FEDERAL RESOURCES
CREATIVE COMMUNITY
DEVELOPMENT
HUD’S SECTION 108
LOAN GUARANTEE PROGRAM

FEATURING CROSSTOWN CONCOURSE
Federal Resources, Creative Community Development and HUD's Section 108 Loan Guarantee Program Webinar NASAA-Arts 2021

U.S. Department of Housing and Urban Development
Today’s Topics

- CDBG Overview
- CDBG Section 108 Basics
- Combining 108 with Other Financing
- Resources
Section 108 Basics
The CDBG Program provides **annual grants on a formula basis** to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.

- $3.45 billion in FY 2021
- Approximately 1200 grantees nationwide
  - 30% states
  - 70% cities (over 50K) and counties (over 200k)
- Separate funding for Tribes, Territories, and after Presidentially Declared Disasters
• Provides **loan guarantees**, not grants

• Offers recipients a **non-competitive** means of accessing lower interest rates
  • Variable Rate Financing: 3-month Treasury Bill Auction Rate + 35 bps = 0.056% + 0.35% = **0.406%** on 10/27/21

• Employs the programmatic framework of the CDBG Program

• Dedicated staff willing to provide 1-on-1 Technical Assistance
Benefit to Low- and Moderate-Income Persons

Elimination of Slum & Blight

Urgent Need
### Types of Section 108 Projects

#### Economic Development
- Central Business District Support
- Retail/Office and Manufacturing
- Small Business Financing
- Business Retention

#### Housing
- Loan Funds for Third Party Developers
- Adaptive Reuse
- Supporting New Housing Construction
- Rehab of private housing stock and public housing

#### Public Facilities
- Community Centers
- Park Upgrades
- Museums and Arts Centers
- Gov’t Bldgs serving Residents

#### Infrastructure
- Water & Sanitation
- Streets, Curbs and Gutter Improvements
- Broadband Line Extensions
- Devastated Landscapes

Source: Code of Federal Regulations (CFR) §570.703 Eligible Activities
Scale of Section 108 Projects

- **Incremental Improvements**
  - Solar Panel Systems
  - Sidewalk and Curb Improvement
  - Park Upgrades

- **Substantial Project**
  - Rehab of Affordable Housing
  - Construction of Community Centers
  - Cooperative Development

- **Transformational Initiative**
  - Remediation and New Construction
  - Acquisition, Clearance
  - Multi-use Anchor
Who has access to CDBG & Section 108 funds?

Subrecipient entities and other partners may receive Section 108 funds directly if they are public agencies.

- **Examples**
  - economic development
  - public housing authorities
  - community development corporations
  - non-profits

* Non-entitlement communities in Hawaii and Insular Areas receive CDBG funds as well.
Annual CDBG Allocation $3,000,000
Max available borrowing capacity
Outstanding 108 commitments $800,000
Outstanding 108 loan balance $2,000,000

Available borrowing capacity $12,200,000

Or you can just look on our website here:
Flow of Funds: Project with a **Subrecipient Borrower**

**HUD** (Guarantor)

**Borrower**
- Its Designated Public Agency or Subrecipient

**Lender** (Investor)
- Advances $$ to Borrower
- Borrower Repayment $$

**Subrecipient Borrower**
- Third Party Repayment $
- Third Party Loan

**Advances $$ to Borrower**
Stages for Section 108 Deployment

Preparation/Pre-development
- Acquisition
- Demolition
- Site prep & remediation
- Relocation costs

Implementation
- Rehab Structure for Housing
- Machinery & equipment
- Working capital
- Infrastructure + improvements
Why is Section 108 an attractive financing tool?

- Wide Range of Uses
- Low-cost Financing with Flexible Terms
- Various Sources of Repayment + Collateral
- Immediate Availability of Funds
Combining Section 108 with Other Financing Sources
How does Section 108 fit into the financing for a project?

STANDALONE  LAYERED  GAP
Combining Section 108 with Other Federal Financing

- New Market Tax Credits
- EDA Public Works & Economic Adjustment Assistance
- Historic Tax Credits
- BUILD Grants
- 7(a) Loans
- TIFIA
- 504 Loans
- Revolving Loan Funds
- Low-Income Housing Tax Credits
- Brownfields Remediation Financing
- Opportunity Zones
- WIFIA
Section 108 General Resources

HUD has created resources on HUD Exchange to assist potential borrowers with developing applications:

• Borrowing capacity spreadsheet [updated annually] [Link]
• Application Tool [Link]
• Single certifications document [Link]
• Section 108 Application & Finance Process Infographic [Link]
• Project profiles for all applications approved in recent fiscal years [Link]
• Join our mailing list to get email updates! [Link]

Many other resources are available on HUD.gov and HUDexchange.info

Note: FMD is willing to provide 1-on-1 Technical Assistance during any project cycle stage for interested applicants.
Section 108 offers in-depth, tailored Technical Assistance

- **Conceptualization**
  - Walk-through eligibility requirements
  - Offer suggestions and share examples of similar projects

- **Application Preparation**
  - Provide Joint Technical Assistance with Field Offices
  - Identify appropriate sequencing and deal structure

- **Application Process**
  - Help to clarify outstanding issues related to underwriting
  - Share guidance and best practices on documentation

- **Financing Phase**
  - Identify additional collateral
  - Advise on loan proceeds and disbursements

- **Implementation**
  - Ongoing guidance on compliance and reporting
  - Dynamic ability to amend project terms to meet borrower’s needs

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For More Information

Paul Webster, Director: Paul.Webster@hud.gov
Seema Thomas, Deputy Director: Seema.M.Thomas@hud.gov
Jorge Morales, Loan Origination Team Lead: Jorge.L.Morales@hud.gov

Section 108 Program: https://www.hudexchange.info/programs/section-108/
Local government role in creative placemaking & Community development

City of Memphis
December 2021
Background

- Located on 18 acres, the structure included 1.5 million square feet
- Had been an economic engine from 1940s to 1980s
- Retail store closed in the 1980s and the structure was vacated in 1993, negatively impacting the entire surrounding community
- Became one of the City’s most prominent examples of blight
- Several unsuccessful attempts to revitalize the structure until Crosstown Arts
City’s role

• Committed $15 million in Capital Improvement funds, Qualified Energy Conservation Bonds, Brownfield Economic Development Initiative, and Section 108 Loan proceeds

• Using Section 108 allowed for a larger investment in a project that wouldn’t have been feasible with CDBG allocation, therefore addressing a high priority community redevelopment issue and allowed the project to leverage the 108 to secure another $189 million in additional investment

• The projected increased tax revenue and jobs generated by the project were deemed sufficient to cover the cost of the 108 loan’s debt service.
Placemaking has transformed the entire Crosstown community and introduced Crosstown Concourse as a unique destination in the City.

Placemaking helped to secure the Federal investment by helping communicate the priority for investment.

Placemaking techniques helped to transform the space into a place that breed engagement and economic development, and are exciting places to live, work, play, shop, learn and visit.
RESOURCES

• NASAA’s Federal Creative Placemaking Resources Guide: creativeplacemakingresources.org/
• General Information about Section 108: hudexchange.info/programs/section-108/
• HUD Section 108 contacts: to set up a meeting to learn more, please feel free to contact seema.m.thomas@hud.gov or Jorge.L.Morales@hud.gov (Team Lead) or Erik.S.Pechuekonis@hud.gov (CPD Specialist for the project)
• Crosstown Concourse crosstownconcourse.com and Crosstown Arts crosstownarts.org