

Virginia Clean Water Revolving Loan Fund Living Shorelines Local Plan Guidelines

The development of a local plan is a requirement for participation in the Living Shorelines Program if the applicant local government is developing a funding program for individual citizens. The local plan documents the local government's processes and procedures for utilizing loan proceeds and for administering the program.

Once a loan application has been selected for funding through this program, DEQ and VRA will discuss each component of the local plan with the applicant local government. Only after the local plan has been developed by the applicant, and approved by both DEQ and VRA, can loan closing occur.

The local plan must be presented in writing to DEQ and VRA. There is no required format, but each of the following items should be addressed.

I. Marketing and Outreach Strategy: Describe the plans for making individual property owners aware of the local program. Include a discussion of each of the following:

- A. Solicitation of Applications: Describe the plan for marketing the program and soliciting applications from property owners in the area(s) that are to be served by the program. Include the projected schedule for advertising the program and an estimate of program demand. Consider direct outreach efforts to local wetland contractors providing information on the availability and terms of the loans and the value of living shoreline projects.
- B. Income Guidelines: The local plan should include a discussion of any income guidelines or criteria to be used in soliciting loan applications from property owners, or, in establishing interest rates on loans.

Note: There are no income eligibility guidelines or restrictions imposed by the Living Shorelines Program.

- C. Interest Rates: Describe the interest rates to be offered to the individual property owners. If the local government plans to determine interest rates based on income or other criteria, describe the criteria.
- D. Term of Loans: For what term (number of years) does the local government plan to make the loans?

Note: The term of the loans to the property owners cannot exceed that of the loan from the VCWRLF to the local government, and when feasible, should be for a shorter period.

- E. Size of Loan: Will there be a minimum or maximum loan size?
- F. Service Charges or Other Fees: Provide a description of any application fees, service charges or other fees the local government plans to impose upon borrowers. Include a description of late fees.
- G. Scope of Work: To the extent possible, estimate the number of properties that are eligible to apply for this loan and the types or size of the projects that would be done.

II. Loan Application and Review:

- A. Application Guidelines: Describe how applications will be received from individuals.
- B. Review and Approval of Applications: Describe how the local government will assess and verify the credit-worthiness of the individual applicants.
- C. Certification of Living Shoreline: Virginia Marine Resources Commission (VMRC) officials must certify the project(s) meet the definition of a living shoreline, as defined in § 28.2-104.1. Describe the process by which the locality will obtain that certification.

III. Loan Agreements with Individual Property Owners:

- A. Execution of the Loan Agreement: Describe the proposed process for closing the loan with individual property owners.
- B. Security: Describe the security the local government plans to require from each individual who receives assistance through the Program.

At a minimum, the VRA will require that the loans be secured by a note that states the individual will make principal and/or interest payments of a certain amount on a certain date and encourages loans in excess of \$10,000 be secured with a deed of trust. Additionally, where feasible, the local government will require that if the affected property is sold or transferred before the loan is fully paid, the loan will be paid in full at the time of sale.

- C. Process of Obtaining Contractors: Describe how contractors will be solicited or pre-qualified, if applicable.

- D. Permits, Inspections and Sign-Off: Identify all applicable permits, and the cost and time frame needed to obtain the permits. Identify who will perform inspections and certify that the work was performed as per the permit.
- E. Disbursement Process to Individual Borrowers: Describe the proposed method of disbursing funds for payment of completed work.

Note: Once the property-owner has completed the living shoreline, all invoices must be submitted to the local government for review, approval and disbursement. Records must be maintained by the local government.

- F. Loan Payment Schedules: Describe when individuals will begin making loan payments to the local government. How will payments be billed or collected?

IV. Closing the Loan to the Local Government:

One of the most important components of the local plan is the security the local government plans to offer the VCWRLF. In most cases, the loan from the VCWRLF to the local government will be secured with pledge of the revenues generated through the lending program. However, the local government will also be required to agree that in any year the revenues generated through the program are not sufficient to meet the debt service requirements, the local government will request that the governing body appropriate funds sufficient to make the debt service payment to the VCWRLF.

- A. Local Investment Strategy: Describe the local government's plans for holding and investing the funds. The local government must invest payments received from individuals or businesses until the funds are needed to make debt service payment on the VCWRLF loan.

Interest earnings may be applied to recover eligible administrative expenses, used to subsidize the loans to the individual property owners, enhance the debt service reserve account, or used to fund additional living shoreline projects.

- B. Administration: Describe the office(s) or organization(s) designated to administer the local plan. Describe the activities to be assigned to each organization.

If the designated organization is not a unit of the local government, please describe any contractual arrangements between the local government and the administering agency. Describe any agreements regarding fees to be paid for providing this service. A contract between the administering agency and the local government will be required prior to loan closing.

- C. Internal Controls: Describe the internal controls or the other financial controls that are currently in place, or that will be implemented to insure the financial integrity of the local plan.

Include a discussion of who reviews, authorizes and disburses funds. Describe signatory authorization(s) and oversight responsibilities.

- D. Monitoring, Reporting and Records: Local governments receiving funding through this program will submit financial and project implementation reports and transaction summaries to DEQ and VRA every six (6) months. The reports will include an accounting of all loans made, funds disbursed, interest earned, loan payments received, account balances, and other related information. The reports will coincide with debt service payments to the Fund, but will begin within six (6) months of loan closing.

All accounting records, transaction logs, expenditure journals and individual project files will be maintained and kept up-to-date in a manner that such records are available for review by DEQ and VRA. DEQ and VRA will also monitor the progress of the lending program to ensure the local government is meeting the goals of the local plan and that funds are being loaned to individual homeowners in a timely fashion. In the event the local government is not making loans as planned, DEQ and VRA will discuss, with the local government, options for revising the local plan to make it more attractive to borrowers.

- E. Debt Service on the Loan: Payments on the loan will be made semi-annually to VRA after a three-year loan origination period.

V. Notification of Changes to the Local Plan:

Items, activities and criteria described in the local plan are subject to changes as the local government implements the program. Please propose a process by which the local government will make DEQ and VRA aware of any modifications to the local plan in a timely manner.

The local plan and its subsequent modifications will be the catalyst for future program funding for the local government.