

Staff Memorandum

Prepared by the Town Manager's office and the Office of Housing and Community Development

Tonight, we are asking the Council to consider the pilot program outlined in this memorandum and to provide feedback as well as other questions, suggestions, and guidance.

The Town Council has received ad-hoc requests for capital funding in the past year but does not currently have a defined process to evaluate these requests against community goals and Town budget constraints.

In order to support the Council's ability to consider requests for capital funding, the Town staff has researched other community programs and drafted a pilot program for the Council to discuss. The pilot draws on our most similar process for funding outside agencies and incorporates lessons-learned from that experience.

This memorandum outlines a pilot process for the Council to consider and provide direction to staff for modification or implementation during Fiscal Year 2020. The Council may separately consider whether to include funding in their FY20 budget during the upcoming budget discussions.

1. Gauging the level of interest in a pilot program

The first key issue is to determine the Council's level of interest in establishing a pilot program for non-profit (501.c.3) capital requests. Historically, the Town has provided outside agency funding through performance agreements and grants, and on rare occasion loans. The Town's past experience is limited to a promissory note for DSI and a funding agreement with Launch.

When the Town Council received requests for capital funding out of the budget cycle during FY19, it was difficult to consider the merits of those requests against the Town's goals and budget constraints. The Town has received additional capital funding requests this fiscal year through our Human Services Program. An open, predictable process would allow non-profits who seek capital funding to demonstrate how their request matches Town interests and would allow the Town Council to weigh those requests against the Town's budget priorities.

The attached chart summarizes key characteristics of similar programs from other communities.

- Some communities have programs that provide direct grants for capital projects, whereas others provide low-interest loans. The Town's experience is that direct grants are easier to track and manage for all parties.
- Some communities do not allow non-profit agencies to request additional capital funding for a set number of years after they've received a grant or loan.
- A pilot program could allow the Town to test the community benefits of capital grants or loans.

Some alternatives to implementing a pilot program are:

- Continue to receive ad-hoc requests without a set schedule and ask the Town Manager to review and react to them as appropriate, returning to the Council for a final decision. (past examples include: Launch, Frank Gallery, DSI Improv)
- Establish a budget the Council could use for these types of requests and/or other initiatives without having a pre-scheduled review process.
- Consider ad-hoc requests in the general budget process.

2. Feedback on the proposed pilot program

The structure of the pilot program is similar to the process we have refined and used for outside agency funding requests. Our Housing and Community staff has reviewed the pilot and will support implementation of the pilot if the Council chooses that direction. A draft application is attached as a model. It focuses on the following interests:

- The relationship between the capital project and the Town of Chapel Hill’s goals.
- The agency’s financial stability and ability to implement the capital project.
- The proposed use of the funding.

Town staff could begin receiving requests prior to the Town Council’s budget adoption. Evaluation and implementation of the pilot would be contingent on the Council’s final funding decision.

Pilot Program Activities

DATE	ACTIVITY
Mid-March, 2019 Late March, 2019 Inclement Weather Date	Q&A Sessions
Mid-April	Funding application posted on website
End April, 2019	Application orientation workshop
May-June	Non-profit prepares application
JUNE	<i>COUNCIL DECIDES WHETHER TO PROVIDE FUNDING FOR THIS PROGRAM WITH THE ADOPTION OF THE FY20 BUDGET</i> <i>Following steps would be dependent on an allocation</i>
Mid July, 2019	Applications deadline
July-August 2019	Application review by Town Staff
September 2019	Agency funding considered by Council
Fall/Winter 2019	Contracts executed & programs begin, if awarded

A draft application is attached as an example of how the program could mirror our current process for funding to outside agencies. Those materials could be refined based on tonight's discussion and further staff review before the spring.

Any capital funding provided would, consistent with our current process for funding to outside agencies, require a performance agreement between the Town and the agency.

3. Guidance to the Town Manager on next steps

We look forward to hearing the Council's discussion on this topic tonight and understanding the level of interest in a pilot program and any specific guidance on the following:

1. Whether to initiate a pilot or consider other options,
2. Any specific interests in loan vs. grants,
3. Any other interests in the process or types of projects to be considered,
4. Suggestions about timing, communications, or other ways to improve the pilot as proposed this evening.