

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

FEATURING CROSTOWN 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

Community Development Block Grants (CDBG)

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.

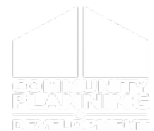
- \$3.45 billion in FY 2021
- Approximately 1200 grantees nationwide
 - 30% states
 - 70% cities (over 50K) and counties (over 200k)
 - Separate funding for Tribes, Territories, and after Presidentially Declared Disasters





HUD's Section 108 Loan Guarantee Program

- 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



CDBG and Section 108 National Objectives



**Benefit to Low- and
Moderate-Income Persons**



**Elimination of Slum &
Blight**



Urgent Need

Types of Section 108 Projects



Economic Development

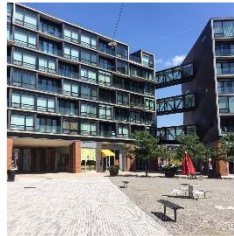
Central Business District Support

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



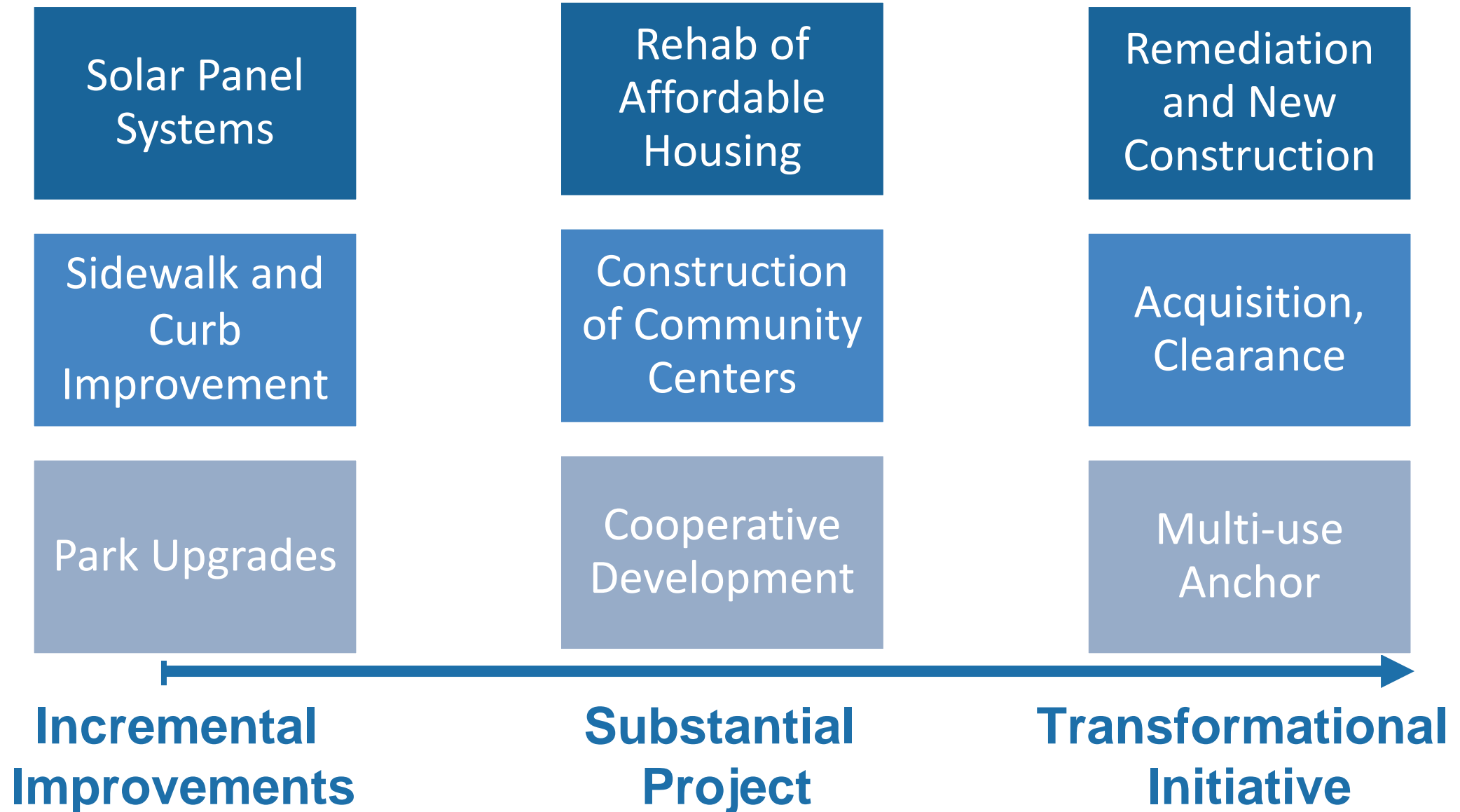
Water & Sanitation

Streets, Curbs and Gutter Improvements

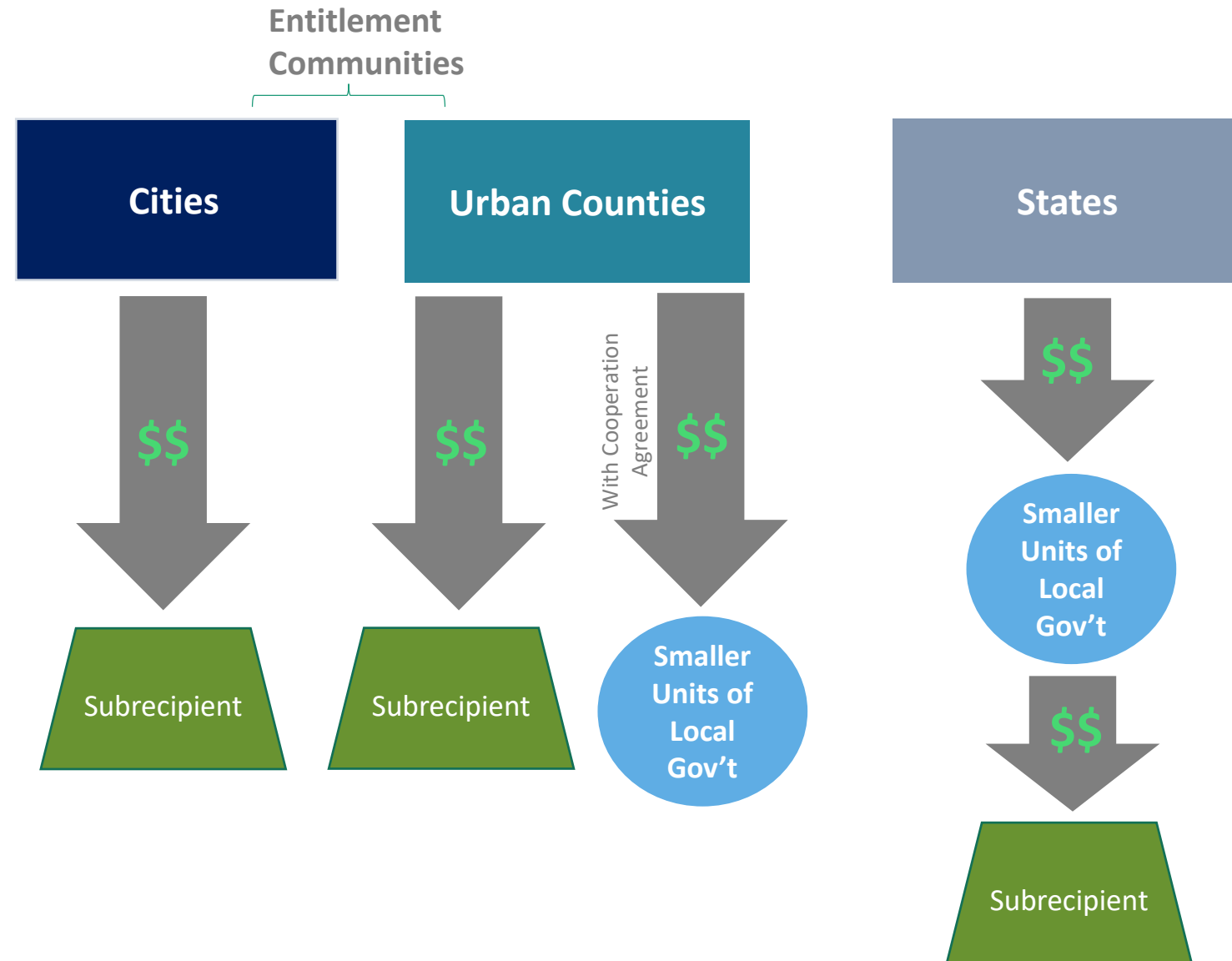
Broadband Line Extensions

Devastated Landscapes

Scale of Section 108 Projects



