used to help distinguish among competing applications. Projects do not need to meet any or all the desirable criteria; however, meeting one or more of the desirable criteria will strengthen an application.

4.4.1. Business Development

Eligible Borrowers

Eligible borrowers or grantees are business owners having a place of business in the Community Development Investment Area or business owners (including start-ups) seeking to establish a place of business in the Community Development Investment Area (map shown in Section 4.1).

Eligible Projects

Required Criteria

General Criteria (all Business Development transactions):

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- Place of business to benefit from the loan must be located within the Community Development Investment Area.
- For the initial disbursement of funds, projects must be eligible CDBG activities and meet federal guidelines for providing benefit to low- and moderate-income households and neighborhoods, which may include the creation of new jobs in the Rainier Valley.²
- Projects must meet state constitutional lending of credit requirements, if applicable.³

Working Capital Loans:

- No additional criteria.

Equipment Loans:

- No additional criteria.

Loans on Land and Buildings:

- Project must be consistent with any applicable Neighborhood Plan adopted by the City Council.

Desirable Criteria Providing Additional Focus

Projects meeting the desirable criteria will generally receive more favorable consideration to the extent that they demonstrate the following:

General Criteria (all Business Development transactions):

- Creates new jobs in the Rainier Valley above and beyond that specified by CDBG requirements.
- Increases financial assets for Rainier Valley residents and businesses.
- Diversifies the mix of retail goods and services in the Rainier Valley.

Additional desirable criteria for loans on land and buildings:

- Projects that have any of the following public amenities (same as items referenced in 4.4.2.):
 1. Dedication of indoor or outdoor space for public use;
 2. Pedestrian enhancements, such as overhead weather protection, blank façade limitations, and façade transparency;
 3. Application of "Crime Prevention Through Environmental Design (CPTED) principles; or
 4. Other transit-oriented and pedestrian-oriented design elements responsive to neighborhood preferences as identified in the applicable City-approved Neighborhood Plan, Design Guidelines (Neighborhood and/or City) and/or Station Area Plan.
- Commercial space (not used by the borrower for his/her own business purpose) is leased to non-chain, non-franchise businesses.⁴

² This requirement applies only to use of CDBG funds or CDBG program income, and should not apply to use of loan repayments received by the RVCDF. Details on CDBG requirements are described in Appendix E.

³ This requirement applies only to General Funds disbursed in the first use as Community Development loans and grants and to revolved Sound Transit/King County funds in perpetuity. It does not apply to CDBG funds or money derived from CDBG funds. Details on requirements are described in Section 7.2.

⁴ "Non-chain, non-franchise" is intended to encourage the growth of locally-owned, community-oriented businesses that add diversity and interest to the goods and services available in the Rainier Valley.

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4.4.2. Real Estate Development

Eligible Borrowers

Eligible borrowers or grantees include for-profit and non-profit entities. The intent of the Real Estate Development line of business is not only to support developers of new projects, but also to encourage existing property owners in the Rainier Valley to rehabilitate, improve or expand their properties when doing so supports the Community Development Goals described in Section 4.2.

Eligible Projects

Required Criteria

General Criteria (all Real Estate transactions):

- Projects must be located within the Community Development Investment Area.
- Additionally, projects must either:
 1. Conform to the definition of transit-oriented development (TOD)⁵ or
 2. For projects along the Martin Luther King Jr. Way corridor south of South Henderson Street to the southern border of the Investment Area, must be within the existing Neighborhood Commercial or Industrial zones (see Map in Section 4.1).
- Projects must conform to all applicable land use, building code, design, and planning requirements at the time of application for RVCDF assistance.
- Projects must be consistent with any applicable City-approved Neighborhood Plan, Design Guidelines (Neighborhood and/or City) and/or Station Area Plan.
- Community Development Program funds will not supplant other comparable resources available to the project.
- For the initial disbursement of funds, projects must be eligible CDBG activities and meet federal guidelines for providing benefit to low- and moderate-income households, which may include the creation of new jobs in the Rainier Valley.⁶
- For revolved funds, housing projects shall continue to provide affordable housing. For the purposes of this Community Development Program, the definition of "affordable" shall be as cited in the Code of Federal Regulations (24 CFR 570.208, 2005 Edition), generally defined as: at least 51% of housing units in the project occupied by households at or below 80% of area median income with affordable rent/sale price as established by City of Seattle guidelines.⁷
- Projects must meet state constitutional lending of credit requirements, if applicable.⁸

Specific Criterion for Existing Buildings:

- Expansion or rehabilitation must either result in a net increase in permanent jobs, or materially contribute to the improved physical appearance and/or public safety of the neighborhood, or both.

Specific Criterion for New Residential Development Projects:

- If the funds are to be used for new construction activities on new multi-family residential projects or on the housing portion of new mixed-use development projects, the project must be carried out by a community-based development organization (CBDO) under U.S. Department of Housing and Urban Development (HUD) regulations. This requirement applies only to the use of CDBG funds

⁵ See Appendix A. Definitions and Map in Section 4.1.

⁶ This requirement applies only to use of CDBG funds or CDBG program income, and should not apply to use of loan repayments received by the RVCDF. Details on CDBG requirements are described in Appendix E.

⁷ This criterion is intended to secure long-term commitments to preserve housing affordability over time.

⁸ This requirement applies only to General Funds disbursed in the first use as Community Development loans and grants and to Sound Transit/King County funds in perpetuity. It does not apply to CDBG funds or money derived from CDBG funds. Details on requirements are described in Section 7.2.

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or CDBG program income, and should not apply to use of loan repayments received by the RVCDF.

Desirable Criteria Providing Additional Focus

Projects meeting the required criteria will generally receive more favorable consideration to the extent that they demonstrate the following:

- Include any of the following public amenities (same as items referenced in 4.4.1.):
 1. Dedication of indoor or outdoor space for public use;
 2. Pedestrian enhancements, such as overhead weather protection, blank façade limitations, and façade transparency;
 3. Application of "Crime Prevention Through Environmental Design (CPTED) principles; or
 4. Other transit-oriented and pedestrian-oriented design elements responsive to neighborhood preferences as identified in the applicable City-approved Neighborhood Plan, Design Guidelines (Neighborhood and/or City) or Station Area Plan.
- Commercial space (not used by the borrower for his/her own business purpose) is leased to non-chain, non-franchise businesses.⁹
- Support one or more of the following existing and emerging neighborhood business districts in the Community Development Investment Area:

Rainier Beach/South Henderson Street. Recent years have seen steady economic investment in Rainier Beach, including redevelopment of an anchor supermarket and the entry of another major grocery, drugstores, and small businesses. Neighborhood residents have identified increasing retail services and multi-family owner-occupied housing as neighborhood priorities. Rainier Beach is closely associated with the Rainier Beach/South Henderson Street light rail station, linked via South Henderson Street, and is a major hub for bus service along Rainier Avenue.

Othello/New Holly. This neighborhood node has been growing in economic activity. It has long been anchored by the residential community of Holly Park and in recent years has seen investment from private investors, as well as through the Seattle Housing Authority, who is undertaking a major redevelopment of Holly Park into a mixed-use, mixed-income active residential community. The area includes the Othello/New Holly light rail station and offers near-term potential for multiple mixed-use developments.

MLK at Graham/Orcas. This portion of Martin Luther King Jr. Way is home to a diverse array of businesses, many of whom are refugee and immigrant-owned. The intersection of MLK Jr. Way and South Graham Street includes commercial activity at each corner, and South Graham Street is an important access point into and out of the Rainier Valley due to its direct connection west to the I-5 freeway. Significant portions of this node are being impacted by light rail construction.

