



City of Seattle

Michael Patrick McGinn, Mayor
Office of Economic Development
Stephen H. Johnson, Director

Memorandum

Date: October 1, 2010
To: Councilmember Richard Conlin, Chair of the Regional Development and Sustainability Committee; Councilmember Mike O'Brien, Vice-Chair; Councilmember Jean Godden, Member; Councilmember Tim Burgess, Alternate
From: Stephen H. Johnson, Director, Office of Economic Development
Subject: Bi-annual report on the activities and progress of the Rainier Valley Community Development Fund

I am pleased to submit the first 2010 bi-annual report on the activities and progress of the Rainier Valley Community Development Fund (RVCDF), as required by Council Ordinance #121953 and Statement of Legislative Intent (SLI) #010-2-A-1 in the 2005 Adopted Budget. The RVCDF is the non-profit, community-based financial institution that is managing the assets of the Transit-Oriented Community Development Fund of Southeast Seattle (the Fund). The City, King County and Sound Transit established the Fund to: (1) supplement mitigation available to businesses impacted by Link light rail construction along Martin Luther King Jr. Way S (MLK), and (2) invest in long-term business and real estate development in the Rainier Valley.

Key Issues/Highlights

Executive Transition

The RVCDF's former Executive Director, Martina Guilfoil, resigned in September and former City Councilmember Richard McIver agreed to step in as Interim Executive Director. OED is working with the Board, the Interim Executive Director, and staff to ensure a smooth transition and operational continuity. This fall, OED will conduct a detailed review of the RVCDF's operations to assess its fiduciary and programmatic performance in carrying out the operating plan authorized and amended by city ordinance and the subsequent Trust agreement negotiated by OED. OED will also support the RVCDF leadership and staff in the successful completion of a long-term business plan that will ensure the uses of the Fund are responsive to the needs of the Valley.

Real Estate Development

A recent article in The Seattle Times, "Rail Draws Developers to Rainier Valley" (Pryne, September 2010) highlights that projects are beginning to start up again near the light rail stations. The RVCDF has been involved with all of the projects mentioned in the article and has either provided financing or is currently reviewing three of the four.

- The RVCDF is currently working with Artspace to finance its artist housing project at the Mt. Baker station.
- SEED's Claremont Apartments is making progress nearby with completion targeted for spring of 2011. The RVCDF has provided financing at key stages of this project, from the initial acquisition to permanent financing for the retail/commercial space.

- Harbor Properties acquired the Columbia Motors building in the Columbia City business district, with the help of RVCDF's revolved loan funds. The building is adjacent to the former Saint Gobain property that Harbor Properties will develop into market-rate housing. Formerly an auto shop in the past, the building will be rehabbed and leased as retail/commercial space.
- The fourth project highlighted, the Station at Othello Park, did not receive financing from the RVCDF, but the developers have worked closely with RVCDF staff on business organizing efforts in the neighborhood.

In addition to the projects in the article, several other real estate loan highlights include:

The RVCDF completed its first real estate loan that is consistent with the principles of Islamic (Sharia) law, an interest-free or "riba-free" product, to the Oromo community. The Oromo community acquired a commercial building near the Rainier Beach light rail station to relocate their cultural center. They had outgrown their leased space in the Central Area and wanted to own a site in a good location to allow them to grow. They have moved in and are offering their services.

Construction on the expansion of Tiny Tots Development Center, located mid-way between the Othello and Rainier Beach neighborhoods, is complete and under operation. The expansion created 50 spots for new children in the center, which offers free, reduced and sliding scale daycare for infants to preschoolers and after school care for children. RVCDF provided the final financing and construction management support to make their long-awaited expansion plans a reality.

The RVCDF recently provided short term financing to the Miracle Temple, located at a key site near the Othello light rail station, to support future development opportunities. The RVCDF also assisted Emergency Feeding Program to temporarily relocate to the site to allow construction to begin on the fire new station at MLK Jr Way and S Jackson Street.

Small Businesses

The RVCDF is currently working on two potential loans in partnership with the Healthy Foods Here (HFH) project. HFH is funded through the Communities Putting Prevention to Work (CPPW) grant received by Seattle King County Public Health. OED is leading HFH to provide incentives and support to small grocers to increase their ability to profitably offer more fresh produce and other healthy foods. One of the stores in the program is a produce stand located on MLK Jr Way near S Graham Street. The RVCDF is considering a loan to help the business purchase refrigeration and complete minor rehab to the interior. The other store is located on Rainier Avenue, south of Hillman City, and is interested in qualifying for the Women, Infants and Children (WIC) program and improving its store layout and facade.

