Community and Economic Development Committee Report

February 15, 2023

Committee members present: Alderman Talbott (chair), Alderman Franco (vice-chair), Alderwoman Davis

Others present: Mayor Allaire, President Doenges, Alderwoman Tadio, Treasurer Markowski, Attorney Bloomer, Planning and Zoning Administrator Strniste, Barbara Spaulding (Rutland Redevelopment Authority), Heather Starzynski and Melanie Paskevich (NeighborWorks of Western Vermont), Shelley Lutz, Mary Beth Poli, Andy Shinn, and Andy McMillan (Velomont Trails Group)

The meeting was called to order at 5:30pm.

The first item on the agenda was an update from the Velomont Trails Group. Mary Beth Poli explained that following the previous meeting with the committee at which DPW proposed an alternate route that navigated around the Rutland City watershed in Mendon, the group had been exploring alternate routes to bring the trail to Rutland City and Pine Hill Park. Failing to find a viable alternative route, Shelley Lutz explained that it seems likely that the trail will skirt around Rutland City entirely. Members of the board emphasized their desire to find a solution to bring the trail through the city. Alderwoman Tadio asked if the trail is encroaching on watersheds in other areas of the state, and how the issue is being addressed there. Lutz explained that the trail is being allowed to move through watersheds in several places without significant issue. Alderman Talbott proposed a conversation between representatives from those municipalities, members of the Velomont group, and members of the committee to explore potential solutions.

The second item on the agenda was final review of the Rutland Rental Housing Revolving Loan Fund Pilot Program. Alderman Talbott reviewed that the board had allocated $400,000 of the funds previously known as ARPA to this program, and that a year was spent working with NeighborWorks of Western Vermont to develop the details of the program.

The proposal had been thoroughly reviewed by Attorney Bloomer, Administrator Strniste, and Treasurer Markowski. About fifteen minutes were spent addressing a handful of unresolved questions related to the definition of vacant, waiving the recording fee, and the 15-day window for appealing a zoning permit.

At the suggestion of Attorney Bloomer, a motion was made by Alderwoman Davis to go into executive session (including Mayor Allaire and Treasurer Markowski) to discuss three items in the proposal. Motion passed 3-0 and the committee went into executive session at 6:18pm. The committee exited executive session at 6:50pm. No additional changes were made to the proposal.

Alderwoman Davis made a motion to recommend establishing the rental housing revolving loan fund in substantially the terms and conditions presented to the committee, pending final resolution language to be drafted by Attorney Bloomer. Motion passed 3-0.

The committee adjourned at 6:58pm.

RESOLUTION
TO ESTABLISH A RENTAL HOUSING REVOLVING LOAN FUND
As passed by the Board of Aldermen on May 15, 2023

WHEREAS, based upon a Housing Needs Assessment prepared by Development Cycles for The Housing Trust of Rutland County in June 2021 (the "**Housing Needs Assessment**"), the City of Rutland has a shortage of available quality market rate rental units ("**Market Rate Rental Units**");

WHEREAS, such shortage of Market Rate Rental Units exacerbates houselessness in the community and has a negative overall impact on the local economy;

WHEREAS, based upon the testimony of NeighborWorks of Western Vermont ("**NWWVT**"), increasing the stock of Market Rate Rental Units is likely to cause the movement of tenants from their current units to such upgraded Market Rate Rental Units, and will therefore make more affordable rental housing units available;

WHEREAS, based upon the testimony of NWWVT, there are very few funding sources to create, or renovate, Market Rate Rental Units;

WHEREAS, the City desires to establish a revolving loan fund to support the creation and/or renovation of Market Rate Rental Units in the City (the "**RLF**");

WHEREAS, the City has committed $400,000 from funds the City originally received through the American Rescue Plan Act of 2021 ("**ARPA**") to establish the RLF;

WHEREAS, establishing the RLF is consistent with eligible uses for ARPA funds, including use of funds to respond to disproportionate impacts of the pandemic on households and communities through improvements to vacant properties;

WHEREAS, establishing the RLF is also consistent with the recommendation in the Housing Needs Assessment to focus on bringing smaller properties back onto the market;

WHEREAS, according to a November 24, 2022 VTDigger article entitled *"For Vermonters with disabilities, the search for housing is ever harder"*, there is not enough accessible housing in Vermont;

NOW THEREFORE, be it resolved by the Board to establish the Rutland Rental Housing Revolving Loan Fund: Revitalizing Market Rate Rental Housing Pilot Program with NWWVT, on the terms and condition outlined in the Proposal attached hereto as Appendix A.