Columbia City/South Edmunds Street. This historic commercial and residential district has been steadily undergoing revitalization over the past decade. This is an opportunity for the Fund to support the economic momentum in this neighborhood, created by the efforts of many community individuals and organizations. The plans for this neighborhood identify a need for encouraging residential and commercial development in Columbia City, while limiting the extent of competing commercial development in the adjacent light rail station area. Columbia City is

⁹ "Non-chain, non-franchise" is intended to encourage the growth of locally-owned, community-oriented businesses that add diversity and interest to the goods and services available in the Rainier Valley.



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closely connected via South Edmunds Street to the Columbia City/South Edmunds Street light rail station and is a major hub for bus service along Rainier Avenue.

Mount Baker/South McClellan Street. The North Rainier area, the "gate" to the Rainier Valley from the north, is a hub of economic activity and a prime candidate area for catalyst development projects. The existing concentration of commercial activity and the proximity of employment centers offer the potential for additional retail, professional, and multi-family home ownership projects. The Mount Baker/South McClellan Street light rail station is associated with this neighborhood node.



5. IMPLEMENTATION

5.1. Product Delivery Considerations

Potential delivery options were analyzed for each grant and loan product for which delivery options could be identified. A number of factors were considered in analyzing and selecting the preferred delivery option for each product.

It is deemed very important that the Board of the RVCDF, as a community-controlled financial institution, retains final decision making control on all transactions. At the same time, Board decision making must be supported with the appropriate level of technical expertise and with processes and systems that ensure accountability and tracking of funds. Additional factors in the analysis included product delivery methods that could be implemented simply and with minimal delivery costs, and ease of coordination among funders.

Consideration was also given to the utilization of existing organizational capacities, of both RVCDF and potential third-party service providers, and whether a delivery option helped build long-term RVCDF capacity. In particular, it was seen as beneficial to take advantage of existing relationships which the RVCDF has built in the community. Finally, the analysis of options looked at the current activities of the RVCDF staff on supplemental mitigation and outreach that will continue through the completion of light rail construction.

5.2. Product Delivery Methods

After careful analysis of the factors described above, a two-phased approach was structured for product delivery, with an initial "transition period" that will extend from 2005 to the end of 2007, and a "steady-state period" after 2007, when light rail construction is scheduled to be completed and supplemental mitigation activities will begin to phase out. The following section describes the delivery methods for each product in each of these two periods.

5.2.1. Business Development

Business Interest Subsidy Grant

As described earlier, the RVCDF will provide a grant to a cooperating lender to defray approximately half the annual interest costs of a business loan. The lender will originate the loan out of its funds, and the RVCDF will provide a commitment to the lender for half the loan's interest costs. Each individual transaction will be approved by the RVCDF Board, with only very limited RVCDF staff effort required for coordination with the cooperating lender. This product will be delivered in the same way both before and after 2007.

Business Incentive Loan

Assumptions

The following assumptions informed the choice of delivery method for the Business Incentive Loan. From 2005 through 2007 the volume of supplemental mitigation advances and activity will remain relatively high and constant, keeping existing RVCDF staff fully occupied. The underwriting required for the business incentive loan focuses on significant repayment risk and collateral concerns and may be different than that required for supplemental mitigation advances. Additionally, there is interest on the part of existing non-profit lenders to assist the RVCDF in the start-up of this product.

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Delivery Method

A phased staffing approach will be implemented. From 2005 through 2007, underwriting and packaging for the loan will be contracted out to existing non-profits. The RVCDF will facilitate a competitive selection process, issuing a Request for Proposals (RFP) to select one or more non-profit lenders. Marketing for the loan product will be carried out by existing RVCDF staff. The RVCDF Board will retain its role as the final decision maker regarding loans. Loan repayments will return to the Fund.

During this period the non-profit lender under contract will also work with RVCDF loan program officers to provide training in underwriting for this product. For back room servicing, which includes tasks such as collection of payments, payment of taxes, insurance, property inspections and monitoring, it is projected that the volume of loans will be relatively small in the transition period, so workload requirements will be nominal. The RVCDF Executive Director will determine the most efficient and effective means of providing for back room servicing.

As supplemental mitigation activities ramp down in 2007, the RVCDF Board will decide whether to continue contracting out the delivery of this product, or to provide underwriting services by RVCDF staff.

Rationale

Contracting out the delivery of this product will allow the RVCDF to focus its current staff capacity on its supplemental mitigation activities. Contracting out also combines the business underwriting skills of existing non-profit lenders with the RVCDF's knowledge of the community and outreach expertise. Finally, this approach keeps open the option of conducting the underwriting in-house after 2007.

Façade Improvement Grant

The Fund will leverage another provider, Southeast Effective Development (SEED), who currently administers façade improvement grants in the Rainier Valley through its Good Neighbor Program. The grant could provide support in a variety of ways: program marketing, supporting additional project design technical assistance, providing a funding match requirement, or expanding the existing program to target specific blocks or areas. RVCDF staff will work with SEED to determine the most effective way to provide RVCDF's grant support. This product will be delivered in the same way both before and after 2007.

5.2.2. Real Estate Development

Site Assembly Interest Subsidy Loan

The Site Assembly Interest Subsidy Loan for non-profits will be made by a cooperating lender. RVCDF will contract with a lending organization that already funds site acquisition. The Fund will provide an interest-free loan to the non-profit borrower in an amount equal to half of interest expenses for an average four year term. This is not a fixed percentage. If the project proceeds to construction, the Fund is repaid its loan by the borrower. If the project does not proceed, the CDF will be paid from the sale of the property, to the extent there are proceeds from a sale. This product will be delivered in the same way both before and after 2007.

Site Assembly Loans and Real Estate Financing Loan

Assumptions

The following assumptions informed the delivery method chosen for the Site Assembly Loans and Real Estate Financing Loan. Numerous non-profit and for-profit developers have expressed interest in applying

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to the Community Development Program for real estate financing and site assembly loans. At the same time, the skills set needed to analyze, negotiate and underwrite real estate transactions are significantly different than the skills required to conduct business lending due to the difference in required collateral, repayment sources and developer qualifications. The City of Seattle's Office of Housing (OH) has made an offer to share its project underwriting information with the RVCDF when a developer applies concurrently to both the RVCDF and OH at the same time for funds for housing developments. Similarly, the City's Office of Economic Development has offered to share underwriting information with the RVCDF when a borrower applies to both the RVCDF and OED for funds for commercial developments. At the same time, the competitive nature of real estate financing makes it difficult to find a non-profit lender who could provide underwriting for the RVCDF without a potential perceived conflict of interest.

Delivery Method

In 2005, the RVCDF will hire a part-time consultant to: 1) help create the systems to implement the real estate loan products, including creation of a loan committee with appropriate technical expertise, 2) assist in drafting a job description for a loan officer that includes the skills set and experience needed to successfully operate the real estate loan products, 3) assist in discussions/negotiations with borrowers who are preparing to apply to the Fund, 4) provide training for the RVCDF board, and 5) assist with the hiring of the real estate loan officer. In early 2006, the RVCDF will hire a real estate loan program officer to manage and conduct the underwriting for its real estate loan products. The RVCDF will also utilize the Office of Housing's assistance with project underwriting when a developer is applying concurrently to both the RVCDF and to OH for housing funding, and OED's assistance to provide underwriting when a developer is applying to both the RVCDF and OED for economic development funding. For non-profit borrowers of the site assembly loan, the RVCDF will develop a joint loan underwriting and servicing process with the other community lending partner. The RVCDF Board will retain final authority to approve each loan transaction.

Rationale

This approach is an optimal match within the context of available Community Development Program resources from 2005 through 2007. During this period, available revenues are limited so the number of real estate loans the Fund will be able to complete is low. However, with the anticipated level of interest in this product from the community, there will be a need to set up the systems early so that RVCDF can begin negotiating with potential developers in 2005 and 2006 and ultimately ensure a successful program.