The RVCDF has disbursed most of the \$250,000 in Community Development Block Grant federal stimulus funds (CDBG-R) that it received from the City, providing 5 loans for a total of \$210,000 from this source. The RVCDF has been able to disburse these funds more quickly than the other two lenders.

In addition to the CDBG-R loans, the RVCDF has provided \$315,000 of its revolved funds to Tutta Bella Restaurant and \$120,000 to Rainier Valley Chiropractic this year. Tutta Bella was highlighted in President Obama's recent visit as an example of the need to increase the US Small Business Administration (SBA) loan guarantee maximum. Tutta Bella was not able to fully refinance its



SBA-guaranteed debt with a local community bank because of these limits. The RVCDF stepped in to cover the additional amount needed for the refinance to work. The loan to Rainier Valley Chiropractic provided funding for updating its equipment, which lowered operating costs and allowed it to bring in an additional chiropractor to serve more patients.

Transition plan

The RVCDF has been working with a community development finance consultant to reassess its business plan and prepare for operations starting in 2013, when funding allocations from the City will be over. A draft of the overall direction and goals has been shared with stakeholders and the Board is looking at potential operating structures. This process will move forward under the leadership of the Interim Executive Director, but might not be completed by year end as originally planned. OED will continue to be involved in the process and in creating the final plan.

Background

Mitigation of Light Rail Construction Impacts

The RVCDF has been operating now for the past seven years. Initially, it focused on designing and managing a program to support businesses along Martin Luther King Jr Way through heavy light-rail construction impacts. Through this program, called Supplemental Mitigation Assistance, the RVCDF provided payments to businesses based on actual revenues lost from the impacts of construction. The RVCDF made over 1,000 payments to 181 impacted businesses, disbursing over \$15 million. When construction ended in 2008, 85% of impacted businesses were still operating, although some had moved out of the Rainier Valley. The total percentage of businesses impacted by light rail construction that were still operating in the Rainier Valley was 77%.

Pre-Apprenticeship Training Program

During light rail construction, the RVCDF also funded a Pre-Apprenticeship training program, coordinated by the Seattle Jobs Initiative. Just under \$1 million was used to place 140 Rainier Valley residents into construction training programs and jobs at an average wage of \$17.38 per hour. All participants entering the program were low-income and of the 140 people placed, 58% are African American, 18% are Asian and 12% are multi-ethnic, Latino or Native American.

Community Development Program

The RVCDF's main line of business now is the Community Development Program, which is a revolving loan fund that provides low-cost real estate and business financing in the Rainier Valley. The program has been operating for four years and has made 27 loans, investing \$12.2 million in businesses and real estate projects.

- Real Estate Investments – The RVCDF has invested \$9.8 million in real estate projects comprised of: \$5.7 million in commercial developments, \$2.8 million in mixed-use developments, and \$1.3 million in housing near a light rail station.
- Business Investments - \$2.4 million has been invested in small businesses to date. This includes the original City appropriations, revolved funds and CDBG-R funding received in 2009.

With all the investments mentioned above, the RVCDF has invested 80% in real estate and 20% in business lending. This lending activity is summarized in Table IV.



Financial Summary

Attachment A includes the following required reports:

- Table I. Summary of City Funding Appropriations and Disbursements for RVCDF Activities
- Table II. City Disbursements and Balances for RVCDF Activities by Fund Source
- Table III. The Rainier Valley Community Development Fund Summary of Expenditures as of August 31, 2010
- Table IV. The Rainier Valley Community Development Fund Loan Portfolio as of August 31, 2010
- Table V. The Rainier Valley Community Development Fund Loan Pipeline as of August 31, 2010

Questions regarding this report or other activities of the Rainier Valley Community Development Fund can be directed to Theresa Barreras in the Office of Economic Development, phone number 206-684-4505, email Theresa.barreras@seattle.gov.

