

JOHNSON SELECTBOARD MEETING MINUTES  
JOHNSON MUNICIPAL BUILDING  
MONDAY, AUGUST 27, 2018

**Present:**

Selectboard Members: Mike Dunham, Nat Kinney, Doug Molde, Eric Osgood

Others: Brian Story, Rosemary Audibert, Duncan Hastings, Walter Pomroy

**Note: All votes taken are unanimous unless otherwise noted.**

**1. Call to Order**

Eric called the meeting to order at 6:57.

**2. Additions, Changes to Agenda**

Brian added a fireworks permit application from NVU for September 15.

**3. Signing Loan Agreement with Union Bank for New Tandem Truck**

Rosemary said she asked to borrow \$161,110, the cost of the truck, for 5 years. The interest rate is 3.35%. The board needs to sign a resolution, a promissory note and a tax certificate in order to get the loan. **Mike moved to sign the documents necessary to take out a 5-year loan with Union Bank for \$161,110 in order to finance a new tandem truck, Doug seconded and the motion was passed.**

**4. Authorizing the Completion of Property Transfer**

Brian said the board had previously instructed him to complete the transfer of property to Bob Sweetser. Bob's attorney asked for specific instructions from the board directing Brian to sign the deed for the property transfer. Nat asked, this is for the right of way? Brian said yes, and the right of first refusal. The board already voted on this and instructed Brian to complete the transfer. **Nat moved to authorize Brian to sign the deed to complete the property transfer to Bob Sweetser, Mike seconded and the motion was passed.**

**5. Fireworks Permit Application**

Brian said for its alumni weekend NVU has applied to have a fireworks display. They will be working with Northstar Fireworks. He hasn't heard back from the fire chief yet about this. He has certificates of insurance from Northstar and NVU. **Doug moved to authorize the chair to sign the fireworks permit for Northern Vermont University for September 15, Mike seconded and the motion was passed.**

**6. Review Revolving Loan Fund Guidelines**

Duncan reviewed the latest draft of the guidelines, discussing changes he had made in response to comments from Ken Gibbons.

Ken suggested formalizing an agreement with John Mandeville and LEDC. Duncan asked John about getting a formalized agreement. John wants to get approval from his board, which is meeting next on September 17.

Ken suggested beefing up the language about the purpose of the revolving loan fund review committee, which Duncan did.

Brian noted that the current language says the committee will review applications for completeness and conformance. Do we want to include completeness or would the application already have gone before the administrator so an incomplete application would

not go to the review committee? Duncan said it's correct that one of John Mandeville's functions would be to make sure the application was complete. He left "completeness" in just in case something might have been missed that the committee spotted. Doug asked, wouldn't conformance include completeness? The board agreed to strike "completeness."

Doug suggested adding wording about proposed collateral.

Doug suggested adding to the language about improving or creating affordable residential housing stock. He thinks we should encourage owner-occupied single family housing and also conversion of Brownfields properties or blighted buildings to rental units that might not be single family housing.

Duncan said all the loans the town makes have to bring benefit to low or moderate income residents or have an area wide impact or create jobs for low and moderate income people. Eric asked if we can define what low and moderate income is. Duncan said no. Moderate income is 80% of the area median income. It is a census-based factor. He believes low income is 50% of the area median income.

After some discussion about possible wording the board agreed to add "with an emphasis on owner-occupied dwellings" to the language about encouraging affordable residential housing and "and Brownfields" to the language about blighted land, buildings and facilities. The goal for those is to make them productive and/or return them to their best use. It was agreed to add language about creation of new housing units and redevelopment of blighted land and facilities and Brownfields.

Mike asked if we will loan money to tear down derelict buildings. Others said they think that fits into the guidelines.

Duncan said he changed the minimum loan amount to \$5,000 based on Ken's recommendation. Walter said the village has done many loans under \$5,000. Their minimum is \$1,000. He described some of the types of things people might want small loans for. Eric said he wonders if Walter has a point. Nat said there is more administrative cost to deal with a lot of smaller loans vs. fewer larger loans. It seems to him that our preference would be to focus on loans for higher amounts.

Walter said he feels the village should provide quick, small loans and the town should provide larger loans. But the problem is that the village is so much smaller. There might be someone who needs a quick small loan but is outside the village. Eric asked, the village doesn't loan outside the village? Walter said they could. The current guidelines say loans are for the village but there is no outside entity that says the village can't change the guidelines.

Duncan said that is a fundamental difference between the town and village. The village is under no obligation at all to provide low/moderate income benefit or meet any other requirement with its loans.

Duncan suggested leaving the limit at \$5,000 with an asterisk to indicate the town may entertain an exception.