APPENDIX A

NeighborWorks®
OF WESTERN VERMONT

Rutland Rental Housing Revolving Loan Fund:
Revitalizing Market Rate Rental Housing
PILOT PROGRAM

Proposal to
City of Rutland Board of Aldermen

from
NeighborWorks of Western Vermont

Economic Development Committee
February 15, 2023

Last Update: February 2023

February 15, 2022

To: City of Rutland, Board of Aldermen
From: NeighborWorks of Western Vermont
RE: Rutland Rental Housing Revolving Loan Fund: Revitalizing Market Rate Rental Housing Pilot Program

In 2022 the City of Rutland Board of Aldermen allocated $400,000 for the purpose of creating a rental repair assistance revolving loan fund for use by property owners to repair currently vacant market rate multi-family housing units located in the City of Rutland. NeighborWorks of Western Vermont (NWWVT) is proposing the following program framework in partnership with the City of Rutland Board of Aldermen and staff.

NeighborWorks of Western Vermont recommends that the loan fund is established at $326,000 making an initial 10 loans with an additional 3 loans made every 3-4 years depending on repayment, delinquency and default. The program development and estimated ongoing annual loan origination, underwriting, processing and servicing costs are provided below. The remaining funds will be utilized for program development and ongoing management of the fund and program administrative costs.

While the City of Rutland and NWWVT are originating this revolving loan fund, there is anticipation that this fund could be an important investment tool to bring housing units online as well as provide an investment opportunity for other entities (employers, foundations, private individuals, etc.), so as to collaboratively provide for the economic opportunities that a healthy housing market brings to our region. It is believed that this type of rental unit repair is desired by and adds value to our housing stock, as well as enable employers to more readily bring – and keep – employees in the Rutland market area.

Program Information	**Recommendations**
Program Goal(s)	Beginning in 2023, funds will be offered to property owners to complete repairs of approximately ten (10) currently vacant market rate multi-family units at the time of application in the City of Rutland with the purpose of bringing rental units online to 'like new' standards. At a minimum, units will be brought to Vermont Rental Housing Health Code guidelines, City Ordinances, and in compliance with all local, state and federal regulations.
Property Investment Expectations	Property owners will bring high quality repairs and rehabilitation to market rate units in the City of Rutland. These standards include, but are not limited to units which, in their finished state, are damage free, use above builder grade materials, use aesthetically pleasing colors, are free of damage and debris, and focus on energy efficiency, where possible. This would include flooring that will retain itself over time; full rehab of bathrooms which should be free of leaks in pipes and flooring, and water conscious toilets; kitchens with energy efficient appliances; as well as

	refurbished and insulated walls, inside and out, for efficiency and noise reduction. Finally, windows should be weatherized. The use of these funds is intended to be for long-term rental leases. Any applicant receiving funds shall maintain the units as long-term rentals for a span of at least 36 months. The program will utilize the City of Rutland's GovOS system to confirm the property is not registered as a short-term rental. Under this program a long-term rental lease is with one household for at least nine months. These funds are not intended to support short term rentals. Priority will be given to those applications which renovate, enhance or convert the unit to be ADA compliant.
Program Administrator and Project Manager	NeighborWorks of Western Vermont

Fund	**Recommendations**
Initial Funding shall be provided in the amount of $400,000.	There are no intended future contributions from the City of Rutland to the fund at this time. The fund will be replenished by principal and interest payments of the initial loans only. However, additional funding should be sought from employers, philanthropy and individuals.