5.3. Internal Staffing

The product delivery methods described in section 5.2 influence the RVCDF's required internal staffing configuration. Staffing levels may also change over time as volume and type of loan activity evolve, and as light rail supplemental mitigation activities ramp down in 2007. Projections indicate that the following required staffing levels and skills sets are necessary to support the Community Development Program. Final staffing levels and configuration may vary as the RVCDF and its partners gain experience with the loan and grant products.

It is anticipated that in-house staff will be required for the following functions:

- Executive Director
- Loan Program Officer(s)
- Business Assistance/Outreach
- Office Manager
- Pre-Apprenticeship Contract Monitor

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To carry out the product delivery approach described in the previous section, it is anticipated that the RVCDF will have the following in-house staffing levels:

For 2005, RVCDF staff will consist of the Executive Director, two program officers for SMA activities, one business assistance/outreach officer, one office manager, and one pre-apprenticeship contract monitor. This is the RVCDF existing budgeted staff, and no new staff will be hired. Two service contracts will be negotiated: one for underwriting services for the Business Incentive Loan, and one for part-time assistance to set up the systems for the real estate loan products.

For 2006, RVCDF will consist of the Executive Director, two program officers for SMA activities, one business assistance/outreach officer, one office manager, and one pre-apprenticeship contract monitor. Additionally, one new staff will be hired: the full-time real estate loan program officer. The real estate loan products support contract will be terminated, while the contract for underwriting services for the Business Incentive Loan will continue.

For 2007, RVCDF will consist of the Executive Director, two program officers for SMA activities, the real estate loan program officer, one business assistance/outreach officer, one office manager, and one pre-apprenticeship contract monitor. The contract for underwriting services for the Business Incentive Loan will continue.

After 2007, RVCDF will consist of the Executive Director, the real estate program officer, a combined business lending/outreach function and one office manager. Depending on the RVCDF Board's decision, the underwriting for Business Incentive Loans may continue to be contracted out or may be brought in-house.

The following table summarizes the anticipated RVCDF staffing levels described above.

Table 1. RVCDF Staffing Levels 2005 – 2008

	2005	2006	2007	After 2007
Executive Director	1	1	1	1
Program Officers for SMA Activities	2	2	2	0
Business Assistance/Outreach Officer	1	1	1	0
Office Manager	1	1	1	1
Pre-Apprenticeship Contract Monitor	1	1	1	0
Real Estate Program Officer	0	1	1	1
Combined Business Lending/Outreach Function	0	0	0	1
Total Staff	6	7	7	4
Service Contracts	- Underwriting for business incentive loan - Setting up real estate lending	Underwriting for business incentive loan	Underwriting for business incentive loan	TBD

A summary of skills sets for each staff function follows. The descriptions are intended to provide general guidance regarding the necessary job skills. Specific duties may vary.

5.3.1. Executive Director

The Executive Director serves as the chief staff member, provides leadership, and is the organization's main liaison to the Rainier Valley community, all community organizations, public and private funding

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sources, financial institutions, and the media. S/he oversees all management and program operations, and hires and supervises staff, interns, volunteers, and consultants/ and/or contracts with and monitors third-party service providers. The Executive Director reports to the RVCDF Board of Directors and is responsible for performing executive functions such as communicating with the Board and community stakeholders; overseeing all funding disbursements, lending and granting functions; accounting and financial management functions.¹⁰

5.3.2. Program Officer(s)

From 2005 to 2008, the number of program officers will vary. However, the basic responsibilities of the program officer(s) will include the following:

For grant and loan products provided directly by the RVCDF, the program officer screens requests, markets loan products to potential new borrowers, presents proposals for review by the RVCDF Board and Grants and Loans Committee, negotiates and closes all transactions, maintains data and files relating to all applications and transactions, and monitors and services the loan portfolio.

For loan products provided in conjunction with partner organizations, the program officer(s) will conduct any required RFP process, evaluate and make recommendations to the Executive Director and the Board regarding potential partner organizations, support contract negotiations with the partner organization, and coordinate product implementation between the RVCDF and the partner organization.

The Contract Monitor for the Pre-Apprenticeship Program will oversee the activities of this program under the guidance of the Executive Director and the RVCDF Board. The staff position will exist through 2007, when the four-year Pre-Apprenticeship Program will be completed.

5.3.3. Business Assistance/Outreach Officer

The Business Assistance and Outreach Officer will augment the outreach work conducted by the loan program officers. This role is particularly important in the Rainier Valley due to the diverse composition of the community. For the Community Development Program to be effective, it must be carried out in a culturally-appropriate way. One way to accomplish this is to have an outreach function in addition to the Loan Program Officers that can offer the time and extra effort necessary to work with potential clients from different ethnicities and cultures. In 2008, this role may shift to become a combined business lending/outreach function, depending on the RVCDF Board's decision regarding the delivery of the business incentive loan.

5.3.4. Office Manager

The Office Manager will be responsible for overall administrative management of the RVCDF office. The Office Manager assists the Executive Director on outreach and communications, coordinates with other community groups, answers inquiries about the Fund or RVCDF, and generally staffs the office. The Office Manager assists the Director in staffing the RVCDF Board, communicating with funders, maintaining corporate records, responding to all inquiries for applications, and maintaining office operations.

5.4. Operations

This section outlines the practices and procedures the RVCDF will exercise in receiving and evaluating applications for funding. RVCDF will use best practices within the lending industry and will rely on

¹⁰ The RVCDF will contract out to support the accounting, budgeting and financial management functions.



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recommendations from a Loan Committee consisting of technical experts. The Board will make final decisions on allocation of funds. The City of Seattle and Sound Transit will provide additional monitoring and oversight of the operations of the RVCDF as detailed in Section 6.

Transparent Loan Application Process

Access to the Community Development Program is open to any individual or entity who meets the criteria described in section 4.4. In conducting the application process, the RVCDF will strive to balance the need for flexibility in order to satisfy the opportunistic nature of development, and the need for clarity and openness of process to provide certainty to potential borrowers and partners. The RVCDF will ensure that the criteria and procedures for the loan application process is openly communicated to the public. The RVCDF will provide public notice of funds availability. Operating policies will be completed that provide detail on product underwriting, financial management, investment management, personnel, and conflict of interest. These policies will be available for public review, and they will form the basis of an open and transparent loan application process.¹¹ Additionally, a Loan Committee, described below, will be established to provide professional advisory expertise on funding proposals.

Loan Committee

The purpose of the Loan Committee is to provide an objective financial review of specific funding proposals and to ensure technical rigor in funding decisions. The Loan Committee will be appointed by the RVCDF Board and consist primarily of professionals with skills in the business and real estate financing fields. These individuals, with expertise in the types of lending the RVCDF will conduct, will provide advice and assistance to the RVCDF Board to ensure appropriate financial and risk assessment of funding requests. The Committee may also include a representative(s) from the RVCDF Board. The Loan Committee will conduct its technical analysis and make a recommendation to the RVCDF Board for each funding proposal. The RVCDF Board will then make the final funding decision on all proposals.

Coordination with Other Lending Organizations

Whenever possible, RVCDF will coordinate its activities with other lending organizations. This coordination may include: alignment of dates for funding availability, use of common funding application materials, and sharing of applicable information on projects that may be seeking funds from multiple sources. In particular, applicants for real estate loans for projects that include housing development may be requesting funds from several organizations within the network of public funders of affordable housing, making the need for coordination especially strong. At the same time, it is recognized that the Fund may have a program mission that is different from that of other lending organizations. Hence, it is important that the RVCDF coordinate with but not be driven by or become mutually dependent on funding decisions of other organizations.

¹¹ Application contents pertaining to individual financial information are confidential and will not be publicly available.