Walter recommended including renewable energy and energy transformation projects as eligible for loans – things like wood-fired boilers or heat pumps. Heat pumps will often be under \$5,000. To comply with the energy section of the town plan he feels we want to encourage people to do energy transformation. He wants to change the village guidelines to add renewable energy and energy transformation. He also thinks both the village and the town should add flood resiliency. Duncan agreed to add flood resiliency and energy efficiency/transformation.

Walter suggested changing handicapped accessibility to elderly and handicapped accessibility. After some discussion it was agreed to strike “handicapped” and just refer to accessibility improvements.

The board agreed the town should be able to authorize loans of under \$5,000 but not less than \$1,000.

Eric asked if we are able to negotiate a loan longer than 5 years. Duncan said yes. The town has a restriction on how long it can borrow money for but can lend money for any length of time.

Walter said the village only has one interest rate and although the town and village are moving to have similar plans he would discourage the village from going to two interest rates. The rate for all loans from the village is 2% below prime. He thinks having different interest rates discourages small loans. And a fee of \$10 on a \$1,000 loan is 1%. So the rate is really 2% more, not 1%. The village normally has an upper limit of \$30,000 but there is a clause that lets them loan more. Their interest rate can't be less than 0.5% even if prime is below 2%.

Nat said the tiered interest rate encourages larger loan amounts, which was the intention.

Walter said if we are trying to get the two loan programs in sync this is one place he wouldn't want the village to move. Nat said he doesn't think they have to be synced.

Eric asked how close the village is in practice to what we have been looking at. Walter said in general very similar.

Mike asked how important it is to be synced with the village. Duncan said that is probably a question for John Mandeville. He said he would be happy to be the loan administrator for the village too. Walter said if the two are different someone who wants a \$10K loan will go to the village first. People will loan shop and play the town and village off against each other. But if the town's goal is to issue larger loans that may be okay.

Doug asked what the probability is that John Mandeville would administer the village's loan fund. Walter said he wouldn't want to give an opinion. The village is managing its fund fine on their own.

Eric asked who does the loan review. Walter said the trustees. Doug asked how often the village has loan applications. Walter said the last one was for the house being renovated on Stearns Street. The last one before that was for Bustin' Belly. Right now the village only has two loans.

Mike suggested looking at getting in sync with the village. Nat said he likes the tiered interest rates. Duncan said 1% below prime for a small loan is pretty competitive. He supports a 2-tiered approach. Doug said he does too. Eric said he supports 2 tiers. So the guidelines will specify 2 tiers.

Walter asked if the town could make a loan to the village if there was a situation where the only other choice was to send the money back. Duncan said the intent was to have the village as a possible loan recipient. Eric said there is a bullet point in the guidelines that is applicable if the town or village are applicants. The village is eligible for a loan.

Walter asked if loans to the village have the same limit on the amount that can be loaned as loans the town makes to itself. Duncan said he has not been able to find anything in the documents he has read that would place a limit on how much the town can borrow, though such a limit has been mentioned.

Walter said the village is constantly doing capital improvements and could use a loan. Duncan said as long as the village can demonstrate a benefit to low and moderate income people such a loan would be possible. Walter said if the town were going to lose the money if it were not loaned by a certain time it could be loaned to the village.

Duncan said he struck the language about the loan loss reserve at Ken's recommendation.

Duncan changed a couple of items on the loan application checklist at Ken's suggestion. He also added some bullets. One is about how the proposed loan purpose meets the national objectives. Doug asked what the national objectives are. Duncan said those are the benefits to low and moderate income people. Doug asked, why not say that instead of "national objectives?" Brian said if the federal government changes the objectives we are expected to comply with that keeps us from having to change our document.

Doug said the applicant should identify the collateral and the priority interest position we will have (second, third, fourth, etc.) It was agreed to add "and the town's position in that security interest."

Brian asked, shouldn't the section on collateral be before the checklist, since the checklist references the collateral? Duncan said it could be that way. This is intended to give additional clarification on what the collateral includes.

Brian suggested making the checklist the last item in the document before the signatures. Duncan said that doesn't necessarily work. The applicant may not know until after the review process what will be required for insurance.

Walter suggested adding language stating that business owners may be required to co-sign loan applications for their business. The board agreed to that.

Doug suggested saying that business entities shall provide proof of the signatory's authorization to apply for and accept the terms of the loan. The board agreed to that.

