



COMMUNITY & ECONOMIC DEVELOPMENT OFFICE

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To: City Council
From: Larry Kupferman and David Weinstein
Date: March 17, 2010
Re: Reaffirmation of Authorization to Execute Section 108 Loan and BEDI Grant

On June 1 2009 the City Council authorized the Mayor to file a \$2,091,000 HUD-guaranteed Section 108 loan application for the Moran project, and to execute any agreements pertaining to the Loan Guarantee. This was a necessary step in order to apply for a Brownfields Economic Development Initiative (BEDI) grant for the project. In the Section 108 loan application, the City pledged revenues from the Tax Increment Financing (TIF) district to service the loan.

In August, Moran was awarded a \$1,040,000 BEDI grant - one of just seven projects chosen nationally under this highly competitive program. On September 14 2009 the City Council authorized the Mayor to sign the BEDI grant agreement. Since the funds were from HUD's FY 2008 budget, the Department had to obligate the grant by the end of the federal fiscal year.

Even though the City has explicit authorization to proceed with both the Section 108 loan and the BEDI grant, we have said on several occasions that we would bring these back to the Council to reaffirm approval before we execute the final agreements. Part of the reason for coming back to you is because when the Section 108 loan application was submitted, we did not yet have final approval by the Joint Fiscal Office to utilize TIF revenues to service the Section 108 debt. That approval was secured on September 10 2009, and became effective on January 1 2010.

For the past few months we have been negotiating the final loan terms with HUD, completing the environmental review required for both the BEDI grant and the Section 108 loan, and both CEDO and HUD have been doing due diligence underwriting of the loan. We expect to be able to close on both within a month, and are therefore asking for that final authorization at this time.

Once we close on BEDI and 108, we can use up to 25% of each for predevelopment costs. This will free up \$750,000 for predevelopment activities, without having to come back and request further local funds. This amount should be sufficient to fund all or most predevelopment costs through permitting.

In terms of risk, we have confirmed that the BEDI funds do not need to be repaid even if something goes awry with the project. In that case, we would only have to repay whatever 108 loan funds have actually been spent; and in any case, the debt would be serviced with TIF revenues, rather than general fund revenues.

This is a critically important step in terms of keep this project moving forward. Thank you.