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5.5. Implementation Tasks

The RVCDF will complete the following tasks to implement the Community Development Program:

2005

- Augment underwriting policies and procedures as needed for new loan and grant products.
- Negotiate terms and conditions of contractual agreement with City of Seattle.¹²
- Augment existing operating procedures as needed for new products.
- Implement RFP process for underwriting services for Business Incentive Loan.
- Select third-party partner to provide interim underwriting services for Business Incentive Loan product.
- Implement RFP process for consultant services to set up systems for real estate products.
- Establish Loan Committee for Community Development Program.
- Augment existing outreach plan to include the Community Development Program.
- Develop Notice of Funds Availability or other notification process to announce availability of Community Development Program funds to potential customers.
- Initiate proactive marketing effort for new products.

2006

- Hire a real estate loan program officer.
- Continue proactive marketing effort for new products.

2007

- RVCDF Board decides whether to continue contracting for underwriting services for Business Incentive Loan or whether to provide that function in-house.

¹² See Section 6 for additional detail.



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6. GOVERNANCE AND OVERSIGHT

The Rainier Valley Community Development Fund (RVCDF) organization will manage its City-funded loans and their proceeds in trust on behalf of the Rainier Valley Community as defined by the Community Development Investment Area described in Section 4.1. In its responsibility as Trustee, the RVCDF will hold only **legal title** to loan assets and Revolved Money, and shall use them as instruments to accomplish the public purposes identified in the Community Development Program ("CDP") as specified in this Plan, consistent with the terms of the contracts entered into by the City and the RVCDF to implement the Plan. The RVCDF may collect and re-lend or grant money consistent with the CDP, subject to the rights of the City upon certain events under the terms of the Trust Agreement, as generally described later in this Section.

Consideration of the governance structure included analysis of several alternative legal relationships that will define the relationship between the RVCDF and the City. A summary of that analysis is included in Appendix G. The criterion used to evaluate the alternatives includes:

- Support the creation of a community-controlled Fund,
- Assure the permanent commitment of the funds (both the initial allocations and the revolved funds) for Community Development Program purposes in the Rainier Valley,
- Create an accountability mechanism that enables the prompt protection of the CDP funds.

The following sections describe the oversight and governance roles of the RVCDF Board and funder agencies to promote the achievement of established goals for the Community Development Program.

6.1. RVCDF Board Governance

In overseeing the implementation of the Community Development Program, the RVCDF Board will make all final decisions regarding use and management of funds for the program, including the use of principal repayments and interest earned from loans and from idle funds. The Board will maintain the roles and responsibilities it currently fills in managing the Supplemental Mitigation Account (SMA) and Pre-apprenticeship activities, and will assume additional roles in its management of the Community Development Program (CDP). The Board's roles and responsibilities include:

- Overseeing use and management of all Fund monies;
- Approving and overseeing the annual budget;
- Hiring, evaluating and supervising the RVCDF's Executive Director;
- Assessing and approving the process by which all payments, advances, grants and loan write-ups, recommendations, and disbursements to fund prospective customers are made;
- Overseeing final design and implementation of the Community Development Program and the pre-apprenticeship training grant program;
- Overseeing the development of community outreach strategies;
- Overseeing compliance with all service and funding contracts;
- Reviewing and updating financial management, product underwriting, and personnel policies;
- Overseeing the monitoring and evaluation of third-party service contracts;
- Securing any additional funds for use by the RVCDF; and
- Setting the future direction of the Trust Assets consistent with the CDP and approving the RVCDF's business plan.

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The RVCDF Board will also carry out the following oversight functions specific to the Community Development Program:

- Selecting third-party service providers and approving associated contracts;
- Ensuring that program implementation is consistent with the Operating Plan and Operating Plan Amendment;
- Overseeing adjustments to funds allocations among lines of business within the Community Development Program;
- Overseeing changes in the terms of Community Development products and the mix of products offered; and,
- Monitoring the efficacy of the Community Development Program in achieving its mission and stated community goals.

6.2. Oversight by Funding Agencies

6.2.1. City of Seattle

Upon approval of the Community Development Program (CDP) by City Council ordinance and prior to signing of contracts for the use of city CDBG and general funds, the City of Seattle and the RVCDF will consummate a Trust Agreement that details the powers and responsibilities of the City of Seattle and the RVCDF as summarized below. The City will use annual contracts to direct the use of public funds appropriated to execute the CDP. The Trust Agreement will establish the obligations of the RVCDF as Trustee and will govern both the management of assets created by the use of City CDBG funds and subsequent uses of Revolved Money. It is anticipated that both the Trust Agreement and the first year funding agreements will be completed by the end of 2005.

The City of Seattle's primary oversight focus will be to monitor the activities of the RVCDF for consistency with the CDP and with the terms of contracts with the City. For loans and grants made directly with Community Development Block Grant (CDBG) money, the City, based on information provided by the RVCDF, will determine whether proposed activities meet the eligibility criteria for CDBG money. The City will rely on the RVCDF to determine the terms and conditions of the specific program actions within the scope of CDBG rules and contracts.

Changes to the Operating Plan Amendment

As detailed below in Table 2, the level of City concurrence needed to change the content of the Operating Plan Amendment depends on the scope of the proposed change. City concurrence for some changes is not required when the changes affect only uses of Revolved Money.

Table 2. City Concurrence Needed for Changes to the Operating Plan Amendment

Description of Change	Use of CDBG Funds	Use of Revolved Money
1. Change in terms of specific products.	No City concurrence needed so long as the change is consistent with CDBG rules and contracts.	No City concurrence needed
2. Change to cumulative allocation of 75% of CDP Money for real estate development and 25% for business development as detailed in Section 4.3.	Approval required from the Office of Economic Development or other designated department.	No City concurrence needed



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3. Material change in the type or delivery of products.	Approval required from the Office of Economic Development or other designated department.	Approval required from the Office of Economic Development or other designated department.
4. Any change in Required Funding Criteria or a material change to Desirable Funding Criteria as described in Section 4.4	Approval required from the Office of Economic Development or other designated department.	Approval required from the Office of Economic Development or other designated department.
5. Elimination or addition of a Community Development line of business.	Council approval	Council approval
6. Change in mission or objectives of the Community Development Program as defined in this Operating Plan Amendment.	Council approval	Council approval

Compliance and Performance

The RVCDF, under the management of its Board of Directors, will be primarily responsible for requiring that its borrowers, grantees, contractors and employees comply with program standards, applicable federal requirements, and legal restrictions on the use of public funds. The City will monitor the performance of the RVCDF in ensuring such compliance and in achieving the program objectives of the CDP. This role is outlined below in Table 3.

Table 3. Summary of the City of Seattle's Roles in Overseeing RVCDF Performance

Compliance Issue	Use of CDBG funds	Use of Revolved Money
Performance monitoring	- Review and approval of individual program actions for eligibility, and federal environmental review prior to release of funds. - Annual review of performance and CDBG compliance. - Onsite financial reviews conducted annually for years 2005 - 2007 and at least once every three years thereafter through 2013. - Annual review of audited financial statements. - Annual review of CBDO status.	- Annual report on the use of CDP funds, compliance with the Community Development Program, City contracts, and the Trust Agreement. - Annual review of audited financial statements. - Right to inspect records on request
Expenses for delivery of services associated with the CDP	Negotiated and monitored through the annual contracts between the RVCDF and the City.	Review of annual report on the use of CDP funds and annual audited financial statements
Recourse for ineligible use of funds	City will have various contractual remedies, including withholding disbursement under existing contracts, and recovery of money used for ineligible purposes. In addition, through 2012 or until such time as the City has obligated all general and CDBG funds to be provided to the Fund, the City may reduce or discontinue its annual contracts with the RVCDF. In addition, in case of uncured, willful, or repeated ineligible uses, the City may designate a substitute Trustee for management of Revolved Money and other Trust Assets.	



