



Date: September 13, 2012

To: Councilmember Sally Clark
Councilmember Tom Rasumussin
Councilmember Richard Conlin
Councilmember Jean Godden

CC: David Yeaworth, Legislative Assistant to Councilmember Clark

From: Wayne Lau, Executive Director

Re: Program Report for Rainier Valley Community Development Fund YTD 2012

Strategic Plan Overview

The CDF is meeting its goals and objectives in our Strategic Plan. The CDF has put out over \$21 Million in business and real estate loans, all of which have had a positive impact on our community. Our outreach messaging has been to restore credibility and trust in the CDF's and our mission of enabling and facilitating the economic development and vitality of the Rainier Valley.

We have also taken the necessary steps to strengthen our accounting, internal procedures and delivery systems. This is addressed concerns as to transparency and accountability. Specifically, we have implemented and deployed: 1) written loan guidelines and application forms 2) installed and are utilizing a loan servicing program which yields accurate individual loan data, portfolio reports, and integrates with our accounting system 3) upgraded IT and network systems 4) working with our outside accounting firm, procedures and systems have been developed which provide consistent monthly reporting to Board and Office of Economic Development

Deployment of remaining CDBG Allocation

The CDF is confident of meeting our goal to disburse the remainder of approximately \$10.8 Million of CDBG monies allocated to our community, by the end of 2013.

The market and outlook for commercial real estate (non single-family) is still on a 'wait and see' mode, but there are clear signs that the multi-family sector is strengthening.

We have lowered our interest rates on land acquisition and pre-development loans for projects which would comply with CDBG objectives; this provides a strong incentive for developers to acquire sites in our lending area and start the process of site engineering, permitting, and obtaining the necessary construction/permanent financing. We have identified key sites both along the light-rail corridor (ML

King Jr Way South) and transit routes along Rainier Avenue into Rainier Beach which are prime development sites for compatible uses, which would benefit the community.

Our Director of Community Development and myself have actively and diligently done outreach to developers and funders to make them aware of the investment opportunities in the Valley, and that the CDF has attractive financing.

Our pipeline as of the date of this report is for three specific projects which would deploy approximately \$6.8 Million. These are projects which have already been reviewed with our Board and Staff has been given authorization to proceed to underwriting.

We have also identified another three projects for which we are in serious negotiation. Aggregate total of these three projects would be over \$5 Million. This would absorb all of the remaining CDBG funds.

Continued Collaboration with Office of Economic Development

As Executive Director, I resolved at the beginning of my tenure here and on an ongoing basis to make a top priority of working with OED in collaborating on common goals and strategies as relates to the Rainier Valley.

The communication with Steve Johnson and his staff, and myself and our CDF Staff has been open and collaborative. The CDF is prepared to be the central hub entity for any economic activity in our SE Seattle community, consistent with the City's objectives to Grow Seattle and enhance the economic vitality of target Seattle neighborhoods.

OED was the primary funder of the Rainier Valley bus tour. We were very engaged in putting together the itinerary and talking points to be made, as well as contributing in a financial way.

We have discussed our common objective of finding a project in the Rainier Valley which would qualify for the New Markets Tax Credit program.

Although in 2012 there have been no direct referrals of businesses either looking to locate in the Valley nor businesses which sought City help for financing, the CDF has communicated our receptiveness to engaging with any referrals which will be made. We did fund a business loan to a business which had obtained HUD 108 and OED-Grow America funding, a transaction of which we were aware prior to 2012 and we actively pursued and finalized during the first quarter of 2012.

We are actively participating in the Commercial Stabilization portion of the NET Challenge Grant program as members of the Steering Committee, with a staff member of OED and myself serving as co-chairs. We are in the final stages of reviewing applications and selecting a Business Case Manager to facilitate business technical assistance along the corridor from Graham to Othello.

Short and Long Term Sustainability

One of the first tasks when I joined the organization was to develop a five year plan for years 2012 – 2016. WE have made projections for deployment of CDBG and revolve funds, return of capital (loan repayments), and operating budget.

The projections show that if we meet our objectives for deploying the balance of the \$10.8 Million CDBG monies, we can create a loan portfolio and investment income which will more than meet our operating expenses.

Additionally, we currently have over \$6 Million in revolve funds. The CDF has considerably more latitude as far as types of projects and businesses which are funded by Revolve funds. This will be a crucial source of capital for our community. This organization has advantages of 1) market knowledge and network in this community 2) more timely response to funding requests, and 3) ability to work with business if they encounter stresses and challenges to their profitability and repayment ability.

We envision our sustainability and value to the community not just from a financial perspective, but also to build up our capacity and reputation as THE resource for economic/market information, technical assistance, and financial lending capital.