City of Loveland

CITY OF LOVELAND
BUSINESS DEVELOPMENT OFFICE
Civic Center • 500 East Third • Loveland, Colorado 80537
(970) 962-2304 • FAX (970) 962-2900 • TDD (970) 962-2620

AGENDA ITEM: 1

MEETING DATE: 1/11/2011

TO: City Council

FROM: Betsey Hale, Business Development Manager

PRESENTER: Betsey Hale, Business Development Manager
Alan Krcmarik, Executive Fiscal Advisor

TITLE: The Loveland Jobs Development Program

DESCRIPTION: This is an information and discussion only item**.** It is a follow up to the November 2nd, 2010 meeting of the City Council Economic Development Sub-committee, the November 16th, 2010 City Council Meeting and the December 8th, 2010 CFAC meeting. Council members have asked staff to reconvene a Commercial Lenders Panel to discuss the current financial markets; the role of bridge loans to support construction financing and the merit to the City Council's consideration of establishing the Loveland Jobs Development Program. Council members would like more information about Funding Partners and the loan servicing functions the organization would provide if the LJDP is established.

BUDGET IMPACT:

☐ Yes ☒ No

SUMMARY: The City of Loveland uses a variety of tools to provide economic incentives for primary job growth and redevelopment of blighted areas. The Loveland Jobs Development Program will target the City's resources to projects which have measurable economic impact and complete rigorous financial review by City Staff, a third Party Administrator, a project review committee and which meet the minimum standards of the City of Loveland Economic Development Policy. At the Council meeting on November 16, 2010, the Council provided direction to bring the change to the economic development policy and the proposed amendment to the investment policy to a regular meeting of Council. The Loveland Citizens' Finance Advisory Commission reviewed the proposed change to the investment policy on December 8, 2010, and unanimously recommends the change in policy to the Council.

LIST OF ATTACHMENTS:
A. Funding Partners Information
B. December 8, 2010 CFAC Meeting Action

RECOMMENDED CITY COUNCIL ACTION: Consideration and Discussion

REVIEWED BY CITY MANAGER:

Funding Partners for Housing Solutions, Inc.

2010

Funding Partners

Who is Funding Partners?

Incorporated in 1996 as a 501c3 non-profit and subsequently certified as a Community Development Financial Institution (CDFI) in 1999 by the Department of the Treasury, Funding Partners (FP) is governed by a volunteer Board of Trustees representing human service providers, housing agencies, public officials, private enterprise and financial institutions.

As a CDFI, FP is charged with creating access to capital and credit within underserved markets and among target populations throughout Colorado. Attracting long term investments from units of government, corporations, foundations, associations and banking institutions, FP pursues its mission through lending activity which places below-market capital into projects and entities that expand availability of residential units deemed affordable for very low to moderate-income households.

Administering two revolving loan pools, FP is able to assist first-time homebuyers with down payment assistance through the House to Home Ownership (H2O) Program®, while the Mammel Affordable Housing Loan Fund (MAHLF) provides predevelopment, acquisition and gap financing to individuals and organizations that create, rehabilitate or otherwise preserve both rental and for-sale housing for families below the median income level. FP also provides third-party loan servicing for other entities seeking to reach the market with greater efficiency at minimal expense. FP provides a highly effective conduit to connect households with traditional financial service providers.

FP has originated over 1,600 residential assistance loans, while funding 78 projects for aggregate loan production in excess of $37.5 million, encompassing over 4,000 residential units.

Within limitations imposed by sources of capital, FP loan products are tailored to meet the needs of individual projects and those entities that serve our target markets.

History

Originally envisioned as a revolving loan pool to promote availability of safe, adequate housing affordable to working households in the Fort Collins-Loveland market, FP received start-up funding and initial loan capital from both cities to leverage private investment from banks and other private-sector entities.

In 1997, development 'gap' financing activity was initiated with $800,000 in loan capital, resulting in $156,313 in production to preserve 68 housing units. By 1999, the demand for a similar tool along the Front Range prompted geographic expansion to 11 Colorado counties. As well, FP was successful in achieving recognition from the Treasury Department as a CDFI, with a subsequent investment of $650,000 from the CDFI Fund to expand technical capacity and match local participation.