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Status of Funds in the event of the dissolution of the RVCDF	The City will designate another organization(s) to implement the Community Development Program which has: a proficiency in implementing similar programs; a demonstrated history and familiarity with, and commitment to the Rainier Valley; and a local governance structure that is inclusive of Rainier Valley residents and businesses. The organization(s) will take title to Revolved Money and other Trust Assets as Successor Trustee, to be used for Community Development Program purposes in the Rainier Valley.
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Trust Agreement

The purpose of the Trust Agreement is to implement the intent that the Revolved Money and loan assets remain community-controlled and self-sustaining for the general welfare and benefit of the Rainier Valley community. The Trust Agreement will also establish standards of performance for the Trustee and the terms and conditions under which the City can designate a replacement Trustee. The key parties to the Trust Agreement are defined below:

- **Grantor (Trustor):** The City of Seattle
- **Trustee:** The Rainier Valley Community Development Fund or any Successor Trustee or Co-trustee so designated by the City.
- **Beneficiary:** The Rainier Valley Community as defined by the Community Development Investment Area in Section 4.1.

Basic Terms of the Trust

The Trust Agreement will specify that all CDBG funds provided to the Trustee that are used for loans, and all earnings, repayments, proceeds and reinvestments, direct and indirect, generated by those funds ("Trust Assets," more specifically defined in Appendix A), will be assets of the Trustee, **held in trust** for the Rainier Valley Community.¹³ The Trustee shall hold only **legal title** to those assets, and shall use them only for Community Development Program ("CDP") activities of the types specified in the Trust Agreement, as it may be amended. The Trustee may collect, re-lend and grant money consistent with the CDP and the Trust Agreement, unless and until the Grantor designates a Successor Trustee or imposes restrictions under circumstances defined in the Trust Agreement, as generally described later in this Section.

The Trust Agreement will also include the following provisions:

- **Separate Trust Account:** The Trustee will institute and maintain controls and procedures to identify Trust Assets and keep them separate from other Trustee assets. A separate Trust Account, or accounts as may be necessary, will be used for loans, grants and program delivery costs as defined in the CDP and the Trust Agreement. The Trust Assets are not to be subject to the claims of general creditors of the Trustee. In addition, the Trustee, or any Successor Trustee, will require underlying borrowers to make their payments directly to the bank holding the Trust Account(s).
- **Holding of Promissory Notes:** Each original promissory note from a borrower, made payable to the order of the Trustee and indorsed by the Trustee in blank, will be delivered to and held by the City until the loan is paid in full. The purposes are to protect against any possible loss or unauthorized disposition, and to enable the City to transfer the notes to any Successor Trustee. The City will not have the right to transfer the notes to itself or to collect payments for itself.

¹³ Research with the National Community Capital Association suggests that the Trust structure is consistent with the RVCDF's potential interest in becoming a Community Development Financial Institution (CDFI).

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- *Deeds of Trust:* Deeds of trust on real estate granted by borrowers to secure the loans will name the beneficiary as the Trustee, specifically citing the Trust Agreement between the City and the Trustee.
- *Charitable Trust:* The agreement with the Trustee will expressly provide that the Trustee holds the Trust Assets as trustee of a **charitable trust** within the meaning of Washington law, RCW Ch. 11.110.

Performance Criteria of the Trustee

The Trustee is required to manage the Trust on behalf of the Rainier Valley Community according to the following performance criteria:

- *Legal Status:* The Trustee shall: (1) maintain its status a 501(c) (3) charitable organization, (2) retain its status as a non-profit corporation legally organized and operating under the laws of the State of Washington, and (3) meet HUD guidelines for a Community Based Development Organization (CBDO) as established in 24 CFR Part 570 through the period of allocation of CDBG funds from the City to the CDP.
- *Sustainability of the Fund:* The City and Rainier Valley community have established a goal of creating a self-sustaining fund that actively invests in the Rainier Valley for the general welfare and benefit of the Rainier Valley community. In support of this goal, the Trustee shall operate under the following terms and conditions:
 - For each of the years 2005 through 2012, all Revolved Money collected in the prior calendar year (including principal, interest and fees) will be reserved in the Trust Account for activities consistent with the Community Development Program. Program delivery costs for the CPD during these years are restricted to costs not to exceed corresponding salary and operating expenses identified in Schedule F of Appendix F. At the discretion of the Office of Economic Development (OED) or any other City Department designated by the Mayor and to the extent agreed to in the annual contract with the City, the Trustee may: (1) exceed the operating expenses identified in Appendix F, and/or (2) use City general funds, CDBG and Revolved Money to pay for its program delivery costs.
 - For 2013 and each subsequent year, the Trustee will ensure that at least 70% of Revolved Money collected in the prior calendar year (including principal, interest and fees) will be reserved in the Trust Account for loans for activities consistent with the Community Development Program.
 - For 2013 and subsequent years, the Trustee may allocate up to 30% of total Revolved Money for the prior calendar year to disbursement of grants authorized under the CDP and/or to pay for CDP program delivery costs of the Trustee. The Trustee will have discretion to allocate these funds among loans, grants, and eligible costs in any given year as it deems appropriate, based on an evaluation of demand for grant funds in the community and the need to support ongoing program delivery costs; however, Trust Assets shall not be used to cover costs for the organization not properly allocable to the CDP.
- *Fiduciary Responsibilities:* The Trustee shall maintain strong accounting, financial management, and underwriting practices that meet or exceed industry standards for Community Development Financial Institutions. The Trustee shall maintain rigorous safeguards against any conflicts of interest and any personal benefits to directors, officers or related persons in connection with loans, grants or contracts involving Trust assets. At a minimum, the Trustee will annually submit the following documentation to help the City evaluate its performance:
 - An aging report detailing the status of all outstanding loans, including identification of which loans are current and which are in default;

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- An annual audit that: (1) meets or exceeds federal standards for an A-133 audit, (2) reports separately on the financial status of the Trust and all other activities of the Trustee organization, and (3) confirms loan loss reserves maintained in a separate account as projected in the Community Development Program or as adjusted by mutual consent of the Trustee and the City based on actual portfolio performance in fulfillment of the Community Development Program.

Because of the purposes of the CDP, the Trustee would not have the same duty to assure preservation of principal or security of income, or to diversify, as might be the case for a trustee investing solely for financial returns to beneficiaries; however, the Trustee would exercise reasonable prudence in the making and administration of loans, consistent with achieving the purposes of the CDP.

- *Mixing of Assets:* The Trustee may make side-by-side loans using Trust Assets and other assets only if the Trust's loans are on no less favorable terms and rank at least equally as to security, and all payments are allocated pro-rata between the funding sources.
- *Contract Compliance:* Breach or default by the Trustee under the Trust Agreement or any related contract between the Trustee and the City for execution of the CDP will be considered non-performance under this paragraph.

Remedies for Non-Performance and Right to Cure

Upon the Trustee's failure to meet any of the performance criteria (listed in the previous section entitled "Performance Criteria of the Trustee") the Trustee shall have a right to cure any breach of the Trust Agreement or any related contract between the Trustee and the City before the City may replace the Trustee, except in the case of "triggering events" listed below. The City may initiate a cure process that obligates the Trustee to resolve the City's concern or submit a remedial plan of action satisfactory to the City. The intended effect of this provision is to insure that the Trustee has the right to cure issues of non-performance before the City may replace the Trustee, except in the case of "triggering events" listed below, but does not require the City to initiate a cure process on all performance issues. The City must initiate such a cure process by written notification to the Trustee. The Trustee shall have at least 30 days to respond to such a requirement upon written notification by the City of its concern.

