



City of Seattle

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

Memorandum

Date: March 19, 2013
To: Councilmember Sally Clark, Chair of the Economic Resiliency and Regional Relations Committee; Councilmember Tom Rasmussen, Vice-Chair; Councilmember Richard Conlin, Member; Councilmember, Alternate
From: Stephen H. Johnson, Director, Office of Economic Development (OED)
Subject: Bi-annual Rainier Valley Community Development Fund (RVCDF) report

I am pleased to submit the biannual report on the activities and progress of the Rainier Valley Community Development Fund through December 31, 2012, 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 City, King County and Sound Transit provided funding to the RVCDF 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.

CARS™ “Shadow” Analysis

In 2012, OED performed a compliance review of the RVCDF as required by the Operating Plan Amendment. Based on findings from this review, OED is asking the RVCDF to undergo an independent and confidential assessment, known in the community development lending industry as a “shadow” CARS™ analysis, to evaluate the RVCDF’s performance and recommend ways to strengthen the organization. CARS™ is an independent rating service that analyzes community development financial institutions and produces a rating of them, similar to bond ratings provided by Moody’s or Standard and Poors. For a “shadow” analysis, CARS™ conducts a similar review process but identifies strengths and weaknesses without giving a rating. OED will include the CARS™ “shadow” analysis as a milestone in the contract agreement between the RVCDF and OED.

Community Cornerstones

In January, as a partner of the Community Cornerstones Business Technical Assistance Program, the RVCDF hired Jennifer Tam as Business Case Manager. Jennifer will work with businesses in the Othello and Graham commercial nodes to connect them to appropriate technical assistance services and provide ongoing support to meet their needs. The goal is to engage 15-30 businesses in in-depth business technical assistance by the end of 2014.

Loan Production Goals

The RVCDF ended 2012 just short of its goal of providing over \$1 million in business loans for the year. Four business loans totaling \$825,000 were provided using the RVCDF’s “revolved funds” (not CDBG). 2012 was the second highest year to date for business lending, as measured in total dollars disbursed. \$5.065 million were disbursed for real estate lending in 2012, which was short of the \$9 million goal. Several large loans are under review and one for \$2.6 million might close this

month. The RVCDF has managed to increase its business lending, but was not able to triple real estate lending to meet the 2012 goal. See Table IV, “The RVCDF Loan History” for more information about current and previous loans.

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 RVCDF’s Unaudited Statement of Activities (Income Statement) and Statement of Financial Position (Balance Sheet) as of December 31, 2012
- Table IV. The RVCDF Loan History as of December 31, 2012
- Table V. The RVCDF Loan Pipeline as of February 28, 2013

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

CC: David Yeaworth, Committee Staff;
Dan Eder, Council Central Staff;
Jeff Muhm, City Budget Office

Attachment A

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

Funding Appropriations ¹	Adopted											Projected	Total
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total	2013	
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	4,230,000	3,230,000	\$3,317,500	33,000,000	\$2,000,000	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	\$4,230,000	\$3,230,000	\$3,317,500	\$40,800,000	\$2,000,000	\$42,800,000
Disbursements	Actual											Projected	Total
Administration ²		\$(173,900)	\$(817,056)	\$(756,301)	\$(832,243)	\$(940,838)	\$(846,192)	\$(635,000)	\$ (964,447)	\$(696,168)	\$ (6,662,145)	\$(683,213)	\$(7,345,358)
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)	(1,527,800)	(1,205,993)	(5,065,000)	(17,200,411)	(6,000,000)	(23,200,411)
Apprenticeship Program			(233,037)	(250,149)	(298,222)	(122,547)	(11,943)	(446)	-	-	(916,344)	-	(916,344)
Total Disbursements		(173,900)	(1,724,728)	(4,931,546)	(6,937,975)	(6,518,874)	(3,522,912)	(2,163,246)	(2,170,440)	(5,761,168)	(33,904,789)	(6,683,213)	(40,588,002)
Net Rolling Balance⁵	\$2,212,500	\$5,138,600	\$7,490,072	\$6,944,676	\$5,836,551	\$4,569,077	\$6,212,565	\$8,279,319	\$9,338,879	\$6,895,211	\$6,895,211	\$2,211,998	\$2,211,998

Note: This table shows the City's records of appropriations and the disbursements of those appropriations. Timing of accounting entries may differ from those recorded by the RVCDF and any other related entities. This table will not show revenues or disbursements from other sources of funding, including Sound Transit or other city funds awarded to the RVCDF, such as CDBG-R funds.

1: **Total Finance General and CDBG appropriations** are based on the Council-approved Substitute Funding Agreement, as modified in 2011. Finance General Funds were appropriated from 2003 through 2009. This was originally designed to match appropriations to tax revenues generated by light rail construction. The schedule does not include CDBG-R funds that were awarded to RVCDF 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 through 2009. After 2009 funding was only used for RVCDF operations. More details are shown in Table II. Variations in operational costs from 2010 to 2011 are primarily caused by end of year accounting accruals. Amount disbursed in 2012 did not cover all operations costs. The amount projected to be disbursed in 2013 is based the remaining undisbursed appropriations. The RVCDF plans to continue operations in 2013 at current levels and will therefore use other resources to cover its remaining costs.

