



MCEDD Loan Administration Board Meeting
Tuesday, December 6, 2022
8:00am

Remote only

<https://us06web.zoom.us/j/85168648995>

Or call 669-900-6833, Meeting ID: 851 6864 8995

AGENDA

| Topic | Estimated Time | Item |
|--|-----------------------|-------------|
| Call to Order, Introductions | | |
| Loan Administration Board Minutes <i>September 20, 2022</i> | 5 minutes | Approval |
| Loan Modification Request <i>LDB Beverage Company, Inc</i> | 15 minutes | Information |
| <i>Executive Session per ORS 192.660 (f) (Exempt Documents)</i> Regular Session Reconvened | | |
| Loan Actions | 5 minutes | Approval |
| Funded Loan Updates <i>Tibbets Well Drilling</i> <i>Mid-Columbia Backflow</i> | 5 minutes | Information |
| <i>Executive Session per ORS 192.660 (f) (Exempt Documents)</i> Regular Session Reconvened | | |
| Business Oregon Proposals | 5 minutes | Information |
| Attainable Housing Revolving Loan Fund Modifications | 10 minutes | Discussion |
| Staff and Board Updates | 5 minutes | Information |
| Adjourn | | |

The meeting location is accessible to persons with disabilities. If you have a disability that requires any special materials, services, or assistance, please contact us at (541) 296-2266; TTY 711 at least 48 hours before the meeting. MCEDD is an equal opportunity employer, lender, and provider.

Executive Session Protocol

MCEDD Loan Administration Board

After discussion agenda items are presented in open session by MCEDD staff, the LAB Chair will state the following: "Pursuant to ORS 192.660(f), Exempt Documents, I call the Executive session of the MCEDD Loan Administration Board to order".

LAB Chair asks all non-staff and non-LAB members to leave the meeting. Staff will explain to visitors where they can wait and that they will be invited into Executive Session when their agenda item will be discussed.

For each discussion item on the agenda for Executive Session, the LAB Chair will follow the following procedural steps:

1. Invite the loan applicant (or their representative) into the Executive Session for the presentation of their loan request. LAB Chair requests a brief presentation from MCEDD staff on a summary of the loan proposal or other discussion item.
2. After presentation of information by staff, the LAB Chair asks if there are any questions for the loan applicant or MCEDD staff.
3. Following questions and discussion by the LAB, the loan applicant (and/or their representative) is asked to leave Executive Session with instruction that they will be invited into the Open session when Executive Session is adjourned.
4. LAB Chair asks LAB members if there is any discussion related to loan request that needs to take place before inviting the next loan applicant or other persons into Executive Session for the next discussion item.
5. Additional discussion between the LAB members takes place then Steps 1-5 are repeated for each following discussion item for Executive Session.
6. At the end of discussion, the LAB chair will close the Executive Session. The LAB moves back to open session. At this point, the LAB Chair asks for a motion on the decision items in open session. Following a proper motion (motion and a second), the LAB chair requests discussion on the motion. Following any discussion, the LAB chair requests a vote ("all those in favor, signify by saying aye" "all opposed signify by saying nay" "any abstentions?"). Staff may ask for a roll-call vote, if the responses are unclear.

- Loan Term: 16 monthly payments and the balance due the 17th month
- Loan Payment: \$6,000.00
- Loan Fee: \$ 1,517.13 (1.5% of loan modification amount)

STAFF UPDATES

Ami reported that two microloans have been approved by the Executive Director. One is for a patisserie in Hood River that has been operating out of the College's incubator kitchen. The second was to Huggins Family Farms to develop/distribute their product Monkey Brittle.

ADJOURN

Scott Clements adjourned the meeting at 8:17 a.m.

Respectfully submitted by Jill Brandt, Administrative Assistant

Memorandum

To: MCEDD Loan Administration Board
From: Jessica Metta, MCEDD Executive Director
Date: November 29, 2022
Re: Business Oregon Proposals

Overview

Business Oregon recently released two Requests for Proposals that staff and the Executive Committee decided would be beneficial to apply for in support of MCEDD's lending program. We have submitted proposals and are waiting the results. If approved, we would be listed as approved contractors but only participate as we book new loans against the two programs. They are summarized as follows:

- 1) **State Small Business Credit Initiative Community Relender Program:** This provides low-cost capital to community lenders, such as Community Development Financial Institutions (CDFIs), Economic Development Districts (EDDs), tribal governments and not-for-profits. The program will purchase a portion of a community lenders loan increasing their lending capacity. In this program, MCEDD would fund a loan up to \$250,000 at our terms and then we would borrow half the funds from Business Oregon at a lower interest rate than what we are charging the borrower. This would expand our available capital.
- 2) **Loan Loss Reserve Account Program:** In this program, MCEDD would be able to book new loans that are undercollateralized and enroll with Business Oregon to use the LLR as security. Future losses that are incurred may be covered by the LLR. After 10 years, the funds are released to the lender after submission and acceptance of a final report.

This is just provided as information. We will keep you updated on whether we are approved for the two programs and then keep an eye on how we can benefit from them.

Memorandum

To: MCEDD Loan Administration Board
From: Jessica Metta, MCEDD Executive Director
Date: November 29, 2022
Re: Attainable Housing Revolving Loan Fund Modifications

Overview

The North Central Regional Solutions Advisory Committee met recently and discussed some possible modifications to the Attainable Housing Revolving Loan Fund managed by MCEDD. *Please see the following memo from Regional Solutions Coordinator Nate Stice for important background information.*

Feedback from the Advisory Committee on the three points of discussion are summarized below along with requests for the MCEDD Loan Administration Board.

