Appendix C: Manchester Housing Implementation Matrix

WHAT	HOW	WHO		WHEN	HOW MUCH
		Potential Lead Entity	Key Support Entity(ies)		
Continue pursuing development of Pocket Neighborhood	Work with ECDC to identify priority sites for the Pocket Neighborhood Begin outreach to network of potential project funding partners Identify one or more local or regional developers interested in pursuing Pocket Neighborhood development Proceed with property acquisition (if necessary) and formalizing the development of the parcel as a Pocket Neighborhood Design and construct the project Promote home buying opportunities and lock in prospective homeowners Determine opportunities for additional Pocket Neighborhood development in Manchester	COM	DCED	M1-36	Variable based on property location, size, number of units, finishes, etc.
Implement formalized development guidelines	Utilize development process summary sheets developed for Placemaking plan on city and partner websites Outreach to local and external developers to build awareness of Manchester's available housing incentives and streamlined, formalized development review and regulatory processes	COM		M1-8	

WHAT	HOW	WHO		WHEN	HOW MUCH
		Potential Lead Entity	Key Support Entity(ies)		
Enhance partner outreach and utilization	Set up regular meetings with planning and housing organizations and staff at the regional and state level to brainstorm on ways to expand usage of available programs Enlist regional and state program staff to visit Manchester for community meetings and learning sessions on accessing and utilizing housing assistance programs	COM	DCED	M1-12	$2,500 meeting promotion and hosting
Better Promotion of Manchester's Existing housing tools and incentives programs	Enhance City of Manchester and DCED websites to better promote new housing incentives and available regional, state, and federal assistance programs and grants Develop a new brochure for distribution to local and regional partners explaining and promoting Manchester's housing development tools and incentives Host regular meetings and conduct outreach to key community partner organizations to present and discuss local housing development tools and programs	COM	DCED MCC	M6-12	$1,500 – web design $2,500 – brochure design and printing
Initiate process to develop housing RLF	Create an RLF Committee of local experts Identify and confirm a Fiscal Agent Leverage Committee to help develop fund dynamics and lending parameters	COM DCED	MCC	M8-24	Contingent on Committee's determination of total fund capitalization

WHAT	HOW	WHO		WHEN	HOW MUCH
		Potential Lead Entity	Key Support Entity(ies)		
	Source and secure resources to capitalize the RLF Actively promote the RLF to networks of local and external developers, brokers, bankers, public officials and department staff, and other key stakeholders				

Housing Revolving Loan Fund Information and Tactics

Who should be involved?

The RLF Committee is an essential facet of your program. It is considered a best practice and very beneficial to have a committee with diverse backgrounds to serve as a support structure. This provides well-rounded review and assistance in areas where staff may have minimal expertise.

Plus, a committee made up of leaders in your community will help legitimize your program and can be a good source of connections when you are seeking new opportunities to reach local businesses or assistance with an underperforming loan. Most RLF committees include the members with the following backgrounds and expertise:

- Accountants
- Lawyers
- Bankers
- Educators
- Local business owners

It is important to help committee members understand the mission, the basic terminology, and the essential components of risk so that they can help successfully lead the program.

As part of this process, a "backbone" or leadership organization should be designated as the RLF Committee's primary contact and be responsible for meeting logistics including schedule the meeting dates, times, and locations. This could either be the City of Manchester, Delaware County Economic Development, or another entity.

Fiscal Agent – Who manages/administers the funds?

The RLF Committee can either form its own organization (i.e. non-profit 501c3 or a for-profit LLC) to manage these funds or contract with a third party to administer the financials. Regardless of who manages the funds, the RLF Committee needs to determine the basic parameters of the program including the loan size, equity requirements, maximum loan terms, interest rates and collateral requirements.

Current proposed program parameters are below:

- Loan Size: Up to $30,000 per housing unit
- Equity Requirements: 80%
- Maximum Loans: Up to 6 housing units or $180,000 per loan
- Interest Rates: 1%[1]
- Terms: 10-year term with amortization scheduled up to 25-years[2]
- Collateral Requirements: Collateral is required on financed assets. Additional collateral may also be required.

The fiscal agent will also be responsible for ongoing monitoring and servicing of the loans. Routine management of each loan–and the overall fund portfolio–often means the difference between a marginally performing fund and a successful one. Payment monitoring should be routine and followed on a weekly basis. Identifying a troubled loan before it becomes past due will increase the opportunity to begin

[1] A 1% interest rate is optimal, but potentially may need to be raised based on available resources. Most RLF programs have interest rates roughly 0.25% above prime since the need to fill this financing gap is the result of a dearth of financing options for rural development. The general rule is the higher the risk the higher the rate needed to incentivize development.