CC: Phyllis Schulman, Committee Staff
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Rebecca Guerra, City Budget Office
Kristi Beattie, City Budget Office



Attachment A

Table I. Summary of City Funding Appropriations and Disbursements for RVCDF Activities

Funding Appropriations ¹	Adopted							Total	Projected			Total
	2003	2004	2005	2006	2007	2008	2009		2010	2011	2012	
Finance General	\$300,000	\$700,000	\$1,676,200	\$1,886,150	\$1,479,850	\$921,400	\$836,400	\$7,800,000				\$7,800,000
CDBG	1,912,500	2,400,000	2,400,000	2,500,000	4,350,000	4,330,000	4,330,000	22,222,500	\$4,230,000	\$4,230,000	\$4,317,500	35,000,000
Total	\$2,212,500	\$3,100,000	\$4,076,200	\$4,386,150	\$5,829,850	\$5,251,400	\$5,166,400	\$30,022,500	\$4,230,000	\$4,230,000	\$4,317,500	\$42,800,000
Disbursements	Actual							Total	Projected			Total
Administration ²		(\$173,900)	(\$817,056)	(\$756,301)	(\$832,243)	(\$940,838)	(\$846,192)		(\$4,366,530)	(\$850,000)	(\$930,000)	
Supplemental Mitigation ³			(674,635)	(2,753,528)	(3,287,760)	(2,392,889)	(17,077)	(9,125,889)				(9,125,889)
Community Development ⁴				(1,171,568)	(2,519,750)	(3,062,600)	(2,647,700)	(9,401,618)	(2,050,000)	(7,000,000)	(6,960,791)	(25,412,409)
Apprenticeship Program				(233,037)	(250,149)	(298,222)	(122,547)	(11,943)	(915,898)	(1,000)		(916,898)
Total Disbursements		(173,900)	(1,724,728)	(4,931,546)	(6,937,975)	(6,518,874)	(3,522,912)	(23,809,935)	(2,901,000)	(7,930,000)	(7,910,791)	(42,551,726)
Net Rolling Balance⁵	\$2,212,500	\$5,138,600	\$7,490,072	\$6,944,676	\$5,836,551	\$4,569,077	\$6,212,565	\$6,212,565	\$7,541,565	\$3,841,565	\$ 248,274	\$ 248,274

1: **Total Finance General and CDBG appropriations** are based on the Council-approved Substitute Funding Agreement. Finance General Funds were planned to be appropriated from 2003 through 2009 and spent through 2012. This was originally designed to match appropriations to tax revenues generated by light rail construction. This does not include CDBG-R funds that were awarded in 2009.

2: **Administration** includes amounts provided to the RVCDF and Sound Transit, as well as amounts retained by the City to cover a portion of City administrative costs. This is shown in more detail on Table II. Since this is a table of City disbursements only, program administration funded directly by Sound Transit is not shown.

3: **The Supplemental Mitigation program** provided reimbursements for losses caused by light rail construction and includes SDOT signal and software equipment shown on Table II. Since this is a table of City disbursements only, supplemental mitigation funded directly by Sound Transit is not shown.

4: **The Community Development program** is a revolving loan fund for business and real estate investments.

5: **Net Rolling Balance** reduces the cumulative appropriations by disbursements to date to show a running total of funds available (or projected to be available) at the end of each year. In the years 2003 through 2008, many of these “available” funds were reserved for the Supplemental Mitigation program. Current projections based on spending patterns and operations estimate that the RVCDF will not fully expend all funds by 2012.

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Table II. City Disbursements and Balances for RVCDF Activities by Fund Source

Note: This table displays the information provided in Table I with more details of the amount and type of funds that OED has disbursed to the RVCDF and for what purpose. It also shows the net rolling balances by fund source. **These are City disbursements only.**

Finance General	Adopted								Total to Date	2010 2011 2012			Total
	2003	2004	2005	2006	2007	2008	2009	2010		2011	2012		
Appropriations	\$300,000	\$700,000	\$1,676,200	\$1,886,150	\$1,479,850	\$921,400	\$836,400	\$7,800,000	\$ -	\$ -	\$ -	\$7,800,000	
Disbursements	Actual								Projected				
RVCDF Program Admin.		(173,900)	(668,874)	(684,560)	(701,412)	(813,400)	(836,096)	(3,878,242)	(850,000)	(930,000)	(950,000)	(6,608,242)	
Sound Transit Admin.			(148,182)	(71,741)	(80,831)	(77,438)	(10,096)	(388,288)				(388,288)	
City of Seattle Admin.					(50,000)	(50,000)		(100,000)				(100,000)	
Total Administration		(173,900)	(817,056)	(756,301)	(832,243)	(940,838)	(846,192)	(4,366,530)	(850,000)	(930,000)	(950,000)	(7,096,530)	
Apprenticeship Program		-	-	(125,695)	(198,522)	(118,036)	(11,943)	(454,196)	(1,000)	-	-	(455,196)	
Total Disbursements		(173,900)	(817,056)	(881,996)	(1,030,765)	(1,058,874)	(858,135)	(4,820,726)	(851,000)	(930,000)	(950,000)	(7,551,726)	
Net Finance General Rolling Balance	\$300,000	\$826,100	\$1,685,244	\$2,689,398	\$3,138,483	\$3,001,009	\$2,979,274	\$2,979,274	\$2,128,274	\$1,198,274	\$ 248,274	\$ 248,274	