Borrower Eligibility	**Recommendations**
Eligible Borrowers	Property owners in the City of Rutland are eligible to apply.

Property Owner Selection Prioritization	**Recommendations**
Property Owners Selection Prioritization	In addition to the eligibility criteria and requested documentation, property owner selection will also include the following prioritization: • BIPOC owner-occupied multi-family – Owner resides within the City of Rutland year around. • Woman owned and occupied multi-family – Owner resides within the City of Rutland year around. • Owner Occupied multi-family – Owner resides within the City of Rutland year around. • Multi-family property owned by a BIPOC resident(s) of City of Rutland.

	• Woman owned multi-family – Owner resides within the City of Rutland year around. • Multi-family property owned by a resident(s) of City of Rutland. • Multi-family property owned by a BIPOC resident(s) of Rutland County. • Multi-family property is woman owned resident of Rutland County. • Multi-family property owned by a resident(s) of Rutland County. • Multi-family property owned by a BIPOC resident(s) of Addison, Bennington or Windsor counties. • Multi-family property is woman owned resident of Addison, Bennington or Windsor counties. • Multi-family property owned by resident(s) of Addison, Bennington or Windsor counties.

Property Eligibility	**Recommendations**
Eligible Property	• Maximum of 2-4 units in one property • Tenant shall not be displaced so that owner can take advantage of this loan program. Owner will attest that no tenant was displaced to take advantage of this program. • Owner must provide evidence that any eviction within the 90 days prior to submitting an application was for cause, including, but not limited to nonpayment of rent or breach of a rental agreement.
Unit Type	• Multi-family unit • Commercial conversion to new residential rental unit
Local Policy and Permit Compliance	• Code and ordinance compliance for the City of Rutland must be adhered to for all property owned by all owners prior to application approval, including certificate of occupancy (COO) on all units. • Owner must be in good standing with the City of Rutland related to all municipal fees, permits and taxes, as well as current mortgage payments on all unit(s) owned. For purposes of this program, an "owner" is defined as anyone who owns a property or holds a majority interest in any entity or entities that own a property. • If a property qualifies as vacant under Title 9, Chapter 16 (Vacant Buildings) of the City of Rutland's Revised Ordinances, to be eligible with this program, owner needs to register property as a vacant property prior to submission of an eligibility form.
State Policy Compliance	• Completed units must comply with the Vermont Rental Housing Health Code and local ordinances. • Compliance with all local, state and federal regulations concerning lead and asbestos must be adhered.
Fees + Payments	NWWVT will confirm with City of Rutland that no fees or payments are owed.

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	• NWWVT sends application to Building and Zoning Department and City Treasurer staff:
	    • Planning and Zoning Administrator
	    • Building Inspector
	    • Treasurer
	• Each department will return to NWWVT determination on up-to-date permits (Building and Zoning) and finances (Treasurer) of owner.
	• Owner will be in compliance or will be provided a list of the fees that are owed and permits not closed out, or COO's not updated.

Funding Source and Match	**Recommendations**
Funding Offering	• Loans up to $30,000 for each unit and/or shell
Owner Match	• 20% of loan amount as cash and/or in-kind within one year of Eligibility Form submission date, with eligible and legible receipts. • Property owner responsible for any costs above loan amount and match.
Match Evidence	• Material receipts • Work in-kind (An "in-kind" match may be approved at the discretion of the NWWVT overseeing project management.)
Loan Amount	• Maximum loan of $90,000 per borrower (3 units or 2 Units + Shell). Other proposals may be considered with a 4-unit property to include common area improvements and utilities (mechanicals).

Loan Criteria and Terms	**Recommendations**
Borrower Contribution/Fee	Various underwriting, processing and closing costs are associated with loans such as recording fees, credit report, title policy, attorney fee, flood certificate, etc. These are paid by the borrower or can be included in the mortgage.
Loan Fees (charged to borrower at time of closing) *These fees are charged at cost to the borrower and are determined at the time of closing.	One-time fee paid to NWWVT: • loan processing fee of $250 • documents prep fee of $250 • underwriting fee of $250 One-time fees paid to other servicers*: • Credit report of *approximately* $65 • Flood certification of *approximately* $25 • Home Value Estimate of *approximately* $15 • Verification of Employment of *approximately* $50 • Title Search – Examination fee of *approximately* $135 • Recording Fee of Mortgage of *approximately* $300 for those property owners over 80% AMI.