After written notification initiating the cure process, the City shall have the right to appoint a Co-trustee on an interim basis and/or freeze the assets in the Trust Account by notice to the financial institution holding the Trust Account. The written consent of the interim Co-trustee would be required for all actions concerning the trust, with such exceptions as may be specified in the City's notice. The interim Co-trustee would not have the power to take any action without the consent of the Trustee. The term of any interim Co-trustee, and of any freezing of the Trust Account, would expire in 60 days, unless the City then has given notice of a triggering event, as described below, or the continuation of the Co-trustee is a condition of City approval of a remedial plan of action. The interim Co-trustee will remain in place until appointment of a Successor Trustee takes effect, or until any dispute as to a triggering event is resolved (using the dispute resolution procedures described later in this section), or until any conditions of a remedial plan for removal of the Co-trustee are satisfied.

In the event that the non-performance was associated with Trustee action that involved the use or disposition of Trust Assets contrary to the Trust Agreement, the City shall have the right to require the Trustee to reimburse its Trust Account from other sources of funds.

Triggering Events and Subsequent Actions

The Trustee's failure to cure a matter of non-performance in a timely manner after written notice, in a manner satisfactory to the City, or its failure to perform any term of a remedial plan of action approved by the City, would be a "triggering event." Other "triggering events" would be:



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- The dissolution, winding up or liquidation of the organization serving as Trustee;
- Its resignation as Trustee (or removal by court order);
- Bankruptcy, insolvency or receivership of the organization serving as the Trustee;
- Debarment of the organization serving as the Trustee from eligibility for federal funds;
- Cessation of CDP operations;
- Fraudulent conduct by the Trustee; or,
- Multiple instances of non-performance of a similar nature each of which causes the City to give notice and require a cure.

The City shall notify the Trustee after it determines that a triggering event has occurred. At any time after such written notification, the City would have the right to designate a Successor Trustee, approved by the City Council by ordinance or resolution. When designation of a Successor Trustee takes effect, all powers and rights of the Trustee with respect to the Trust Assets would cease, and the Trustee (and interim Co-trustee, if applicable) would be obligated to transfer all such assets to the Successor Trustee. The designation of a Successor Trustee would be effective thirty days after written notice unless the Trustee elects mediation as described below. If the Trustee elects mediation within 30 days, the effectiveness of the designation of a permanent Successor Trustee would be deferred until the dispute over the alleged triggering event is resolved. The Trustee would not be obligated to transfer Trust Assets to a Successor Trustee if the parties agreed on a resolution by which the Trust Assets would remain with the Trustee.

As an alternative to designating a Successor Trustee, after a triggering event the City could also appoint a permanent Co-trustee that would have various powers, and whose written approval would be needed for certain actions, as designated by the City. The dispute resolution provisions outlined in the following section are also available to the Trustee under this circumstance.

Dispute Resolution

Instead of the dispute resolution procedures in the Washington Trust and Estates Dispute Resolution Act, the following would apply after notice of a triggering event:

- **Mediation:** Upon notice from the City that a triggering event has occurred, the RVCDF (or any Successor Trustee), if it disputes that a triggering event has occurred, would have the right to request mediation, within thirty days of the City's written notice. At the timely written request of the Trustee mediation is mandatory. The mediation session would occur within sixty days after the written request for mediation.
- **Mandatory Binding Arbitration:** In the event the mediation fails to resolve the dispute, the RVCDF has the right to pursue arbitration. At the written request of the RVCDF the parties agree that arbitration is mandatory and its conclusions binding. Arbitration shall commence within 90 days after the completion of mediation.
- **Judicial Review:** Either party would have the right to file an action in King County Superior Court to enforce the arbitration decision. Either party would have the right to file a court action in King County Superior Court within 90 days of the arbitrator's decision, and to appeal that decision only on grounds specified in the Washington Arbitration Act, RCW Ch. 7.04, or any successor statute (including Ch. 433, Laws 2005). The party requesting judicial review must improve its position at the Superior Court level, or be responsible for the other party's attorney fees and costs.



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Interim Judicial Relief

During mediation or arbitration and pending any judicial review, either party could seek a temporary order from the Superior Court, or from the arbitrator if applicable, to preserve the Trust Assets or to provide for the ongoing ordinary activities of the Trust, which could include the designation of a single interim Trustee. The parties will agree in the trust agreement that if the Trustee and interim Co-trustee are at an impasse, a single interim Trustee should be appointed pending resolution of any dispute over a notice of a triggering event.

Obligations of Successor Trustee or Co-Trustee

In the event the City appoints either a Co-trustee or a Successor Trustee the terms and conditions described in the CDP and the Trust Agreement shall apply.

6.2.2. Sound Transit

Sound Transit's primary oversight responsibilities for the Community Development Program will be as follows:

- Sound Transit will be responsible for the oversight of Sound Transit funds remaining, if any, after the cessation of supplemental mitigation activities. This would include funds originally allocated by Sound Transit but revolved into the Community Development Program via loan repayments

6.2.3. King County

King County's primary oversight responsibilities for the Community Development Program will be as follows:

- King County will attend RVCDF Board meetings periodically, as it is doing currently. King County will have no contractual relationship with the RVCDF through the Operating Plan Amendment.



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7. CAPITALIZATION AND FINANCIAL FORECAST

7.1. Capitalization

The \$50 million Community Development Fund is being capitalized through annual appropriations of public funds through 2012. The sources of funds include the City of Seattle, King County and Sound Transit. The public financial resources include approximately \$7.2 million from Sound Transit/King County, and \$42.8 million from the City of Seattle, of which \$35.0 million are expected to be federal Community Development Block Grant (CDBG) dollars and \$7.8 million are expected to be General Fund dollars.

The \$7.2 million will be provided by Sound Transit as directed in the Downtown Seattle Transit Tunnel agreement. The tunnel agreement notes that Sound Transit's light rail project would recognize benefits and savings from joint operations in the tunnel as agreed to by King County. The agreement directs payments of \$7.2 million over seven years from Sound Transit to the Community Development Fund's supplemental mitigation account to be used "to support components of transit-oriented development (TOD) projects within the Rainier Valley that serve to increase transit ridership." Since the Operating Plan Amendment assumes an accelerated payment schedule for these funds and their use for supplemental mitigation, the three-party Downtown Seattle Transit Tunnel agreement will be administratively amended to reflect this. Funds for TOD projects will be provided instead through the funds contributed by the City of Seattle.

The \$7.8 million in General Funds and \$35 million of CDBG monies from the City of Seattle are funds that will be appropriated annually to the RVCDF and disbursed *at the time* that projects to be funded are identified and approved by the RVCDF Board and the City of Seattle. These funds will not be pre-allocated to the RVCDF in a lump-sum payment. The amount, timing and conditions of appropriations to the Community Development Program will be detailed in the annual funding agreements between the RVCDF and the City.

Table 4 below summarizes the yearly flow of appropriations to pay for the activities of the Fund.

Table 4. Summary of yearly capital contribution to the Fund (\$ millions)

	2004 ¹⁴	2005	2006	2007	2008	2009	2010	2011	2012	Total
Sound Transit ¹⁵	\$5.00	\$2.20								\$7.20
City of Seattle-CDBG	\$4.31	\$2.50	\$2.50	\$4.35	\$4.33	\$4.33	\$4.23	\$4.23	\$4.21	\$34.99
City of Seattle-General Fund	\$0.69	\$1.63	\$1.50	\$1.70	\$1.30	\$0.99				\$7.81
Public Grants Contributed	\$10.00	\$6.33	\$4.00	\$6.05	\$5.63	\$5.32	\$4.23	\$4.23	\$4.21	\$50.00

Of the total \$50 million Fund, up to \$21.5 million will be used on supplemental mitigation activities, and \$2 million has been earmarked for a four-year pre-apprenticeship program, per the 2002 Operating Plan. The remainder (at least \$19.5 million) will be available for the Community Development Program.