[2] A $180k loan would have a monthly payment of $678 for 120 payments and then pay a balloon payment of $113K at the end of the 10-year term with a 25-year amortization. A traditional 25-year loan with 25-year amortization would pay $1,577 a month for 120 payments closing out the loan.

remediation, whether in the form of additional assistance or increased monitoring. Loans that become past due face a difficult hurdle returning to current status. Being aware of problems and reporting them promptly demonstrates your understanding of the RLF's value and its importance to your funders and the greater community.

Below are a few options for local fiscal agents to consider when setting up your RLF program:

- **Delaware County Economic Development**: DCED already has a board of directors focused on supporting economic development and experience with financial transactions through their Community Chest Grant program.
- **East Central Intergovernmental Association**: ECIA is the designated Economic Development District representative for Delaware County and currently manages multiple grant and loan programs serving their five-county region.
- **Eastern Iowa Regional Housing Authority**: EIRHA has a wide variety of experience with grant and loan administration through their affordable housing projects throughout their seven-county service region. Note, ECIA and

Capitalizing a Revolving Loan Fund

Most revolving loan funds have at least one local public source for capitalization combined with other sources. If capitalization is exclusively local, the RLF may have greater flexibility in lending, as state and federal involvement tend to include restrictions that may not fit local business needs. State and local governments often use one or a combination of the following to capitalize an RLF:

- Tax set-asides
- General obligation bonds
- Direct appropriations from the state legislature
- Annual dues from participating counties or municipalities
- Funds directed from the state lottery

For the Manchester Revolving Loan Fund, it is presumed funding would be split equally among the city (25%), Delaware County (25%), local businesses (25%), and the State of Iowa (25%). The first dollar in should be collected from the City as a show of good faith with local businesses to follow. With half the funding pledged, the County is more likely to support the loan fund. Once these the first three program partners have pledged their funds, the committee should approach the Iowa Finance Authority with a formal request of funding to fully fund the program.

Marketing

Committing an organization like the Manchester Chamber of Commerce or another local entity to lead the marketing of the RLF to a wider audience will be critical to its success. Having a strong web presence is of the upmost importance with routine updates of the most recent application materials and testimonials of existing participants, once the program is up and running. Connections should also be made with contractors and homebuilders throughout northeastern Iowa including Cedar Valley Home Builders Association, Greater Cedar Rapids Housing & Building Association, and Dubuque Independent Home Builders Association. These three groups will be able to share the RLF program with their members and make them aware of the available benefits.

Another marketing avenue are local banks and credit unions. This may be a better path toward connecting with more local builders and contractors interested in the program. Oftentimes, banks are unable to lend to non-qualifying borrowers due to a gap in financing. Their role in promoting the program may help them close a loan. Banks can also contribute to a revolving loan fund program and meet their Community Reinvestment Act (CRA) requirements to help meet the credit needs of the communities in which they operate, including low- and moderate-income (LMI) neighborhoods.[3]

Managing Your RLF Program[4]

The following example for managing a RLF program is based on a non-profit entity called the Gateway Area Development District.

Loan Size: Loans will not ordinarily be made in an amount of less than $20,000 or greater than $150,000 to any one entity or company within one year. Generally, the RLF investment will be the lesser of 30% of the total project cost or $150,000.

Equity Requirements: The RLF will require a minimum of 10% equity injection to be provided by the borrower. The equity requirement for a working capital loans can be met if the borrower has existing net working capital of at least 10% of its working capital needs.

[3] https://www.fdic.gov/regulations/resources/director/presentations/cra.pdf
[4] Abridged from https://www.cdfa.net/cdfa/cdfaweb.nsf/pages/revolving-loan-funds.html and https://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open=open&id=dfp3-edu-rlf.html

Maximum Loan Terms: The terms of the loans are matched to the use of funds, with long-term financing structured to the productive life of fixed assets. The terms of maturity of loans will vary depending on the needs of the applicant, but the following maximum repayment terms are generally considered appropriate:

- Buildings and Real Estate……………………15 years
- Machinery and Equipment……………………10 years
- Working Capital…………………………………5 years

Interest Rates: The interest rate on RLF loans will be indexed to the prime rate as published in the Wall Street Journal and will generally be at a fixed rate with the range of five (5) to eight (8) percent. In no event shall the interest rate be less than the lower of four (4) percent or 75 percent of the prime interest rate listed in the Wall Street Journal. However, should the prime interest rate exceed fourteen (14) percent, the minimum RLF interest rate is not required to be raised above ten (10) percent if doing so compromises the ability of the RLF recipient to implement its financing strategy. Interest rates shall be fixed and charged only on the unpaid balance of the principal for the actual time the money is outstanding on the loan. Interest will be compounded monthly.

Collateral Requirements: When an applicant participates with a private lending institution the lending institution will generally hold the first lien with the GADD taking a second or junior position. GADD employs standard collateral requirements; enough and appropriate collateral is required for all loans. Corporate guarantees or personal guarantees will be required of any entity having ownership interest in the business.