

DECISION PACKAGE (NON-CIP)		2018	COST BREAKDOWN BY ACCOUNT (LAST FOUR NUMBERS)				
Department/Division Number and Name:		Budget Year:	2018		PERSONNEL (10,20 ACCOUNTS)		COST
1840 Planning and Zoning Division		Priority No:	Acct No				
Submitted by:		Strategic Plan Task No:	Acct No				
Stephane Phifer			Acct No				
Decision Package Name:			Acct No				
Revolving Loan Fund			Acct No				
Decription of Decision Package:			Acct No				
Elevate the funding allotted to the existing preservation grant program to a modern revolving loan fund that would leverage investments and recycle funds. It would be a no-interest/low interest loan that the homeowners would pay back over five years. The loan would be paid back over the term of the loan by monthly payments.			SERVICE/CHARGES (30,40,50 ACCOUNTS)				
			Acct No	53-31	Pres Loan Progr		\$100,000
			Acct No				
			Acct No				
Benefits of Decision Package:			Acct No				
Being able to assist homeowners with the home improvement costs because of additional regulations required by the Design Guidelines will create more historically appropriate and more esthetically appealing communities. As the program is able to reach more homeowners, the impact will spread throughout the neighborhoods, spurring additional investments and increasing marketability.			SUPPLIES (60 ACCOUNTS)				
			Acct No				
			Acct No				
			Acct No				
			Acct No				
Impact of Not Approving the Decision Package:			Acct No				
The historic districts will see fewer improvements and investments. Without access to funding, homeowners will be more likely to make simple fixes and inappropriate repairs or put off repairs entirely, leading to additional issues. This will lead to more violations of both preservation and property maintenance, decreasing the demand for these areas. This would especially be true for the elderly, who are often on fixed income, and can no longer do the repairs themselves.			CAPITAL OUTLAY (70 ACCOUNTS)				
			Acct No				
			Acct No				
			Acct No				
			Acct No				
			Total Cost				\$ 100,000
YEAR		2018	2019	2020	2021	2022	Total
Annual Cost		\$100,000	\$100,000	\$100,000	\$ 100,000	\$100,000	\$ 500,000
Funding Sources							
Capital Improvement Fund							

Proposal: Create a Revolving Loan Fund

Objective

Elevate the funding allotted to the existing preservation grant program to a modern revolving loan fund. This new program would be a substantial benefit to the historic districts as well as Aurora. A revolving loan fund would leverage investments and recycle funds, allowing the initial investment to go further and have a wider impact on preserving the historic districts. Instead of providing funding every year that reaches only a small group each year, this new program would reach more homeowners. Dedication of funds for the next five years at \$100,000 per year would be able to assist homeowners for five years before another allocation of \$25,000 funds may be required. A dedication of \$100,000 a year approximates the funding Aurora dedicated to preservation in the late 1990s and early 2000s. However, this revolving loan fund would not require the allocation every year like the previous funding, allowing a wider and longer impact.

It is anticipated that this would be a no interest/low interest loan that the homeowners would pay back over five years. The loan would be paid back over the term of the loan by monthly payments. Penalties would be assessed for non-payments.

Why Now

Today's market is poised for this new program. Over the last five years, interest rates have been low, allowing people to borrow money through typical financial institutions. A no interest/low interest loan would be a major incentive to homeowners today, now that interest rates are increasing. In addition, over the last year, there has been a trend of investment in these historic districts that this new program could leverage.

Funding

A Revolving Loan Fund would create a program that would be self-sustaining. The initial amount could take five years of funding allocation to accumulate and would take three years of homeowner payments before the initial account has been replenished. It is anticipated that the five years of funding with an average loan amount of \$20,000 would sustain the program for ten years before an additional \$50,000 of funding may be needed, accounting for a 5% default rate in loans. At an average loan amount of \$20,000 the average monthly payments for a homeowner would be approximately \$335.

Benefits

This would assist the homeowners in the districts because it could be interest free or low interest, which is a better alternative than other financing options. In addition, the cost could be disbursed over five years at lower monthly payments. The program could provide money upfront, which would reach additional residents who cannot take advantage of the current reimbursable grant program and other available financial assistances.

Starting Amount

\$100,000 for the next five years.

Conditions of Loan

The average loan amount is anticipated to be \$20,000 with a loan term of five years. The loan would be fully amortized over its term. The interest rate would be 0% if all payments were made in a timely manner.

Penalties for late or non-payments: It is anticipated that a late payment penalty would be assessed for payments over 15 days late. An interest rate increase of 0.25% would be accrued for each delinquent occurrence with an occurrence being two delinquencies within a 6-month period.

Other Communities

A study of 15 communities with preservation revolving loan funds found that the majority had terms of less than five years with a shorter term being preferable, especially when an organization is first establishing a program. The majority of communities also amortize the loans over the loan terms opposed to a balloon payment at the end. All communities imposed an interest rate below prime. All communities used varying forms of traditional bank lending practices in the underwriting. Two revolving loan programs studied were run by the municipal governments: Deadwood, South Dakota and Dubuque, Iowa. Deadwood provided a revolving loan fund that was interest free with a five year term with a maximum loan of \$10,000. Dubuque began with an initial balance of \$400,000 with a 3% interest rate that was amortized over ten years.

Outcome

Unlike other financial loans, the Revolving Loan Fund's ultimate outcome is the continued preservation of the history of Aurora through the city's historic districts and landmarks. Being able to assist homeowners with the home improvement costs because of additional regulations required by the Design Guidelines will create more historically appropriate and more esthetically appealing communities. As the program is able to reach more homeowners, the impact will spread throughout the neighborhoods, spurring additional investments and increasing the overall marketability of the historic districts.