In addition to the \$19.5 million initially earmarked for the Community Development Program, any residual funds not used for supplemental mitigation activities, any funds repaid from supplemental

¹⁴ The figures for 2004 include funds for 2002 through 2004.

¹⁵ Funds provided by Sound Transit through the Downtown Seattle Transit Tunnel Agreement.



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mitigation advances (unless recommitted for supplemental mitigation), and any interest earned on community development loan payments, will also be applied to pay for the Community Development Program, under the restrictions and considerations described below. Additional detail on fund capitalization and annual cash flows is included in Appendix F.

7.2. Restrictions on Uses of Funds

The Fund is comprised of public financial resources from different origins (King County/Sound Transit, CDBG, and City General Funds), and certain restrictions apply to each source. The following section summarizes some of the restrictions and considerations that apply to each fund source.

Community Development Block Grant (CDBG) Funds

- Use of CDBG monies must meet a CDBG national objective, be consistent with the eligible CDBG activity as approved in the City's annual Action Plan element of its Consolidated Plan and must follow regulations of the U.S. Department of Housing and Urban Development. Appendix E provides additional information on HUD guidelines and requirements; however, the RVCDF must consult and follow the applicable regulations, as in effect from time to time, principally in 24 Code of Federal Regulations (CFR) Part 570.
- Article 8, Section 7 of the Washington state constitution prohibits gifts and loans to private persons or entities except for the support of the poor and infirm. This provision does not apply to CDBG monies because the City is acting as a conduit for these federal dollars to implement national objectives under federal regulations. CDBG funds may be used for a broad range of loans, grants or contractual payments to private persons and entities.

City of Seattle General Funds

- City General Funds are restricted in two basic ways: they must be used in a manner consistent with applicable law (including the state constitution and statutes and City Charter), and they must be used consistent with the City budget and other applicable ordinances.
- Article 8, Section 7 of the Washington state constitution applies to General Funds. This provision prohibits gifts and loans to private individuals or entities except for the necessary support of the poor and infirm.
- The financial projections for the Community Development Program indicate that the non-CDBG costs that will be incurred for the four-year job apprenticeship program and the RVCDF's program delivery costs through 2012 will use nearly all of the \$7.8 million of General Funds included in the \$50 million.¹⁶

Revolved Sound Transit/King County Funds

- Sound Transit/King County funds must be consistent with Sound Transit's statutory authority, which requires that "agencies providing high capacity transportation services, in cooperation with public and private interests, shall promote transit-compatible land uses and development." This restriction applies in perpetuity.

¹⁶ General Funds can be used for other general government purposes, but as mentioned above, there are restrictions on their use. In addition, there are more restrictions on the use of CDBG funds for program delivery purposes.



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- In practice, this means that these funds must be used for either 1) mitigation of Sound Transit light rail impacts to property owners and tenants, or 2) for transit-oriented development (TOD). Sound Transit/King County funds used for supplemental mitigation advances that are re-committed for supplemental mitigation, meet the first criterion. Supplemental mitigation advance repayments that are not re-committed for supplemental mitigation, must meet the second criterion.
- With regard to the second criterion, transit-oriented development (TOD) is not defined by statute. For the purposes of this Community Development Program the definition of TOD is one that has been jointly developed by the transit staff/divisions of the City of Seattle, Sound Transit, and King County, and with which the Operating Plan Amendment Steering Committee concurs. The definition is described in Appendix A.
- Examples of uses for which Sound Transit/King County funds might be used include: public amenities that would be used by transit riders; planning and financing costs of transit-related low-income housing; payments to fund (publicly owned) utility and street infrastructure that would otherwise have to be paid by private developers as a prerequisite to obtaining permits. If the uses listed above are included in real estate development projects, they may be considered for funding under the real estate financing loan product.
- Use of Sound Transit/King County Funds must also be consistent with Article 8, Section 7 of the Washington state constitution, as described in the preceding section on City of Seattle General Funds.

7.3. General Allocation of Funds by Program Area

As described in section 4.4 the initial lending and granting of public funds for community development purposes will target 25% of monies to Business Development and 75% to Real Estate Development. For subsequent use of loan repayments, the allocation between the two lines of business will be adjusted by the RVCDF if needed.

7.4. Financial Projections

Financial projections for the Community Development Program are included in Appendix F. The projections include:

- Cash Flow Summary
- Terms of Loan and Grant Products
- Loan Product Amortization Schedules
- Summary of Capital Draws
- CDF Operating Projections, and
- Multiple worksheets detailing the lending activities of the Fund.

Explanatory notes for each table are included in the Appendix.

Projected demand for Community Development Program products was estimated based on the experience of the National Development Council, the lead consultants for the financial analysis, as well as the expertise of members of the two Technical Advisory Committees which the RVCDF convened as part of the process of drafting this Operating Plan Amendment. One committee focused on real estate products and the other focused on the business products. These practitioners shared their professional observations

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that demand for the loan and grant products will almost certainly exceed the available supply of resources. At the same time, it is impossible to pre-determine the specifics of future markets. Likely, future cash flows will differ from the forecast presented here; however, the financial analysis does offer a general picture of projected finances for community development activities.

Projections have been developed for the years 2004 through 2013. There are several benchmark periods within that time period. Supplemental mitigation activity is projected to ramp down in 2007 so 2008 represents the first year when the RVCDF is significantly more focused on its community development products. Public funds are projected to end in 2012, so 2013 represents the first year in which the activities of the Community Development Program are funded solely from the revenues generated by the Program. To analyze program sustainability, specific attention has been paid to 2013 to gauge the likely success of the Fund in generating sufficient revenues from lending activity to continue community development activities and to fund adequate operations to support that program work. In 2013, the Fund is projected to generate enough resources to pay for program delivery costs and fund about \$2.8 million of additional Community Development Program activity. The financial forecast in Appendix F projects that this level of activity can be sustained indefinitely from that period on as ongoing loan payments are revolved for future lending.

Table 5. Yearly Cash Flows (\$ millions)

	2004 ¹⁷	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Total Revenues	\$10.02	\$10.93	\$4.90	\$6.54	\$6.51	\$7.70	\$6.05	\$7.31	\$7.73	\$3.81	\$65.43
Total Expenses	\$5.54	\$10.22	\$4.90	\$6.44	\$6.37	\$7.52	\$5.95	\$7.24	\$7.58	\$3.77	\$65.53
Net Cash Flow	\$4.48	\$0.71	\$0.00	\$0.10	\$0.14	\$0.18	\$0.10	\$0.07	\$0.15	\$0.04	<\$0.10
Interest on Idle Funds		\$0.06	\$0.01	\$0.01	\$0.01	\$0.02	\$0.01	\$0.02	\$0.02	\$0.01	\$0.15
Fund Balance	\$4.48	\$0.77	\$0.01	\$0.11	\$0.15	\$0.20	\$0.11	\$0.09	\$0.17	\$0.04	\$0.05

From 2004 to 2013, it is projected that the Fund will generate over \$65 million in revenues with the bulk, \$50 million, coming from public grants. The balance is generated from the program's loan products. Over the same period, the Fund is projected to spend approximately \$8 million (13%) on operating expenses, over \$15 million (25%) on supplemental mitigation activities, \$2 million (3%) on apprenticeship utilization activity, and over \$38 million (58%) on community development activities (\$1.24 million for grants and \$37.1 million in loans). The balance of expenditures, for loan loss reserves¹⁸ and reimbursement for unpaid legal costs, yields a balance of \$44 thousand that carries over into 2014.