In 1999, the H2O program was introduced as a more flexible option for first-time buyers in need of assistance to acquire their home. H2O was initially administered through housing agencies as a supplemental resource to federal programs. Since then, the program was brought in-house to enhance uniformity and strengthen portfolio management.

By 2001, the total capital base reached $5 million though cumulative originations amounted to $6.5 million by the end of that year.

In 2003, FP expanded its geographic market to include the entire state in recognition of the markets served by bank investors and lack of adequate resources in rural areas. To better utilize sophisticated systems and procedures, FP began offering third-party loan services with the introduction of the Employee Home Ownership Program (EHOP)® and contractual relationships with local housing agencies.

Through 2010, FP loan capital stands at $11 million with $30 million in direct loans and $8.4 million in third-party activity. FP financing has been used to leverage other funding sources in order to complete aggregated projects in excess of $513 million, a ratio of 13-1.

Products & Services

- **Mammel Affordable Housing Loan Fund (MAHLF)**
  Acquisition, Pre-development, Construction and Gap Financing for Qualified Residential & Mixed-Use Projects.
- **House to Home Ownership (H2O)®**
  Purchase Assistance for Qualified First-Time Homebuyers.
- **Employee Home Ownership Program (EHOP)®**
  Employer-Sponsored Purchase Assistance.
- **Contract Loan Services**
  Third Party Origination and Portfolio Servicing.
- **FP Lending LLC**
  Economic & Community Development Financial Services.
- **Housing Development Solutions**
  Stand-alone non-profit housing development and management agency.

Mission Statement

To coordinate, enhance and leverage resources to increase the affordable housing stock attainable to very low to moderate–income families and individuals, our target market.

To pursue partnerships and alliances, which optimize affordable housing resources.

By identifying and developing new funding sources and mechanisms to support affordable housing efforts.

By leveraging and channeling financial resources to affordable housing providers and consumers.

By encouraging the creation and retention of affordable housing through education, advocacy and the provision of technical assistance.

Expand access to capital and credit among underserved markets to promote long-term economic benefits to our target market.

Board Authority & Personnel

A volunteer Board of Trustees establishes overall direction and monitors staff performance under a Policy Governance Model. A Loan Committee, comprised of Board members, recommends policies and procedures to the full Board for adoption, monitors all loan activity and issues credit determinations for most development funding requests. Staff generally retains authority for modest loan requests while the Board considers requests outside standard policy.

Staff includes the Director, charged with management of the business, supported by specialists in strategic areas.

Joe Rowan
Executive Director
Joined in April 2001 as Sr. Loan Officer, tapped as Loan Programs Manager in 2003; Director in December 2004. Joe holds a BS degree in Business Administration (Finance & Real Estate) from Colorado State University. 15 years' experience includes credit, collections, file audit underwriting, portfolio management and business development.

Susie Murphree
Operations Manager
Joined in November 2004 with experience in office management and accounting. Susie oversees operations and financial reporting.

Connie Ealey
Residential Assistance Coordinator
Joined in 2007 with 15 years experience in retail mortgage lending. Connie oversees all residential assistance lending including program design and client services.

Megan Gifford
Marketing & Communications Coordinator
Joined in 2008 and recent graduate of CSU with a B.S. in Business Administration. Provides all compliance and reporting functions, collateral development and loan servicing functions.

Performance Snapshot

Utilizing a capital base of $11 million, FP has delivered significant benefit to low-income communities through effective use of limited resources, as evidenced by the following: (12/31/2010)

- Financed **78** housing projects, creating or preserving **437** owner-occupied and **2,689** rental units.
- Financed **1,593** purchase assistance loans.
- Over **$37.6 million** in gross loan production.
- Cumulative loan default rate across product lines equal to **2.4%**. (MAHLF—0.26%)
- Leveraged over **$488 million** in companion financing and owner equity.
- **52%** of total units financed are reserved for households making less than 50% Area Median Income (roughly **$14/hour** combined household income)
- **15%** of down payment loans issued to single-parent households.
- **71%** of organizational expenses are recovered through program activities.
- **443** residential loans originated and serviced on behalf of private employers and other entities.
- Loan capital derived from **34** distinct entities; **43%** from financial institutions; **47%** from governmental units; remainder from private-sector entities.

