

## Excerpts from the Oct. 23, 2012 Shutesbury Board of Selectmen minutes:

### Shutesbury Board of Selectmen Tuesday October 23, 2012 Meeting Minutes

Members present: Chairwoman Elaine Puleo and members Al Springer and April Stein.

Also Present: Town Administrator Rebecca Torres, Administrative Secretary Leslie Bracebridge recording. Chairman Puleo opened the meeting at 6:30 P.M. at the Shutesbury Town Hall

#### Appointments

**Franklin County Regional Housing & Redevelopment Authority (HRA) Robin Sherman: Spoke on the financial aspects of Community Development Block Grant (CDBG) funding as detailed in the October 18 letter sent to the Select Board:**

- The federal program helps the state develop its own program.
- High need communities automatically get CDBG funds.
- Shutesbury is a low need community, so can apply every other year for CDBG funds; it's a little harder for low need communities to get the funds.
  - Reviewed CDBG programs for which Shutesbury is eligible.
- The HRA has applied for grant funds on behalf of local towns for 30 years.
  - HRA applied for funds and administered the program for Shutesbury in 1992, 2002, and 2009.
  - Shutesbury (through the HRA) applies for funds with other communities.
  - Grant funds go directly to home-owners and the HRA can use the funds to administer the grant.
  - Homeowners can borrow up to \$35,000.
  - Once the grant is awarded, the HRA takes applications, checks income eligibility, inspects the house for the project, conducts required lead tests, compiles code violations, and oversees contractor selection - always a local contractor.
  - Loans are recorded at the Franklin County Registry of Deeds.
  - The HRA does inspections and also makes sure that the building inspectors sign off.
  - The HRA does all of that until all Shutesbury's money for a particular grant is expended and then they oversee the long close out program with the state government - over 2 or 3 years.
  - Some loans are out for 5-30 years.
  - The HRA will service loans for such things as re-financing or home equity loans.
  - At the time the loan is paid back, the HRA has been taking a servicing fee of 15%.
  - The HRA proposes to change the fee to 2% and the remaining funds go to the town.
  - Robin described the categories of unrestricted, restricted and possibly restricted funds reverting to the town as "complicated."
    - Restricted – Repayments for funds which have been out less than 5 years can only be used by the town for a CDGB purpose, usually the exact same purpose.
    - Total repayments that have been out longer than 5 years, if less than \$30,000 are unrestricted.
  - In 1999 the HRA set up a revolving fund so the funds could be used for exactly the same purpose: for housing rehabilitation to benefit other income eligible residents.
  - The HRA runs it exactly the same as the original program, but the administrative fee is coming out of the revolving fund, which the HRA is proposing to increase to 24%. This makes sense as most of the work is at the front end of the loan. With this new fee structure, if the town decides to keep the unrestricted money for something else, the town will only pay the 2%, which is a benefit to the town.
  - The HRA oversees CDBG for 27 towns and wants the towns to get regular reports.

- Shutesbury is a lower need community. With 3 grants in 20 years, it is good to have money in the account for emergencies. It's an especially great resource for failed septic systems.
- Shutesbury has \$392,000 funds still loaned out and a little less than \$47,500 in the revolving funds.
- There have always been restricted and unrestricted funds but the rules changed in 1993.
- Shutesbury needs to get the word out that funds are available.
- Shutesbury has \$47,000 available and 5 people on the waiting list because there is an effort to save the \$47,000 for an emergency.
- The HRA needs clear instructions from the town on how to move forward with funds:
  - If making loans out of the revolving fund how to structure: 100% payback or 50/50 (50% paid back over time and the remaining 50% paid back at time of sale.) One option is better for the individual home owner, the other option "recycles" the money more.
  - The HRA needs to use the same mechanism for both the grant and the revolving fund.
  - In general, loans are out there for a long time: Most repayments are from the older loans.
  - Unusual to get request to transfer loans, mostly for refinancing and home equity.
- This program is "rehab" – not \$100,000 repair.
- Lead abatement frequently gets expensive. Cannot encapsulate when a child under 6 lives in the house.
- Questions that Robin seeks Select Board answers to for Shutesbury's funds include:
  - Would you allow going over CDBH (\$35,000) limits?
  - Would you allow loan forgiveness? Hardship situations might be a death in the family, huge medical bills, divorce without enough money in the home at time of sale, not due to poor financial decisions. Usually it's a hardship occurrence.
  - When get a loan repayment, if unrestricted there is an opportunity to put it in the revolving loan fund or send it back to the town, send ½ or all back. The town can change its mind on its guidance decision, but it's easier to administer loans if the HRA has a rule of thumb for the town.
- To determine if a town project is eligible, the area involved must be defined and an income survey conducted.
- Funds can automatically be used for "Meals on Wheels."
- Two ways towns deal with unrestricted funds: In general funds are certified as free cash and the town appropriates from free cash and spends. Some towns put the funds in a grant account and use the funds if town meeting allows the use of the grant funds. The town will need guidance from the Department of Revenue (DOR). Elaine suggests the possibility of keeping \$50,000 for CDBG related emergencies and use the remaining for town purposes.
- Robin: It's hard to predict needs. The HRA did a lot of projects in 2009. Robin guesses that the 5 people on the waiting list are not emergencies.
- The fee doesn't get wrapped up in the loan; the fee comes out of the funds. So really there's only \$36,000 to loan out. The 24% fee is just for housing rehab. The rule is that administration can't be more than 30%.
- Robin is working to reduce the costs of the HRA program which is currently running a deficit.
- Debate of first come first served versus severity of need:
- Having the HRA run the program provides some anonymity to applicants.
- Town Counsel MacNicol has already seen the contract for other communities, so she shouldn't need to be consulted on the wording of the 100% or 50% payback question.
- Other questions include:
  - Loan forgiveness?
  - Go for the waivers?

- A policy on loan subordination and release.
  - Robin would like the contract signed by the end of the year.
- The 100% deferred program can be used for now; the 2013 grant has the 50/50 mechanism for everything. Robin has a concern that if the town switches back and forth than one person might think another person got a better deal.
  - It's not town tax payer money; it's federal tax payer money.
- **See Select Board votes of direction given to the HRA concerning use of grant funds in Action Items below.**

### **Select Board Action Items**

#### 1. Housing Contract Update:

- **Selectmen unanimously voted to instruct Robin Sherman of the Franklin County Regional Housing & Redevelopment Authority to go ahead and use up to \$25,000 for a loan and any additional administrative fees from the \$47,000 revolving fund currently available from the 2009 grant, if someone comes to the program with an application for an emergency situation.**
- **Selectmen voted, to apply the 50/50 rule for loans funded from the remaining \$47,000 of the 2009 Community Development Block Grant (CDGB): 50% of the loan gets forgiven after 15 years, at the rate of 1/15<sup>th</sup> of the loan forgiven per year for the first 15 years and the remaining 50% of the loan will be recovered at the time of the sale of the affected property.**

The Select Board **adjourned at 9:15 P.M.**

Respectfully submitted,

Leslie Bracebridge, Administrative Secretary