Within the Business Development line of business, over \$320,000 will be made available to business district façade improvement efforts. The remaining grant funds, approximately \$805,000, will be used to inject additional capital into the community via the Business Interest Subsidy Grant. These grant funds will leverage over \$1.965 million in loan capital to Rainier Valley businesses, benefiting an estimated 40 businesses. Loan activity for the Business Incentive Loan is projected to total \$7.84 million and is estimated to benefit an additional 42 Rainier Valley businesses.

The Real Estate Development line of business will assist non-profit and for-profit developers to assemble sites and develop commercial and/or mixed use projects. Similar to the Business Development line of business, a portion of the Fund will be used to leverage other community lending, in particular for non-

¹⁷ The figures for 2004 include funds for 2002 through 2004.

¹⁸ Loan loss reserves are projected at 2 to 3 percent for Real Estate Loan products and the Business Incentive Loan. There is no loan loss reserve for the Business Interest Subsidy Grant and the Façade Improvement Grant because the Fund support will be in the form of grants.



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profit site assembly. The \$0.45 million in projected funding will leverage \$3.75 million of additional loan capital to non-profits benefiting an estimated 4 non-profit development projects. The balance of the Real Estate Development line of business, approximately \$28.5 million, will support other development efforts including 4 additional site assembly efforts and direct investment into 10 projects. The Real Estate Financing product is intended to fill the financing gap after other debt and private equity sources. The Fund is projected to loan \$21.54 million to real estate projects totaling \$107 million in total project costs.

In the final analysis of Fund activities from 2004 to 2013, public investments will total \$50,000,000. An additional \$15,424,526 will be generated from Community Development Program activities. Overall, over \$3.20 is leveraged for every \$1 of Fund resources.

Finally, to confirm the flexibility of the financial model, a number of sensitivity studies were conducted to gauge the model's viability. Variables tested included: interest earnings were reduced by 50%, loan losses were doubled, and grants were doubled. With those significant impacts to the model, in 2013, the Fund still generates approximately \$2.1 million for Community Development Program activities (compared to \$2.8 million under the base case assumptions) plus the necessary resources to support program delivery costs. The analysis shows that there is margin for adjustments to the loan terms without hindering the Fund's ability to fulfill its community mission.

The sensitivity analysis showed one variable, however, to be significant. The analysis looked at the impact of the Fund not disbursing loans at the projected levels. The volume of loans was reduced by 50%. This assumption resulted in the greatest reduction in funding available for ongoing Community Development Program activities, \$1.6 million, by 2013. Combining lower loan activity with any of the factors presented in the previous section: lower interest earnings, higher loan losses or increased grant funds, would significantly reduce the ability of the Fund to sustain its Community Development Program. Overall, the analysis shows that it is critical to the Fund's financial sustainability to maintain projected levels of loan activity and to complete well-assessed loan transactions resulting in repayments that will enable ongoing community development activity.

7.5. Sustainability

An important principal guiding the creation of the Community Development Program is that it be self-sustaining. The RVCDF has established the goal that funds disbursed for the Community Development Program will largely consist of revolving loans that will enable the program to sustain itself and serve as a lasting legacy to benefit the Rainier Valley community. CDBG revolved funds will become an asset of the Community Development Program that can be reinvested in the community as opposed to revert back to the City of Seattle in the form of program income, as CDBG monies normally would.

Operationally, sustainability also means the financial condition wherein total RVCDF revenues, exclusive of capital allocations and service fees from the City of Seattle and Sound Transit, meet or exceed the RVCDF's total operating expenditures.

A financial forecast has been developed to provide a financial benchmark against which to assess long-term sustainability of the programs. The primary determinants of sustainability are:

- (1) the mix between grant products and products providing a financial return;
- (2) the financial terms of the loan and equity investment products;
- (3) the schedule of transactions and repayment;
- (4) loan losses; and
- (5) the operating costs of the Fund.

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Schedule F-2
Program Distribution - Employee Costs and Operating Expenses

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Salary Expense - Total	\$ 373,618	\$ 446,530	\$ 556,910	\$ 587,456	\$ 434,202	\$ 457,211	\$ 481,510	\$ 507,173	\$ 534,278	\$ 562,911
Salary Costs - SMA Activity	\$ 328,965	\$ 362,994	\$ 468,791	\$ 392,066	\$ 91,293	\$ 457,211	\$ 481,510	\$ 507,173	\$ 534,278	\$ 562,911
Salary Costs - Community Development Activity - 1	\$ 44,653	\$ 83,536	\$ 88,118	\$ 195,391	\$ 342,908	\$ 279,106	\$ 287,538	\$ 296,146	\$ 305,032	\$ 314,099
Operating Expense:	\$ 407,731	\$ 383,039	\$ 429,149	\$ 425,360	\$ 270,967	\$ 279,106	\$ 287,538	\$ 296,146	\$ 305,032	\$ 314,099
Operating Expense - SMA Activity	\$ 383,058	\$ 349,734	\$ 388,927	\$ 306,398	\$ 67,742	\$ 279,106	\$ 287,538	\$ 296,146	\$ 305,032	\$ 314,099
Operating Expense - Community Development Activity - 1	\$ 24,673	\$ 33,305	\$ 40,222	\$ 118,962	\$ 203,225	\$ 279,106	\$ 287,538	\$ 296,146	\$ 305,032	\$ 314,099
CDF Total Operating Costs	\$ 781,349	\$ 829,569	\$ 986,059	\$ 1,012,817	\$ 705,169	\$ 736,317	\$ 769,048	\$ 803,318	\$ 839,310	\$ 877,010
SMA Activity	\$ 712,023	\$ 712,727	\$ 857,718	\$ 698,464	\$ 159,035	\$ 736,317	\$ 769,048	\$ 803,318	\$ 839,310	\$ 877,010
Community Development Activity	\$ 69,326	\$ 116,842	\$ 128,341	\$ 314,353	\$ 546,134	\$ 736,317	\$ 769,048	\$ 803,318	\$ 839,310	\$ 877,010

1 - Community development activity includes CDF management of community development program and apprentice utilization program.



121953

NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE
IT IS DUE TO THE QUALITY OF THE DOCUMENT.

STATE OF WASHINGTON - KING COUNTY

--SS.

190878
CITY OF SEATTLE, CLERKS OFFICE

No. TITLE ONLY

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:121953,955-958

was published on

10/14/05



[Signature]

Subscribed and sworn to before me on

10/14/05

[Signature]

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on October 3, 2005, and published here by title only, will be mailed upon request, or can be accessed electronically at <http://clerk.ci.seattle.wa.us>. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 121956

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

ORDINANCE NO. 121957

AN ORDINANCE related to City Light's 2005 - 2010 Capital Improvement Program (CIP), removing a restriction that limits spending of City Light's Finance and Administration CIP Budget Control Level appropriation in the 2005 Adopted Budget on "Information Technology Projects" in its Capital Improvement Program, and amending allocations to various projects within the utility's CIP.

ORDINANCE NO. 121958

AN ORDINANCE authorizing the Mayor to execute a new interlocal agreement with the City of Renton to allow them to accept temporary custody of City prisoners for the purpose of transferring those prisoners to the City of Renton Jail (Renton) for jail services.

ORDINANCE NO. 121955

AN ORDINANCE amending the Seattle Comprehensive Plan to incorporate changes proposed as part of the 2005 Comprehensive Plan annual amendment process.

ORDINANCE NO. 121953

AN ORDINANCE relating to community development in the Rainier Valley, approving an amendment to the operating plan for the Transit-Oriented Community Development Fund for Southeast Seattle; authorizing the Office of Economic Development to negotiate and execute a trust agreement and other agreements with the Rainier Valley Community Development Fund for the execution of a community development program; and ratifying and confirming prior acts.

Publication ordered by JUDITH PIPPIN,
City Clerk

Date of publication in the Seattle Daily
Journal of Commerce, October 14, 2005.
10/14(196878)

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