Walter suggested the town could add that the proposed loan purpose must be legal under state and federal law if they want to say no to hemp operations. Mike said he thinks that is a good idea. Duncan said he wonders if that goes without saying. Brian said he thinks we would be able to deny a loan for an illegal purpose without having that bullet point. Doug said he is not in favor of that stipulation. He thinks hemp will eventually be legal and a growth industry and probably good for the community. Before he would make a loan to someone for a hemp operation he would want to ask our attorney about it. Nat said he wouldn't want to use this document to make a specific statement about hemp cultivation or any other industry. He thinks we would have to be pretty foolish to lend money for something that is illegal on the federal level. Our exposure would be too high. Duncan said he thinks it goes without saying that we would only loan for legal things.

Mike asked what harm it would do to add language saying loans can only be for legal purposes. Nat said he doesn't care if we add it. Eric said we should never loan for something illegal anyway. Doug said he would not want to reject a loan application for a business not being in conformance with federal law. He would not want to litigate that. He would rather reject it for discretionary reasons. Mike asked, why couldn't we defend something like that? Doug said he wouldn't want to pay an attorney to defend it.

Mike was in favor of adding language requiring loan purposes to be legal, but other board members were not, so it was not added.

Duncan asked if the board wants to charge a late penalty for missing payments or lack of sufficient funds. Doug asked what the village does. Walter said they don't have a clause about that. Rosemary said she thinks the bank charges a late fee to the customer. Union Bank handles loan payments and they go right into the village bank account. Duncan said he feels Ken will probably recommend that the town do the same. He thinks it would be good to put in something about a late penalty but it should also be part of the promissory note. It was agreed to say that a late penalty will be charged as per the promissory note. Duncan said giving a specific amount may not be a bad idea. Doug suggested using the same penalty rate as the village.

Duncan said he can make the changes discussed tonight. He would recommend that they be viewed and formally approved at a board meeting. Then the guidelines need to be sent to VCDP for their review and concurrence. He hasn't provided the draft document to John Mandeville yet. Should it be provided after the board adopts it or after it gets VCDP

approval? Doug said we should send it to him soon as a draft and see if he has any corrections. Duncan said he knows John will tell us we are not charging enough interest. Eric said we would like his input but that doesn't mean we will necessarily adopt it. The board agreed Duncan should incorporate the changes discussed and then he can send it to John Mandeville before the board sees it again. Doug said he would like to know if there is anything in there that would mean John wouldn't administer the loan fund. Duncan said his sense is that nothing here will be a deal killer. Nat asked, what is the path from here? Duncan said the board needs to adopt the guidelines and submit them for state agency approval. Brian said we do have guidelines and can loan money right now.

Duncan asked what level of involvement the board wants from him. He thinks the draft loan application forms will be less difficult to create than the appendices and checklists. Doug suggested maybe our attorney has a revolving loan fund application. Walter said he feels the loan request documents should be the same for both town and village so people don't have to fill out two. The town could have additional requirements beyond what the village has but the basic form should be the same for both. Doug suggested calling our attorney to say where we are and ask if he has anything to help us, such as an existing form. Duncan said he has a request in to Brattleboro and Bradford. If someone already has a checklist for compliance with federal rules and regs he will use it. Brattleboro emailed him back and said they will be in touch in a couple of days. Doug suggested holding off on contacting our attorney until we hear from them.

Doug said he thinks we should be working on combined village/town publicity. Walter agreed. He said when the town is ready the boards should agree on how we are going to market both of the loan funds.

Duncan said his original proposal does not specifically include working on the application form or checklist. He has spent about \$900 of his estimated cost of \$1500 to date. Does the board want him to continue working? Brian said he is working on two grants right now. The board agreed Duncan should work on the forms.

Brian said wherever we say "job creation" he would like to change it to "job creation or retention." The board agreed to that.

Walter asked if board members think the village loan fund should also be managed by John Mandeville. Eric said he thinks that would benefit the village. It would get them out of that role. Doug said he thinks there would be advantage to having people apply to the same place for both loans.

Walter asked how much John Mandeville will charge. Duncan said Morristown's annual fee to him is \$1200 and ours would probably be similar.

Walter said if there is a business in the village that applies for a loan there is a question of how to decide how much they should get from the town and how much from the village. We can spread the risk by loaning from both funds. He is undecided about John Mandeville administering the fund. He wants to discuss it with the trustees. Eric said we never thought of

John Mandeville having a role in deciding whether a loan should be from the town or village. It sounds like that is what Walter is talking about. Walter said someone will have to decide. Eric said the village doesn't have a loan review committee. Maybe in the long run the town will decide not to have one. Board members felt they didn't have expertise. Doug said he thinks there is an advantage to having LEDC decide how much to loan from the town and from the village. We could have someone guiding as well as administering.

**7. Adjourn**

The meeting was adjourned at 9:01.

*Minutes submitted by Donna Griffiths*