CDBG	Adopted								Total to Date	Projected			Total
	2003	2004	2005	2006	2007	2008	2009	2010		2011	2012		
Appropriations	\$1,912,500	\$2,400,000	\$2,400,000	\$2,500,000	\$4,350,000	\$4,330,000	\$4,330,000	\$22,222,500	\$4,230,000	\$4,230,000	\$4,317,500	\$35,000,000	
Disbursements	Actual								Projected				
Supplemental Mitigation Business Assistance			(674,635)	(1,891,872)	(2,219,454)	(2,383,288)	(17,077)	(7,186,326)				(7,186,326)	
SDOT - Signal Software & Equipment			-	(861,656)	(1,068,306)	(9,601)	-	(1,939,563)				(1,939,563)	
Community Development			-	(1,171,568)	(2,519,750)	(3,062,600)	(2,647,700)	(9,401,618)	(2,050,000)	(7,000,000) ¹	(6,960,791)	(25,412,409)	
Apprenticeship Program			(233,037)	(124,454)	(99,700)	(4,511)	-	(461,702)	-	-	-	(461,702)	
			(907,672)	(4,049,550)	(5,907,210)	(5,460,000)	(2,664,777)	(18,989,209)	(2,050,000)	(7,000,000)	(6,960,791)	(35,000,000)	
Net CDBG Rolling Balance	\$1,912,500	\$4,312,500	\$5,804,828	\$4,255,278	\$2,698,068	\$1,568,068	\$3,233,291	\$3,233,291	\$5,413,291	\$ 2,643,291	\$ -	\$ -	

1: Projections are based on the assumption that all funds will be disbursed by the end of 2012. This would require an increased level of activity in 2011 and 2012 than has been the pattern to date. The RVCDF is updating its business plan, which will include an updated projection of activity levels.

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Table III. The Rainier Valley Community Development Fund Summary of Expenditures as of August 31, 2010

Table III shows the RVCDF's expenditures to date broken out by product/purpose. This includes activity funded by the City of Seattle and Sound Transit. There are often differences in the recording and timing of transactions between the City and the RVCDF and amounts shown in this table might differ from the disbursements shown in Tables I and II. This table shows the total of all Supplemental Mitigation payments made, including those funded by the City and Sound Transit.

	2003	2004	2005	2006	2007	2008	2009	Jan-Aug 2010	Total
Program and General Administration	\$ 479,112	\$ 637,422	\$ 649,518	\$ 714,800	\$ 823,890	\$ 709,641	\$ 763,402	\$ 608,488	\$5,386,273
Community Development Program									
Real estate loans booked	-	-	-	1,087,185	2,050,000	2,250,000	1,850,000	2,568,050	9,805,235
Business loans booked	-	-	-	-	375,000	690,000	720,000	610,000	2,395,000
Business interest subsidy grants booked				40,897	-	-	-	-	40,897
Business technical assistance grants								3,000	3,000
Loan loss reserve funded	-	-	-	43,487	94,750	122,600	112,700	(373,537)	-
Subtotal	-	-	-	1,171,569	2,519,750	3,062,600	2,682,700	2,807,513	12,244,132
Supplemental Mitigation Payments to Businesses									
Re-establishment for relocating businesses	71,624	2,162,541	884,461	561,107	35,876	43,600	-		3,759,209
Business interruption caused by construction	-	1,328,406	1,538,533	2,065,564	3,169,214	2,939,652	17,077		11,058,446
Advances	95,000	179,048	-	-	-	-	-		274,048
Subtotal	166,624	3,669,995	2,422,994	2,626,671	3,205,090	2,983,252	17,077	-	15,091,703
Apprenticeship Program			267,319	277,909	225,284	71,742	12,047	445	854,746
Grand Total	\$ 645,736	\$4,307,417	\$3,339,831	\$4,790,949	\$6,774,014	\$6,827,235	\$3,475,226	\$3,416,446	\$33,576,854

Note: The Community Development Program was established to provide financing for real estate projects and businesses – 75% for real estate and 25% for businesses over the life of the program. So far, 20% of this program's funds have been used for business loans and grants and 80% for real estate loans. See Table IV for loan and grant details.

