

EDC Revolving Loan Fund

Project Overview

A Revolving Loan Fund would enable the EDC to make low cost or no cost loans to applicants to further EDC objectives. In some circumstances (particularly when the recipient is a for-profit entity) loans, rather than outright grants, may be a better use of public funds while achieving similar economic development objectives. Several towns in Vermont have such a loan fund, e.g, Hartford, Bristol, Brattleboro, and Burlington.

Grant Request

\$4,000

Total Project Budget

\$4,000

Applicant Information

Name of Applicant / Organization / Business

Jon Spector/Economic Development Commission

Mailing Address

16 The Green, Woodstock, VT 05091

Name of Project Coordinator

Jon Spector (on behalf of EDC)

Contact's Email Address

Telephone

802-457-9109

Organization's Website URL

www.woodstock-vermont.com

EIN

03-6003791

Applicant / Organizational Description

The purpose of the Economic Development Commission (EDC) is to plan and implement sustainable economic development in Woodstock, to:

1. Increase the number of visitors who are most likely to develop connections to the area and contribute to the economy

2. Grow and diversify the resident population to enrich the community and the quality of life.

To plan & implement sustainable economic development in Woodstock, we undertake the following activities:

1. Encouraging and helping existing and new businesses prosper, creating more job opportunities, becoming more environmentally conscious,
2. Making this a livable and welcoming community for a diverse, multi-generational population,
3. Promoting a welcoming, sustainable Woodstock area,
4. Improving and making the best use of land, buildings and other physical infrastructure, and
5. Developing tools to promote a sustainable economy.

The members of the EDC are Jon Spector (Chair), Joe DiNatale (Vice Chair), Marion Abrams, Patrick Fultz, Deborah Green, Michael Malik, Larry Niles, Mica Seely and Todd Ullman.

If you are applying on behalf of an organization, what is your total organizational budget?

Approximately \$300,000 per year

Project Information

Detailed Project Description

This purpose of this project is to determine the feasibility of establishing a Revolving Loan Fund and, if feasible, to develop a proposal for the EDC to allocate capital to the Loan Fund in 2023.

Revolving Loan Funds are a common tool used to promote economic development, and a number of nearby municipalities - including Hartford, Bristol, Brattleboro, and Burlington - have established funds. A Loan Fund is the appropriate tool for economic development when five criteria are met:

1. A successful launch of the company or program would achieve one or more of the EDC's objectives and provide a tangible benefit to the community
2. Additional capital is required to help a company or program get off the ground; without additional capital the venture would not be launched
3. If successful, the venture would likely generate enough profit to repay the loan relatively quickly (within 2 to 4 years)
4. Bank financing is insufficient to provide the capital; lenders would prefer to loan the same amount of capital to another, less risky venture
5. Even taking on the higher risk, the cost of the loan to the EDC (carrying costs, administrative costs and the cost associated with possible default) is much lower than other avenues the EDC could pursue to achieve similar benefits identified in #1.

We believe there are projects, over time, that would meet these criteria. Without a Loan Fund in place the

EDC would be forced to choose between making an outright grant (much more expensive than a loan) or failing to pursue the opportunity (thereby losing out on the possibility of benefits).

There are many details to work out to establish a Loan Fund. The EDC will require technical and administrative assistance to operate the Fund, and the appropriate organization will need to be found to provide these services at an affordable cost. Lending policies, repayment requirements and legal agreements will all need to be developed. And an oversight process will need to be established that aligns with (or complements) our current grant process.

The purpose of this grant application is to fund modest expenses - for legal fees and advice - to determine whether a Revolving Loan Fund makes sense for Woodstock. It is our intention to return to the EDC, most likely at the Annual Meeting in January 2023, with a fully developed proposal that lays out the policies and processes to be followed, with the proper support and legal documents to allow the program to operate effectively. Accompanying this proposal in 2023 would be a request to set aside sufficient capital to allow a certain number of projects to be funded.

We hope this application will spur a discussion among the EDC as to the appropriateness of a Loan Fund as a tool for economic development in Woodstock. If the EDC concludes that lending is not an appropriate tool - despite the experience of other communities - then of course there is no need to fund this project. But if there is agreement that a properly-run Loan Fund might help advance economic development, we cannot move forward without some very modest resources to retain the professional advice we need to design the program.

Project Timeline

Between now and January, 2023 we would:

Identify and interview appropriate organizations who could provide administrative support for loan operations (already begun)

Identify the experiences other towns have had with their Loan Funds, and use these insights to shape Woodstock's program

Obtain legal advice and draw up legal documentation required to operate the Loan Fund

(If appropriate) Develop a formal proposal to establish and fund the Loan Fund in January, 2023

Project Champion

Jon Spector - Chair, EDC

Jill Davies - Chair, EDC Housing Working Group

Project Budget Narrative

The funds will be spent on legal fees needed to research issues and prepare documents to operate the Loan Fund

Project Budget - Itemized

Income Category	Total	Applicant	EDC	Other	In-Kind
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Expense Category	Total	Applicant	EDC	Other	In-Kind
Legal fees	\$4,000		\$4,000		

What will success look like?

If we are successful our research will allow us to design a robust Revolving Loan Program; we would implement and fund that program in January, 2023; and a number of ventures would be launched (that would otherwise not have existed) that provide tangible benefits to the community

Community support for this project

We have discussed this concept with a few EDC members, a small number of residents and several of the grant applicants, and while most people seem interested in exploring a loan program the feeling is not unanimous.

Community support for this project

The funding for this one-time effort should be sufficient to allow us to design and launch a Revolving Loan program.



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Woodstock, VT

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