Capitalization

As a financial institution, FP lending activity is supported through the attraction of capital from government agencies, private enterprise, foundations, trusts and retained earnings. Traditionally, CDFIs attract long-term investments from banks and thrifts to achieve regulatory compliance with the federal Community Reinvestment Act (CRA). Through a vehicle known as Equity Equivalent Investment (EQ2), banks are able to place capital in a form that resembles a preferred stock placement (i.e. indefinite maturity, no 'voting' rights, subordinate claim to secured lenders, defined coupon return rate).

In return, bank investors are able to demonstrate CRA-qualified investment activity without assuming direct credit risk on FP loans. In addition to the interest return, bank investors are also invited to supplement their own lending objectives through companion financing using FP products that ultimately provides greater leverage for the borrower, while retaining prudent loan risk characteristics. Investments can be restricted to market areas served by the institution.

Units of government invest both federally-designated entitlements and discretionary appropriations into FP loan funds to achieve greater community impacts in a form that is more efficient and responsive to changing market conditions. Public investments can be in the form of grants or loans and can be restricted to jurisdictional boundaries.

Private enterprise is a growing source of capital for FP in recognition of workforce dynamics that make it increasingly difficult to attract and retain a highly-qualified employees. As well, corporate citizens recognize the benefits of vibrant economic conditions within the markets they serve, where a single investment in FP loan programs offer recurring impact, rather than recurring investment for a single impact.

Foundations, Trusts and Trade Associations also represent a significant source of capital to FP, as investments are made in fulfillment of their own mission to achieve community impacts. The mission-driven nature of FP provides a vehicle for both targeted benefit and cost-effectiveness that promotes the effects of philanthropic goals. Investments in FP can be made in compliance with regulatory philanthropy, but increasingly viewed as a component the overall investment strategy of the benefactor.

All investments in FP can be highly focused to both geographic and demographic criteria defined by the investor under mutually defined terms and conditions. Periodic reporting to verify compliance and verification of financial condition of FP are standard provisions within all investment agreements.

Marketing Strategy

To maximize impact and with limited resources, FP leverages partnerships with lenders, agencies and other real estate professionals to minimize duplication of effort.; streamline communications with end-users; affect greater integration of product and service offerings; and, promote greater collaboration in serving our target markets. FP also recognizes immense value in deploying technologies that promote simplicity for both the end beneficiary, investors, partners and the organization.

Ultimately, FP seeks to make all products and services seamless with complimentary programs offered by other organizations, which promotes greater focus on serving the needs and improving conditions of low and moderate income households rather than fulfilling procedural requirements. This emphasis is best illustrated by the following example:

Rather than inefficient marketing campaigns to the general populous, awareness is developed through targeted outreach to organizations that serve our target market. Most loan products are distributed through other financial service providers engaged in the transaction, utilizing the documentation collected to secure companion financing or public investment.

Applicants are screened against eligibility criteria, where certain attributes may be deemed an acceptable level of risk due to prior analysis and reconciliation by other competent parties. Uniformity is further enhanced through standardized documentation and debt instrument language, which also promotes the ability to attract loan capital.

For more information about Funding Partners and their programs visit www.fundingpartners.org all brochures, loan documents, and marketing materials are available to download at your convenience. If you are interested in becoming an investor, partner, or borrower all pertinent information is on the web, or you can call: 970-494-2021

FP is proud to be associated with:

FirstBank
First National Bank
Wells Fargo Bank
US Bank
JP Morgan Chase
Guaranty Bank
TCF Bank
Key Bank
City of Fort Collins
City of Loveland
City of Boulder
City of Lafayette
City of Glenwood Springs
Town of Eagle
Town of Carbondale
US Department of the Treasury
Hewlett Packard
Xcel Energy
Sturm Family Foundation
Summit Foundation
Denver Foundation
Bohemian Foundation
Community Foundation of Northern Colorado
Colorado Assn. of Realtors
Rural Community Capital
Colorado Housing & Finance Authority
Fannie Mae
Fraser Valley Foundation