Loan Terms	• 120 months (10 years) • No pre-payment penalty • Maximum loan-to-value (LTV) ratio is 80%
Loan Rates	• 1.5% • Rate is fixed for the term of the loan.
Secured/Unsecured	Secured loan on the property by a second lien held by the City.

Underwriting	**Recommendations**
Underwriter	NWWVT
Underwriting standards	• Borrowers must qualify based on credit, debt-to-income (DTI), adequate collateral and loan-to-value (LTV).
Underwriting Criteria	• Review by a NWWVT home evaluator is required. • NWWVT project management is required. • Minimum credit score of 620. • Loan is secured by second lien on the property. o Second lien mortgages will require a notice to first lienholder notifying them of NWWVT second mortgage and must be acknowledged in writing by the first lienholder. • Income to support a total debt-to-income not to exceed 46%. • No origination fees for borrowers under 80% AMI, regular closing costs may be financed.

Timeline	**Recommendations**
18 months from the time of loan closing to complete project and occupied unit.	Owners will have 18 months from the time of loan closing to complete projects and occupy the unit.

Application Process	**Recommendations**
Application Cycle	At this time, it is expected that the application period will be open 2-3 times a year, depending on initial pilot project completion date and payback timelines.

Eligibility Form and Loan Application package, including the following:
 	
***Incomplete eligibility forms and/or loan applications will be returned.**
	• Completed Eligibility Form, signed by property owners.
	  • Proof of Property Insurance
	  • Tax Bill and Deed for each property
	  • Standard Lease Agreement Sample/Template
	  • Completed W-9 Form
	  • Scopes of work and budget for each unit/project
	  • Copy of contractor contracts
	  • Copy of any applicable permits
	    • Loan closing shall occur upon a mutually acceptable date, at least 15 days after a zoning permit is issued (or upon such later date of a final judgement on any appeal taken during said 15 days)
	  • Loan Application Package.

Eligibility and Loan Application Review and Recommendations	• NWWVT staff review of eligibility form:
	  ◦ Review proposed scope of work and budget provided to define and finalize the project.
	  ◦ Initial site visit of the property/units with property owner.
	• NWWVT will score the program eligibility form according to the criteria outlined therein and below, verify all fees, permitting and compliance with local regulations are satisfied, and submit eligibility package to the Rutland Redevelopment Authority (RRA).
	• RRA Review
	  ◦ Based on preliminary recommendations by NWWVT following all guidelines herein, RRA will review and make recommendations for approval to the Board of Aldermen (BOA) to proceed with loan processing or deny project.
	• Initial approval by the BOA (pending loan underwriting) or rejection letter to owner sent by NWWVT on behalf of City of Rutland.
	• NWWVT staff receives and processes loan application based on underwriting criteria of recommended eligible project(s) and eligible owner. (Owners will complete loan application after eligibility determined and RRA recommendation to BOA.)
	• Loan Closing