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Table IV. The Rainier Valley Community Development Fund Loan Portfolio as of August 31, 2010

Real Estate Project Loans				
Borrower	Project Description – Funding Source	Date Booked	Loan Amount	
SEED	Mixed use project at former Chubby & Tubby site – CDBG	Aug-06	\$	1,087,185
Inter*Im	Samaki Commons housing project near Othello Station - CDBG	Dec-07		1,300,000
Housing Resources Group	Rose Street mixed use project in Rainier Beach – CDBG	Dec-07		750,000
Family Services	Commercial development in North Rainier – CDBG	Sep-08		2,250,000
Urban Impact	Mixed use project on Rainier - CDBG	Feb-09		865,000
Urban Impact	Loan increase to accelerate mixed use project above – CDBG	Aug-09		135,000
Tiny Tots Daycare	Commercial development in Rainier Beach - CDBG	Aug-09		850,000
Oromo Community	Oromo Community Center in Rainier Beach – CDBG	Apr-10		904,800
Harbor Properties	Columbia Motors Building in Columbia City – Revolved	Apr-10		1,200,000
Miracle Temple	Site acquisition near Othello Station - Revolved	Aug-10		476,000
Real Estate Total			\$	9,817,985
Business Loans				
Borrower	Description – Funding Source	Date Booked	Loan Amount	
Curves	Business relocation and expansion - CDBG	May-07	\$	150,000
Filipino Community Center	Community center and business expansion – CDBG	Dec-07		225,000
Filipino Community Center	Community center and business expansion - CDBG	Jul-08		240,000
Kate Quinn Organics	Business expansion and job creation – CDBG	Jun-08		200,000
Universal Transportation & Translation	Business expansion and job creation – CDBG	Jul-08		250,000
Othello UPS	Business stabilization and job creation – CDBG	Apr-09		200,000
Columbia City Cinema	Business stabilization – CDBG	Apr-09		35,000
Ballard Organics	Business relocation and job creation – CDBG	Jul-09		250,000
Pantiga/Huarachitos	Business Retention and Expansion - CDBG	Oct-09		25,000
Guru Inc	Business expansion - CDBG	Sep-09		175,000
Queen’s Dispatch	Business Retention and Expansion - CDBG-R	Dec-09		35,000
AIM Dental	Business Retention and Expansion - CDBG-R	Feb-10		50,000
Tutta Bella	Business loan - Revolved Funds	Mar-10		315,000
NW Vietnamese News	Business Retention and Expansion - CDBG-R	Mar-10		35,000
Electric Technologies NW-V51	Business Retention and Expansion – CDBG-R	Feb-10		40,000
Express Tires	Business Retention and Expansion – CDBG-R	May-10		50,000
Rainier Valley Chiropractic	Business Expansion - CDBG	Apr-10		120,000
Business Total			\$	2,395,000
Total Loan Portfolio			\$	12,212,985

(1)

(1) Pantiga was the first RVCDF “Business Retention and Expansion” product, using their standard CDBG allocation.

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Table IV. Continued

Interest Subsidy Grants

Borrower	Description	Date Booked	Loan Amount (Provided by CCD)	Interest Subsidy Grant (RVCDF)
Chuy el Mexicano	Business working capital	Nov-06	\$ 50,000	\$ 6,794
Guru Inc/Union 76	Business working capital	Oct-06	100,000	34,103
Total Interest Subsidy Grants			\$ 150,000	\$ 40,897

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**Table V. The Rainier Valley Community Development Fund
Loan Pipeline as of August 31, 2010**

Pipeline	Estimated Loan Amount	Estimated Closing Date
Real Estate Loans		
Partial Financing of City Right of Way Acq. for Rose Street Apartments – CDBG	\$ 300,000	Dec-2010
Acquisition for commercial property – CDBG	1,200,000	Jan-2011
Predevelopment for commercial building – CDBG	550,000	Jan-2011
Take-out permanent financing for Claremont Apts – Revolved	600,000	Apr-2011
Take-out permanent financing for Rose Street Apartments - Revolved	950,000	Apr-2011
Real Estate Total	<u>\$ 3,600,000</u>	
Business Loans		
Gorilla Graphics – Revolved	\$ 15,000	Sept-2010
Ballard Organics 2 – CDBG	150,000	Oct-2010
Small Produce Market on MLK – CDBG	25,000	Oct-2010
Ethnic Convenience/ Grocery Store – CDBG	50,000	Oct-2010
Sustainable Furniture Manufacturer – Relocation – CDBG	150,000	Dec-2010
Othello Hair Salon - CDBG	50,000	Dec-2010
Business Total	<u>440,000</u>	
Pipeline Total	<u>\$ 4,040,000</u>	