Strategic Partners

National Development Council
Colorado Mountain Housing Coalition
Eagle County
Mountain Regional Housing Corporation
City of Steamboat Springs
Housing Resources of Western Colorado
Thistle Community Housing
Rocky Mountain Community Land Trust
Federal Home Loan Bank of Topeka
Mile High Community Loan Fund
Mercy Loan Fund
USDA Rural Development
HUD
State of Colorado—Division of Housing

Core Values

Funding Partners is committed to expanding access to capital within underserved markets and among target populations, regardless of direct benefit to the organization. FP believes that fulfillment of this ideal can only be achieved where such markets are served by private-sector enterprise in a competitive environment that promotes value and choice. FP alone cannot achieve this objective, nor is our mission best served through the defense of market share.

Rather, FP is obligated to identify products and services, implement delivery systems and demonstrate market potential that can be replicated by other entities. As markets attract sufficient competition, FP will shift its focus towards untapped potential in other markets. Repeating the cycle of capital and credit accessibility.

FP believes it must remain financially viable to achieve its objectives and recognizes that revenue generation is critical to demonstrating the value of its services. FP is a business enterprise that must be accountable to its constituency, where community impact holds priority over profit maximization.

In exchange for favorable treatment under the tax code, FP is able to develop products and services for end-users who are unable to absorb the full cost of the value delivered. Minimizing operating expenses allows the organization to serve those with the greatest need without jeopardizing our financial viability .

Ethical business practice is mandatory to all aspects of organizational behavior and will be demanded of all affiliations. Regard for the economic interests of target populations takes precedence over the financial interests of FP, its investors, marketing partners and affiliates. Expediency and notoriety are false indicators of success. Organizational success can only be achieved through an undisputed commitment to serving the needs of others first.

Immediate impacts are fleeting without first providing a framework for understanding the rights and responsibilities incumbent upon all participants. Any tool is dangerous when applied incorrectly, regardless of intent. Therefore, knowledge and commitment to improve personal conditions are critical to enduring benefit.

FP is a catalyst of change. Assembling effective partnerships is a method for sustaining positive direction.

Funding Partners

214 S. College Avenue
2nd Floor
Fort Collins, CO 80524-2870

Phone: 970.494.2021
Fax: 970.494.2022
E-mail: joe@fundingpartners.org

Creating Access to Capital & Credit To Low-Income Communities Across Colorado

Funding Partners is committed to serving the needs of households earning less than the median income, often described as our primary workforce where the prevailing wage is $18 per hour, or less. As a state, Colorado attracts new residents from around the country and throughout the world because of the mild climate, dramatic scenery and vibrant lifestyle. Unfortunately, this dynamic forces the cost of real estate to escalate faster than prevailing wages, ultimately reducing the buying power of the typical family: smaller housing units with fewer amenities. This also causes migration to outlying areas that are farther from work, school, public facilities and service providers, further aggravating an already strained transportation and public infrastructure systems.

This declining sense of community can't be eliminated, but is effectively addressed through FP and complimentary programs.
Learn more and get connected!

Visit our website at
www.fundingpartners.org

Member of the Opportunity Finance Network

OPPORTUNITY FINANCE NETWORK

Larimer County Highlights

1997-2010

- In 1996, Loveland Community Housing, LTD morphed into Funding Partners for Housing Solutions, Inc. (dba Funding Partners; "FP")
- Envisioned as vehicle to supplement federal entitlement resources for the expansion of housing programs and projects, the cities of Loveland and Fort Collins invested $550,000 in loan capital and $150,000 in start-up funding.
- Pre-development and construction gap financing served as the basis for activity.
- FP received certification as a Community Development Financial Institution through the U.S. Treasury in 1999. The designation allows FP to attract investment from banks as one method for meeting Community Reinvestment Act requirements.
- That same year, the House to Home Ownership (H2O) program was introduced to provide down payment assistance to first-time homebuyers with income at or below 80% of area median income.
- Under a partnership between FP and National Development Council, the historic **Northern Hotel** in Fort Collins is placed back into service in 2001, providing 47 rental units for seniors living near or below the federal poverty level.
- The historic **Lincoln Hotel** in Loveland is purchased utilizing FP financing in 2002, providing 22 rental units for low-income households.
- In 2003, the organization officially designates all counties within Colorado as its target market while introducing third-party loan administration to employers and other entities lacking such capacities.
- FP originates a loan in the amount of **$1,300,000** to the Fort Collins Housing Authority for its acquisition and major rehabilitation of the project known as Village on Stanford. Helping to create **82** rental units and extensive application of energy efficiency, the loan represents the largest loan to a single project in FP history.
- As of 12/31/2010, the organization holds **$10.9mm** in loan capital with an additional **$8.2mm** under management.
- Within Larimer County, FP has financed **36** distinct rental and owner-occupancy projects representing **$5,229,100** in loan volume.
- Projects include **500** rental units permanently reserved for households at or below 50% of area median income and **50** owner-occupied units for households below 80% AMI.
- Purchase assistance has been provided to **149** first-time buyers representing **$1,015,675** in loan volume.