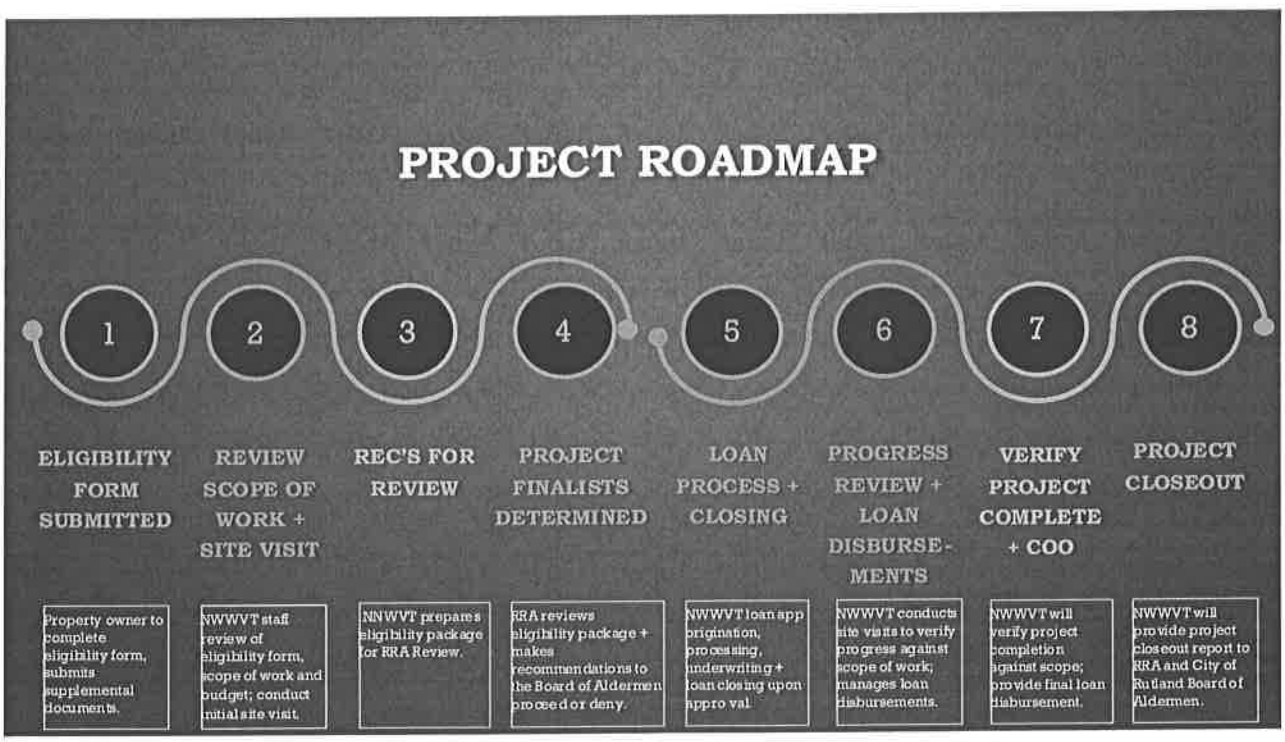
Project Development and Completion	• Confirm construction deadlines are being met and provide progress payments. • Conduct progress and final inspection to ensure all repairs have been completed. • Collect and verify all program documents: pre-work, during-work, post-work, as required. • Upon project completion and before final loan disbursement, a project close-out will be completed. • Complete project close-out template. • Provide close-out to the RRA and then Board of Aldermen.

Program Development Costs	Recommendations
Development of Rental Repair RLF Framework, Application and Scoring Materials. Update of loan and finance systems, policies and procedures internal to NWWVT.	$5000 $5000
Program and Loan Admin and Management Costs	**Recommendations**
Program management:	**Cost per application** (application through loan closing) - site visits, manage application, scoring and approval with applicant: $540 / project application **Total cost per project for the 18 months** (loan closing – occupancy): $2700 / applicant

Loan management:	**Cost to originate, underwrite, process and service loans:** $590 / project loan **Ongoing loan servicing:** $15/month/loan ($180/loan/per year – charged to applicant monthly)

Borrower Costs	**Recommendations**		
Loan closing costs to be paid by borrower.	These costs can be mortgaged with the loan (as part of the $30,000) or paid by the borrower.		
	Fees at Closing (Paid by borrower)	**Cost**	**Paid to**
	Loan Processing Fee	$250	NWWVT
	Underwriting Fee	$250	NWWVT
	Document Prep Fee	$250	NWWVT
	Credit Report Fee	$65	Other
	Flood Certification	$25	Other
	Home Value Estimate	$15	Other
	Verification of Employment	$50	Other
	Title - Examination Fee	$135	Other
	Recording Fee - Mortgage	$300	Other
	Total:	**$1,340**	

Summary Process



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