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. This program ended in 2009.

4: **The Community Development program** is a revolving loan fund for business and real estate investments. The RVCDF has set a goal of \$8.95 million in lending in 2013, which includes both CDBG and revolved loan funds. This goal is much larger than any previous year's activity level. Thus, the 2013 projection for CDBG disbursements are higher than average, yet would still not fully expend all appropriations.

5: **Net Rolling Balance** reduces the cumulative appropriations by disbursements to date to show a running total of funds undisbursed at the end of each year. In the years 2003 through 2008, many of these "available" funds were reserved for the Supplemental Mitigation program. Based on historic activity levels and projections for 2013, it is estimated that there could be a balance of undisbursed CDBG funds at the end of 2013 (\$2.2 million based on estimates above). These funds would remain reserved for the RVCDF's lending activity for at least three years after 2013.

Attachment A

Table II. City Disbursements and Balances for the 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 the City has disbursed to the RVCDF and for what purpose. It also shows the net rolling balances by fund source. **These are City appropriations and the disbursements of those appropriations only.** This table will not show revenues or disbursements from other sources of funding.

Finance General ¹	Adopted										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

Disbursements ²	Actual											Projected	Total
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total	2013	
RVCDF Program Admin.		(173,900)	(668,874)	(684,560)	(701,412)	(813,400)	(836,096)	(635,000)	(964,447)	(696,168)	(6,173,857)	(683,213)	(6,857,070)
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)	(635,000)	(964,447)	(696,168)	(6,662,145)	(683,213)	(7,345,358)
Pre Apprenticeship		-	-	(125,695)	(198,522)	(118,036)	(11,943)	(446)		-	(454,642)		(454,642)
Total Disbursements		(173,900)	(817,056)	(881,996)	(1,030,765)	(1,058,874)	(858,135)	(635,446)	(964,447)	(696,168)	(7,116,787)	(683,213)	(7,800,000)
Net Finance General Rolling Balance	\$300,000	\$826,100	\$1,685,244	\$2,689,398	\$3,138,483	\$3,001,009	\$2,979,274	\$2,343,828	\$1,379,381	\$683,213	\$683,213	\$ -	\$ -

1: **Total Finance General and CDBG appropriations** are based on the Council-approved Substitute Funding Agreement, as modified in 2011. Finance General Funds were appropriated from 2003 through 2009. This was originally designed to match appropriations to tax revenues generated by light rail construction. The schedule does not include CDBG-R funds that were awarded to RVCDF in 2009.

2: **Disbursements** 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 through 2009. After 2009 funding was only used for RVCDF operations. Variations in operational costs from 2010 to 2011 are primarily caused by end of year accounting accruals. Amount disbursed in 2012 did not cover all operations costs. The amount projected to be disbursed in 2013 is based the remaining undisbursed appropriations. The RVCDF plans to continue operations in 2013 at current levels and will therefore use other resources to cover its remaining costs.

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

Note: This table displays the information provided in Table I with more details of the amount and type of funds that the City has disbursed to the RVCDF and for what purpose. It also shows the net rolling balances by fund source. **These are City appropriations and the disbursements of those appropriations only.** This table will not show revenues or disbursements from other sources of funding.

CDBG	Adopted											Total	
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total		2013
Appropriations	\$1,912,500	\$2,400,000	\$2,400,000	\$2,500,000	\$4,350,000	\$4,330,000	\$4,330,000	\$4,230,000	\$3,230,000	\$3,317,500	\$29,682,500	\$2,000,000	\$35,000,000

Disbursements	Actual											Projected	Total
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total	2013	
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)	(1,527,800)	(1,579,530) ¹	(5,065,000)	(17,573,948)	(6,000,000)	(23,573,948)
Pre Apprenticeship Loan Loss Reserve Returned			(233,037)	(124,454)	(99,700)	(4,511)	-	-	-		(461,702)		(461,702)
									373,537		373,537		373,537
Total Disbursements			(907,672)	(4,049,550)	(5,907,210)	(5,460,000)	(2,664,777)	(1,527,800)	(1,205,993)	(5,065,000)	(26,788,002)	(6,000,000)	(32,788,002)
Net CDBG Rolling Balance ⁵	\$1,912,500	\$4,312,500	\$5,804,828	\$4,255,278	\$2,698,068	\$1,568,068	\$3,233,291	\$5,935,491	\$7,959,498	\$6,211,998	\$6,211,998	\$2,211,998	\$2,211,998

1 CDBG Disbursements for the Community Development Lending Program - The RVCDF has set a goal of \$8.95 million in lending in 2013, which includes both CDBG and revolved loan funds. This goal is much larger than any previous year's activity level. Thus, the 2013 projection for CDBG disbursements shown above are estimates based on past activity and current goals.

5: **Net Rolling Balance** reduces the cumulative appropriations by disbursements to date to show a running total of funds undisbursed at the end of each year. In the years 2003 through 2008, many of these "available" funds were reserved for the Supplemental Mitigation program. Based on historic activity levels and projections for 2013, it is estimated that there could be a balance of undisbursed CDBG funds at the end of 2013 (\$2.2 million based on estimates above). These funds would remain reserved for the RVCDF's lending activity for at least three years after 2013.

Attachment A

Table III. The RVCDF’s Unaudited Statement of Activities (Income Statement) and Statement of Financial Position (Balance Sheet) as of December 31, 2012

Table III shows the RVCDF’s unaudited financial statements, as prepared by the RVCDF’s accountant. This is different than the table previously included in these reports. There are often differences in the recording and timing of transactions between the City and the RVCDF and amounts shown in these reports might differ from the disbursements shown in Tables I and II.

Unaudited Statement of Activities (Income Statement)	
	2012
Revenues	
City of Seattle grant funds/operating	\$ 516,585
Loan fees	47,705
Loan interest	445,138
Interest income	3,252
Trust fund contract (received from City for loan disbursements)	5,065,000
Contributions	2,550
Total Revenues	<u>6,080,230</u>
Expenses	
Program	
Outreach	193,362
Community development	207,582
Management and general	368,182
Total Expenses	<u>769,126</u>
Change in Net Assets	5,311,104
Net assets beginning of year	<u>13,076,878</u>
Net assets end of year (12/31/2012)	<u>\$ 18,387,982</u>

Unaudited Statement of Financial Position (Balance Sheet)	
Assets	
Current assets (cash, accounts receivable, etc)	\$ 531,916
Net fixed assets	9,545
Other assets	
Temporarily restricted cash – Trust	5,999,058
Temporarily restricted cash – CDP	402,502
Deferred interest	95,678
Loans receivable	12,647,275
Loan loss reserve	<u>(1,091,542)</u>
Total other assets	18,052,971
Total Assets	<u>18,594,432</u>
Liabilities and Net Assets	
Current liabilities	185,513
Noncurrent liabilities	<u>20,937</u>
Total Liabilities	206,450
Net Assets	
Unrestricted net assets	387,971
Temporarily restricted/trust assets	17,990,011
Temporarily restricted/other	<u>10,000</u>
Total net assets	18,387,982
Total liabilities and net assets	<u>\$ 18,594,432</u>

Attachment A

Table IV. The RVCDF Loan History as of December 31, 2012

Business Loans Made by Funding Source	2006	2007	2008	2009	2010	2011	2012	Grand Total
ARRA-Funded Loans				\$ 35,000	\$ 200,000			\$ 235,000
CDBG	\$ 40,897	\$ 375,000	\$ 690,000	685,000	570,000	\$ 85,000		2,445,897
Revolved					389,000	116,500	\$ 825,000	1,330,500
Grand Total	\$ 40,897	\$ 375,000	\$ 690,000	\$ 720,000	\$ 1,159,000	\$ 201,500	\$ 825,000	\$ 4,011,397
2012 Loan Detail:								
Film processing business							300,000	
Small business tenant improvement							25,000	
Transportation company equipment							475,000	
Relocation of retail business							25,000	
2012 Total							\$ 825,000	

Real Estate Loans Made by Funding Source	2006	2007	2008	2009	2010	2011	2012	Grand Total
CDBG	\$ 1,087,185	\$ 2,050,000	\$ 2,250,000	\$ 1,850,000	\$ 904,800	\$ 1,544,530	\$ 5,065,000	\$ 14,751,515
Revolved					1,676,000	1,716,940		3,392,940
Grand Total	\$ 1,087,185	\$ 2,050,000	\$ 2,250,000	\$ 1,850,000	\$ 2,580,800	\$ 3,261,470	\$ 5,065,000	\$ 18,144,455
2012 Loan Detail:								
Urban Impact Increase 3							215,000	
Mt Baker Housing – Rainier Apartments							2,175,000	
Mt Baker Housing – Islander Apartments							2,675,000	
2012 Total							\$ 5,065,000	

Attachment A

Table V. The RVCDF Loan Pipeline as of February 28, 2013

Pipeline	Estimated Loan Amount	Possible Closing Date	Possible Disbursement Date	Funding Source
Real Estate Loans				
Acquisition to rehab and convert to affordable	\$ 2,600,000	Approved in Feb	2013	CDBG
Acquisition to develop commercial building	3,000,000	TBD	TBD	CDBG
Refinance existing first lien lender and provide funding for renovation	825,000	TBD	TBD	CDBG/Revolved
Acquisition of commercial space to relocate into	450,000	TBD	TBD	CDBG
Pre development for manufacturing/work space and possibly housing	500,000	TBD	TBD	CDBG
Partial acquisition	2,000,000	TBD	TBD	CDBG
Real Estate Total	<u>\$ 9,375,000</u>			
Business Loans				
New retail food service	\$ 320,000	TBD	TBD	Revolved
Trucking company	300,000	TBD	TBD	TBD
Nonprofit renovation	200,000	TBD	TBD	Revolved
Professional practice	33,524	TBD	TBD	TBD
Existing retail business	45,000	TBD	TBD	CDBG
Business Total	<u>\$ 898,524</u>			
Pipeline Total	\$ 10,273,524			