Motion:
"Contingent upon City Council amending the Economic Development Policy, the Citizens' Finance Advisory Commission (CFAC) recommends to City Council that they allow investments in the Loveland Job Development Fund." Motion was seconded and passed 7-0 on December 8, 2010.

Issues Considered by CFAC 12/8/2010 RE: Change in COL Investment Policy

- Current investments in US-insured instruments spread investment risk over multiple projects (i.e., those financed by the US Govt. with the proceeds from the sale of the US-insured instruments). Investing in single-source projects through the Job Development Fund is inherently riskier.

Provided Response from Staff: The short term nature of the Job Development Fund loans and the higher rate of return received will adequately mitigate that risk.

- Current investments are guaranteed by the US issuer. Providing "bridge financing" with a Job Development Fund loan will almost certainly place the COL in a second position to the primary lender, i.e., in the event of default, the COL may be the last lender to be repaid provided that the collateral provides sufficient liquidity for total project loan repayments.

Provided Response from Staff: It is anticipated that the Job Development Fund loans will provide, essentially, bridge financing during the construction/development phase of a project, and that they will not be granted unless the primary lender guarantees a takedown at the completion of that phase, i.e., provides additional primary financing to the borrower in order that the COL may be repaid.

Additionally, City Staff are compiling a selection process [to screen loan applicant/recipients] to further reduce the risk of this activity.

- The COL's current investment portfolio is exceptionally strong because of its conservative nature, although this results in a low rate of return (earnings) on the portfolio. Job Development Fund loans could, as a result of the weighted impact of the principal amount loaned, further depress that return if a Job Development Fund loan defaults. Conversely, the CFAC recognizes and acknowledges that the overall return of the COL investment portfolio would be enhanced if the Job Development Fund loans are successful.

Provided Response from Staff: The amount committed to the Job Development Fund will be minimal in relation to the total value of the portfolio, limited in individual amount, and self-perpetuating, i.e., the Fund will be a finite amount and loans will be issued in such a manner as to be "laddered" thereby maturing on a schedule that will provide continual rollover of a portion of the Fund so that monies are available for future loans from the original, dedicated amount

CITY OF LOVELAND
CITY MANAGER'S OFFICE
Civic Center • 500 East Third • Loveland, Colorado 80537
(970) 962-2303 • FAX (970) 962-2900 • TDD (970) 962-2620

AGENDA ITEM: **2**

MEETING DATE: 1/11/2011

TO: City Council

FROM: City Manager

PRESENTER: Bill Cahill

TITLE: **Discussion priorities for 2011 City Council Advance**

DESCRIPTION:
This is an item for the City Council's discussion and direction to staff, to select priority topics for discussion at the 2011 City Council Advance.

BUDGET IMPACT:
☐ Yes ☒ No

SUMMARY:
The City Council has traditionally held an annual session to determine goals and priorities for the coming year. This year, the Council Advance is scheduled to be held on Saturday, February 5, 2011. A preliminary listing of possible discussion topics have been developed by City Council and staff. To have the most productive Advance, the list will need to be narrowed in order to focus on the most critical issues. The Council will have the opportunity to use a voting system in the Study Session to select a manageable number of topics for discussion at the Advance.

LIST OF ATTACHMENTS:
None

RECOMMENDED CITY COUNCIL ACTION:

Direction to staff for preparation of Advance materials.

REVIEWED BY CITY MANAGER: