

CITY OF MOUNT VERNON, WA

**PROJECT-SPECIFIC APPLICATION
FOR SECTION 108 LOAN GUARANTEE**

FROM

**U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

FOR

**CITY OF MOUNT VERNON DOWNTOWN
FLOOD PROTECTION PROJECT**

IN THE AMOUNT OF
**\$1,000,000 Section 108 Loan Program
February 2012**

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Background

The primary factor that supports the vision of the Mount Vernon downtown is completion of the flood protection structure that will remove the area from the threat of flooding, thus protecting neighborhood residents and local businesses, and removing a major barrier to investment in the downtown area. Without flood protection, the area will continue to suffer from floods and the local economy will continue to experience depressing effects due to the uncertainties of future floods and the regulatory obstacles that render redevelopment unfeasible.

Once downtown is no longer at risk from flooding and development constraints associated with building in a flood plain are removed, the downtown can move forward to create a vibrant, attractive and safe riverfront district which will be prime for redevelopment.

Downtown Mount Vernon is home to the regional transit center, Skagit Station, that provides bus and passenger rail service within the region. The major public amenity downtown is the Skagit River, and the river has provided more obstacles to downtown development with its flood threat than attractions. With the City completing the flood protection project, conditions will be ripe for facility infrastructure improvements and amenities to attract additional residential and commercial development. The flood protection project creates a significant opportunity for the City to protect, revitalize and redevelop its downtown. Downtown residents, businesses and property owners will share in the benefits of redevelopment through added jobs, planned infrastructure improvements and private investment.

Key planned City infrastructure improvements vital to the redevelop of the downtown area include:

- Flood Protection Project (permanently removing downtown from the 100-year flood plain)
- Riverfront Promenade (riverwalk/pathway)
- Riverfront Park Plaza
- Parking Facility (funded by WA State approved LIFT award)
- Streetscape and Traffic Improvements

1. Overall Project Description

The City of Mount Vernon has undertaken a flood protection project designed to provide the historic downtown and the City's Wastewater Treatment Plant with 100-year flood protection. The flood hazard control system will deploy a flood wall to protect a City neighborhood, delineated by Census Tract 9525 that has a high concentration of low-to-moderate income (LMI) residents. The process of developing this system includes acquiring the land where the flood wall will be deployed, demolishing the buildings on that land, and constructing the floodwall improvements. The entire project begins at Lion's Park, north of the downtown core, and continues south through downtown, terminating at the City's Wastewater Treatment Plant which

will be protected with a ring dike. The total length of the flood protection measure is 1.76 miles. The City's project received a Conditional Letter of Map Revision (CLOMR) from the Federal Emergency Management Agency (FEMA) in August 2010 indicating that once built to the approved design, FEMA will issue a Letter of Map Revision for the downtown area removing it from the 100-year flood plain as mapped by FEMA.

Downtown protection and revitalization, via the flood control project, has been a high priority within the City's community development objectives, as outlined within the City's CDBG Five Year Consolidated Housing and Community Development Plans and annual CDBG Action plans, since the City became a CDBG entitlement City in 2004.

The City has spent over \$8.3 million in project-related downtown master planning, specific flood control project engineering, Phase I of the flood structure and riverwalk trail and Phase II property acquisition. Phase I of the overall project was constructed and completed in 2010, at a cost of \$2.1 million. Phase I included not only the flood structure from Lion's Park south to the Division Street Bridge (SR 536) but has a recreational overlay, the Skagit Riverwalk, a 16-foot wide pathway that connects the public with the river.

Phase II – Section 108 Project Description

The City is requesting a \$1.0 million Section 108 loan for Phase II construction of the flood structure. Phase II will begin at the Division Street bridge and continue south through the downtown core, ending at the Moose Lodge. The flood structure once completed in its entirety will provide 100-year flood protection to downtown residents and businesses, and will include a 24-foot wide riverwalk trail. This urban trail will provide improved public access to the river's shoreline and create a vibrant waterfront downtown that will result in increased economic activity within and around Mount Vernon. The flood structure in this phase of construction will include significant and in some places, continuous openings in the floodwall allowing for unencumbered public access to the riverfront. During flood events these openings will be secured with a stop-log system that interlinks into the flood structure. This project, which includes the floodwall and riverwalk are fully designed and permitted. The structural design for the floodwall has been approved by FEMA.

The \$1 million sought from the Section 108 loan program is needed as gap funding for the flood protection project phase II construction. Since 2004, the City will have expended \$1.7 million of its CDBG entitlement funds in this high priority project, for property acquisition. Funding for this \$12.9 million Phase II project is nearly fully secured in anticipation of its 2012 construction start.

2. Sources and Uses

Below is a summary of the project funding sources and uses:

Phase II Source of Proceeds:	Amount	Funding source comments:
Construction:		
<u>Federal</u>		
CDBG Section 108 Loan (2012)	\$ 1,000,000	funding request in process
<u>State</u>		
RCO/WWRP trails grant (2011-2013)	\$ 781,200	funds secured
RCO/ALEA grant (2011-2013)	\$ 500,000	funds secured
Governor Capital Budget (2011-2013)	\$ 700,000	funds secured
<u>Local</u>		
Skagit Econ Dev/Distressed County grant	\$ 500,000	funds secured
City Funds (WW Utility / Reet I)	\$ 400,000	funds secured
Dike District No. 3	\$ 1,000,000	funds secured
Unfunded	\$ <u>1,482,751</u>	Other funding sources, possible ST debt financing
Total Construction Sources	\$ <u><u>6,363,951</u></u>	
Property Acquisition:		
<u>Federal</u>		
CDBG Entitlements (2004-2011)	\$ 1,484,086	funds secured
CDBG Entitlements (2012)	\$ 218,000	funds anticipated as secured
<u>State</u>		
Governor Capital Budget (2009-2011)	\$ 656,400	funds secured
<u>Local</u>		
City, Wastewater Utility, Dike District, Donations, Miscellaneous	\$ <u>4,177,563</u>	All local funding for property acquisition is secured
Total Property Acquisition Sources	\$ <u><u>6,536,049</u></u>	
Total Phase II Sources	\$ <u><u>12,900,000</u></u>	
Phase II Use of Proceeds:		
	Amount	Use of proceeds comments:
Construction cost	\$ 6,363,951	costs based on outside engineering firm estimates
Property acquisition cost	\$ <u><u>6,536,049</u></u>	costs based on actual expenditures and contracted property specialist
Total Phase II Uses	\$ <u><u>12,900,000</u></u>	

3. Project Structure and Participants

The City's Phase II project cost is estimated at \$12,900,000. Financing includes a combination of federal state and local funds, and the proposed HUD Section 108 guaranteed loan. The City of Mount Vernon, as an entitlement CDBG grantee, will use the proceeds of the loan funds directly to fund cost of construction of public improvements. The City plans to finish right of way acquisition and bid the construction project in 2012. Construction is anticipated to start in Summer 2012 and be completed in 12 months.

The City of Mount Vernon is the developer and owner of the public facility. The public facility funded by the Section 108 funds will be within public right of way, controlled, operated and maintained by the City.

4. Repayment Schedule

The City commits to repayment of the loan through its annual Community Development Block Grant (CDBG) entitlement funds in the following amounts:

<u>CDBG Entitlement Year</u>	<u>Principal Payment</u>
2013	\$200,000
2014	\$200,000
2015	\$200,000
2016	\$200,000
2017	\$200,000

5. Collateral

Per HUD's requirement that the City collateralize the Section 108 loan beyond the pledge of its future CDBG entitlement funds, the City pledges the full faith and credit of the City of Mount Vernon as collateral for the Section 108 loans, with Real Estate Excise Tax (REET) funds and general property tax revenues specifically identified.

An ordinance will be adopted by City Council for the payback of the funding when the HUD loan documents are processed.

6. Project Implementation

Construction - the City anticipates that Phase II construction will begin in Summer 2012 and will be completed in 12 months.

Section 108 construction financing would be needed at the midpoint of the Phase II construction.

Property acquisition - 5 of the required 7 properties have been purchased. City plans to purchase the remaining 2 properties in early 2012. All funding is secured for property acquisition.

Previous City efforts to date:

Phase I construction was completed in 2010.

City received a Conditional Letter of Map Revision (CLOMR) in August 2010, indicating FEMA's approval of our project that once built to the approved design FEMA will issue a Letter of Map Revision for the downtown area, removing it from the 100-year flood plain as mapped by FEMA. This is a crucial element to the success of the City's project.

Final engineering for the project is completed.

Hydraulic Project Approval issued April 2009.

Shoreline Permit issued March 2009.

NEPA process - completed August 2008.

Environmental Impact Statement - completed July 2007.

Master Planning process for downtown/waterfront development - completed June 2007.

7. Eligible Activity

The project's eligible activity for the use of the Section 108 loan is *construction and installation of public facilities and other site improvements and public utilities* pursuant to 24 CFR (Code of Federal Regulations) 570.703 (l).

8. National Objective

In conjunction with the City's use of CDBG entitlement funds for property acquisition related to this project, the City has fully documented project compliance with the national objective requirements for area benefit activities (benefitting low and moderate-income persons) as outlined in 24 CFR 570.208 (a) (1) and 570.506 (b).

9. Public Benefit Standards (PBS)

Not applicable as the City's public facility project is not a proposed *eligible* special economic development activity (City project eligibility is pursuant to 24 CFR 570.703 (l)).

10. Contact Information

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