Item 1: Updating Administration

The Committee supported allowing MCEDD staff to confirm projects meet the Attainable Housing criteria. If projects had any grey area or raised any questions, at that point MCEDD staff would call the Regional Solutions Advisory Committee Housing Subcommittee together for their input.

Request: MCEDD staff supports this change. It would require a change to the RLF Policies and Procedures. LAB feedback is welcome.

Item 2: Creating Interest Rate Flexibility

The Committee recognized that this is up to the LAB and is interested in hearing the outcome of the LAB's discussion. The existing Interest Rate Policy is as follows:

Loan Interest Rate Policy:

Interest rates will be fixed at the time of disbursement. The fund will use a risk rated interest loan rates tied to the WSJ Prime Rate for all non-government loans.

| Risk Rating | Margin | Index – WSJ Prime Rate* | AHDF Interest Rate* |
|---------------|--------|-------------------------|---------------------|
| Excellent | .25 | 3.25 | 3.5 |
| Good | .75 | 3.25 | 4.0 |
| Average | 1.5 | 3.25 | 4.75 |
| Below Average | 2.5 | 3.25 | 5.75 |
| Poor | 3.5 | 3.25 | 6.75 |

*The Wall Street Journal Prime Rate is subject to change. When the WSJ Prime rates changes, so do AHDF interest rates.

Criteria: The main risk criteria analyzed (as applicable) is personal credit scores, collateral percentage of loan or loan-to value, debt coverage service ratio, personal financial strength of individual owners of the business and type of collateral. Lending staff determines performance of the applicant in each of these categories when assigning an interest rate.

For loans to governmental entities, a fixed interest rate of 1% is available. The Loan Committee may approve a lower rate for projects of exceptional value to the region if the rate still allows the project to meet administrative obligations.

Request: MCEDD staff requests LAB discussion of preference on interest rates for this fund. Staff raised the concern about competing with commercial lenders, but the Committee stated that the housing problem is so large, and our fund is so small that they didn't feel this was an issue.

Issue 3: Affordability

The Committee was supportive of opening the fund to housing affordable anywhere in the 0 to 120% of Area Median Income range.

Request: MCEDD staff supports this change. It would require a change to the RLF Policies and Procedures. LAB feedback is welcome.



**REGIONAL SOLUTIONS OFFICE
OFFICE OF THE GOVERNOR**

DATE: 11/1/2022
TO: Advisory Committee
FROM: Nate Stice
RE: Attainable Housing Revolving Loan Fund Administration

Background

The North Central Regional Solutions Advisory Committee (RSAC) opted to allocate its \$2 million appropriation in 2013 to the creation of an Attainable Housing Revolving Loan Fund. The fund was designed to provide gap financing to incentivize development of housing attainable to households earning in the 60-120 percent Area Median Income (AMI) range in Hood River, Wasco, and Sherman Counties. The fund is just about \$80,000 short of fully revolving.

The fund is jointly administered between Regional Solutions and the Mid-Columbia Economic Development District (MCEDD). Both MCEDD and RS play a marketing function seeking out builders and developers to take advantage of the program. The rules for the fund give the RSAC Housing Subcommittee the authority to determine if a project meets social metrics (Is the project in one of our counties? Does it meet income requirements? etc.) spelled out when the program was created and enumerated in the attached form. MCEDD does the lion's share of the work serving as the "banker" of the fund with its Loan Committee making final decision on whether to fund loans based on financial feasibility.

Updating administration

While manageable to date, the MCEDD and RS staff have found that this dual pronged approach to approval creates unnecessary administrative burden to address clearly defined metrics. As part of intake for new loans, MCEDD staff already complete the analysis that is necessary to ensure compliance with the program metrics. Indeed, given the straightforward nature of these metrics, the RSAC Housing Subcommittee meetings often delve into the kind of banking issues that are handled by the Loan Committee (project feasibility, risk, etc.).

Additionally, the dual-pronged approach leaves the fund at a potential stand-still during political and staff transitions in the Governor's office. There are currently several projects in the pipeline that may be held up if there is a vacancy in the coordinator role or vacancies on the relevant advisory committee seats.

Staff Recommendation: Given these dynamics, it is staff's recommendation to invest MCEDD staff with the authority to make recommendations to the Loan Board on whether a project meets the social metrics spelled out in the initial program design. If there are cases that prove difficult to determine compliance, MCEDD can request the RS Coordinator pull together the Housing Subcommittee to weigh in.

Creating interest rate flexibility

The "banking" design of the program is and was left up to the discretion of MCEDD (with its extensive experience in lending). The interest rate is currently set at Wall Street Prime plus additional percentage points based on risk rating. Staff has been exploring ways to further use the fund to incentivize and drive building in the region. Holding Loan Fund interest rates steady as they rise in the general market has presented itself as one potential idea. The Loan Fund also includes built in flexibility on term length.

Staff recommendation: While this decision-making authority is held by the MCEDD Loan Board, staff recommends that this committee formally vote to allow MCEDD to explore and implement options to increase the funds value as an incentive.

Affordability

While the loan fund was created to address the "attainable market" range of 60-120 percent area median income, in the nearly ten years since its creation, the range of housing needs in our communities has widened with the greatest need presenting itself at the affordable level or 0-80 percent AMI. Further while we have seen the development of middle-market housing we have seen *no* permanent building serving this income bracket. While there are many state and federal level tools in this dedicated affordable space, our rural communities have found it difficult to access those funds.

Given the expense and difficulty of building permanent affordable housing, staff thinks that there is very little risk of the funds being monopolized by affordable projects and not being available for the "attainable" range, for which it was originally designed. Further, the rules for the Fund limit any one project's ability to further use the fund.

Staff recommendation: Given this need for affordable housing and limited risk that the whole fund would be spent on lower income housing, staff recommends that the metrics for the program be amended to include serving household incomes from 0-120 AMI.