



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

Memorandum

Date: September 12, 2013
To: Economic Resiliency and Regional Relations Committee: Councilmember Sally Clark, Chair; Councilmember Tom Rasmussen, Vice-Chair; Councilmember Richard Conlin; Councilmember Jean Godden
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 June 30, 2013, 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

The RVCDF is working with CARS™ to perform a “shadow” analysis, which involves evaluating the RVCDF’s strengths and weaknesses and providing opinions on near- and mid-term sustainability, management and governance, capital strength, asset quality and asset management practices. 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. This analysis will provide the RVCDF with good information to help strengthen and fine tune its systems. The CARS™ analyst will be in Seattle for a few days to conduct field work during the week of September 16th.

Community Cornerstones

The RVCDF continues to be an integral partner of the Community Cornerstones Business Technical Assistance Program. The RVCDF’s Business Case Manager, with the assistance of three Public Outreach and Engagement Liaisons working with the Department of Neighborhoods, has conducted outreach to all 90 business along MLK from Othello to Graham. So far, 16 businesses have been identified for technical assistance, with a goal of 16-30 by the end of 2014. A series of six business workshops are being held during the summer and fall and the first four have been well attended.

Loan Production Goals

The RVCDF has continued to increase business lending substantially. As of June 30th, the RVCDF is close to meeting its \$1.35 million goal for the year and in July, the RVCDF surpassed its goal. The schedules on Table IV, “The RVCDF Loan History” show activity through 6/30/13 and Table V, “The RVCDF Loan Pipeline” shows the loans that closed in July.

The \$2.6 million in real estate lending through June exceeds the RVCDF's goal of \$2 million for the first half of the year. Although the RVCDF hoped to reach \$7.6 million in real estate lending this year, they will probably end the year just over \$5 million as some potential projects in the pipeline are currently delayed. CDBG funds must be disbursed within three years of allocation and based on the current pipeline it is likely that the RVCDF will expend the remaining CDBG funds in 2014. 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 June 30, 2013
- Table IV. The RVCDF Loan History as of June 30, 2013
- Table V. The RVCDF Loan Pipeline as of June 30, 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 | | | | | | | | | | | 2013 | Total |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total | | |
| 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) | (5,211,998) | (22,412,409) |
| 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) | (5,895,211) | (39,800,000) |
| 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 | \$3,000,000 | \$3,000,000 |

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 or Community Cornerstones 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 nor Community Cornerstones funds awarded in 2013.

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. The RVCDF's annual operations budget is generally \$800,000-900,000 a year. The amount disbursed in 2012 did not cover all operations costs. The amount projected to be disbursed in 2013 is the remaining undisbursed appropriations and is also less than the total operations budget. The RVCDF uses 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. The 2013 projection for CDBG disbursements shown above are estimates based on current goals and activity.

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 (\$3 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 | Total | | | | |
| 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 ² | Actual | | | | | | | | | | | Projected | | | Total |
|--|------------------|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|------------------|--------------|-------------|-------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total | Jan-Jun 2013 | Jul-Dec 2013 | 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) | (200,000) | (483,213) | (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) | (200,000) | (483,213) | (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) | (200,000) | (483,213) | (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 | \$483,213 | \$ - | \$ - | \$ - |

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 nor Community Cornerstones funds awarded in 2013.

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. More details are shown in Table II. Variations in operational costs from 2010 to 2011 are primarily caused by end of year accounting accruals. The RVCDF's annual operations budget is generally \$800,000-900,000 a year. The amount disbursed in 2012 did not cover all operations costs. The amount projected to be disbursed in 2013 is the remaining undisbursed appropriations and is also less than the total operations budget. The RVCDF uses other resources to cover its remaining costs.

Attachment A

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 | | | | | | | | | | | 2013 | Total | |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|------|-------------|--------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total | | | |
| 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 | Jan-Jun 2013 | Jul-Dec 2013 | 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) | (2,600,000) ¹ | (2,611,998) | (5,211,998) | (22,785,946) | |
| Pre Apprenticeship Loan Loss Reserve Returned | | | (233,037) | (124,454) | (99,700) | (4,511) | | | 373,537 | | (461,702) | | | | (461,702) |
| 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) | (2,600,000) | (2,611,998) | (5,211,998) | (32,000,000) |
| 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 | \$5,935,491 | \$7,959,498 | \$6,211,998 | \$6,211,998 | \$5,611,998 | \$3,000,000 | \$3,000,000 | \$3,000,000 |

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. The 2013 projection for CDBG disbursements shown above are estimates based on current goals and activity.

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 (\$3 million based on estimates above). These funds would remain reserved for the RVCDF's lending activity for at least three years after 2013.

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Table III. The RVCDF's Unaudited Statement of Activities (Income Statement) and Statement of Financial Position (Balance Sheet) as of June 30, 2013

Table III shows the RVCDF's unaudited financial statements, as prepared by the RVCDF's accountant. This is different than the table included in these reports in past years. 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) | |
|---|----------------------|
| | Jan-Jun 2013 |
| Revenues | |
| City of Seattle grant funds/operating | \$ 229,596 |
| Loan fees | 64,984 |
| Loan interest | 274,806 |
| Interest income | 2,071 |
| Trust fund contract (received from City for loan disbursements) | 2,600,000 |
| Contributions | - |
| Total Revenues | <u>\$ 3,171,457</u> |
| Expenses | |
| Program | |
| Outreach | \$ 117,861 |
| General program | 52,210 |
| Community development | 113,225 |
| Management and general | 97,367 |
| Total Expenses | <u>380,663</u> |
| Change in Net Assets | |
| Net assets beginning of year | 18,438,694 |
| Net assets end of period (6/30/13) | <u>\$ 21,229,488</u> |

| Unaudited Statement of Financial Position (Balance Sheet) | |
|--|----------------------|
| | June 30, 2013 |
| Assets | |
| Current assets (cash, accounts receivable, etc.) | \$ 537,352 |
| Net fixed assets | 15,762 |
| Other assets | |
| Temporarily restricted cash – Trust | 5,704,048 |
| Temporarily restricted cash – CDP | 402,502 |
| Deferred interest | 136,495 |
| Loans receivable | 15,397,879 |
| Loan loss reserve | (768,452) |
| Total other assets | <u>20,872,472</u> |
| Total Assets | <u>\$21,425,586</u> |
| Liabilities and Net Assets | |
| Current liabilities | \$ 182,341 |
| Noncurrent liabilities | 13,757 |
| Total Liabilities | <u>196,098</u> |
| Net Assets | |
| Unrestricted net assets | 162,333 |
| Temporarily restricted/trust assets | 21,057,155 |
| Temporarily restricted/other | 10,000 |
| Total net assets | <u>21,229,488</u> |
| Total liabilities and net assets | <u>\$21,425,586</u> |

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Table IV. The RVCDF Loan History as of June 30, 2013

| Business Loans Made by Funding Source | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Grand Total |
|--|------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|---------------------|
| ARRA (American Recovery & Reinvestment Act) | | | | \$ 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 | \$1,349,105 | 2,679,605 |
| Total Business Loans | \$ 40,897 | \$ 375,000 | \$ 690,000 | \$ 720,000 | \$1,159,000 | \$ 201,500 | \$ 825,000 | \$1,349,105 | \$ 5,360,502 |

| Real Estate Loans Made by Funding Source | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Grand Total |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| CDBG | \$1,087,185 | \$2,050,000 | \$2,250,000 | \$1,850,000 | \$ 904,800 | \$1,544,530 | \$5,065,000 | \$2,600,000 | \$17,351,515 |
| Revolved | | | | | 1,676,000 | 1,716,940 | | | 3,392,940 |
| Total Real Estate Loans | \$1,087,185 | \$2,050,000 | \$2,250,000 | \$1,850,000 | \$2,580,800 | \$3,261,470 | \$5,065,000 | \$2,600,000 | \$20,744,455 |
| Grand Total Business and Real Estate loans | \$1,128,082 | \$2,425,000 | \$2,940,000 | \$2,570,000 | \$3,739,800 | \$3,462,970 | \$5,890,000 | \$3,949,105 | \$26,104,957 |

2013 Loan Detail

| Business Loans through June 30, 2013 | |
|---|--------------------|
| Equipment for dental business | \$ 20,000 |
| Equipment for a trucking company | 220,000 |
| Expansion of café to mobile vending | 45,000 |
| Building loan refinance and equipment | 714,105 |
| Line of credit for transportation business | 350,000 |
| Total | \$1,349,105 |

| Real Estate Loans through June 30, 2013 | |
|--|--------------------|
| Mt Baker Housing – Diamond Head CDBG | \$2,600,000 |
| Total | \$2,600,000 |

Note: In addition to the loans shown above, \$1.2 million in business loans and \$2.68 million in real estate loans were approved in July. Of which, \$3.6 million have been disbursed. These are shown in Table V. The RVCDF Loan Pipeline on the following page.

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Table V. The RVCDF Loan Pipeline as of June 30, 2013

| Pipeline | Estimated Loan Amount | Approved | Possible Disbursement Date | Funding Source |
|---|------------------------------|-----------------|-----------------------------------|-----------------------|
| Real Estate Loans | | | | |
| Acquisition townhouse, CDBG | \$2,611,998 | July 2013 | July 2013 | CDBG |
| Acquisition townhouse, Revolved | 68,002 | July 2013 | July 2013 | Revolved |
| Commercial condominium in mixed use project | 625,000 | July 2013 | 2013 | Revolved |
| Pre development and site acquisition | 1,700,000 | TBD | TBD | Revolved |
| Daycare | 900,000 | TBD | TBD | Revolved |
| Real Estate Total | <u>\$5,905,000</u> | | | |
| Business Loans | | | | |
| Equipment | \$ 550,000 | July 2013 | July 2013 | Revolved |
| Business expansion | 100,000 | July 2013 | July 2013 | Revolved |
| Startup business | 265,000 | Spring 2013 | December 2013 | Revolved |
| Tenant improvements | 290,000 | July 2013 | July 2013 | Revolved |
| Business Total | <u>\$1,205,000</u> | | | |
| Pipeline Total | <u>\$7,110,000</u> | | | |