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

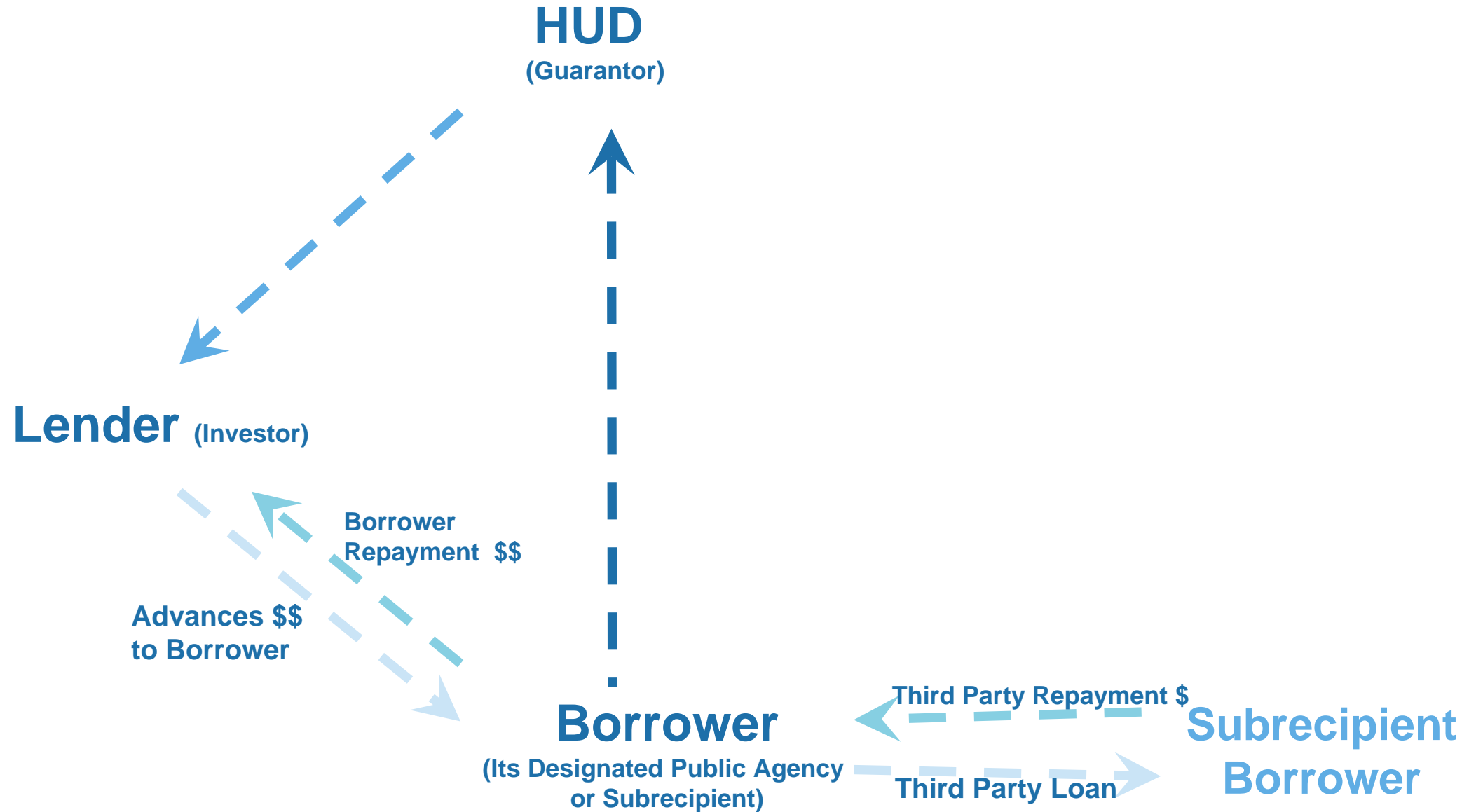
Section 108 Borrowing Capacity

Annual CDBG Allocation		\$3,000,000
Max available borrowing capacity	x 5	= \$15,000,000
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:

<https://www.hudexchange.info/resource/5197/current-availability-of-section-108-financing-cdbg-entitlement-and-state-grantees/>

Flow of Funds: Project with a Subrecipient Borrower



Stages for Section 108 Deployment

Preparation/ Pre-development

Acquisition

Demolition

**Site prep &
remediation**

**Relocation
costs**

Implementation

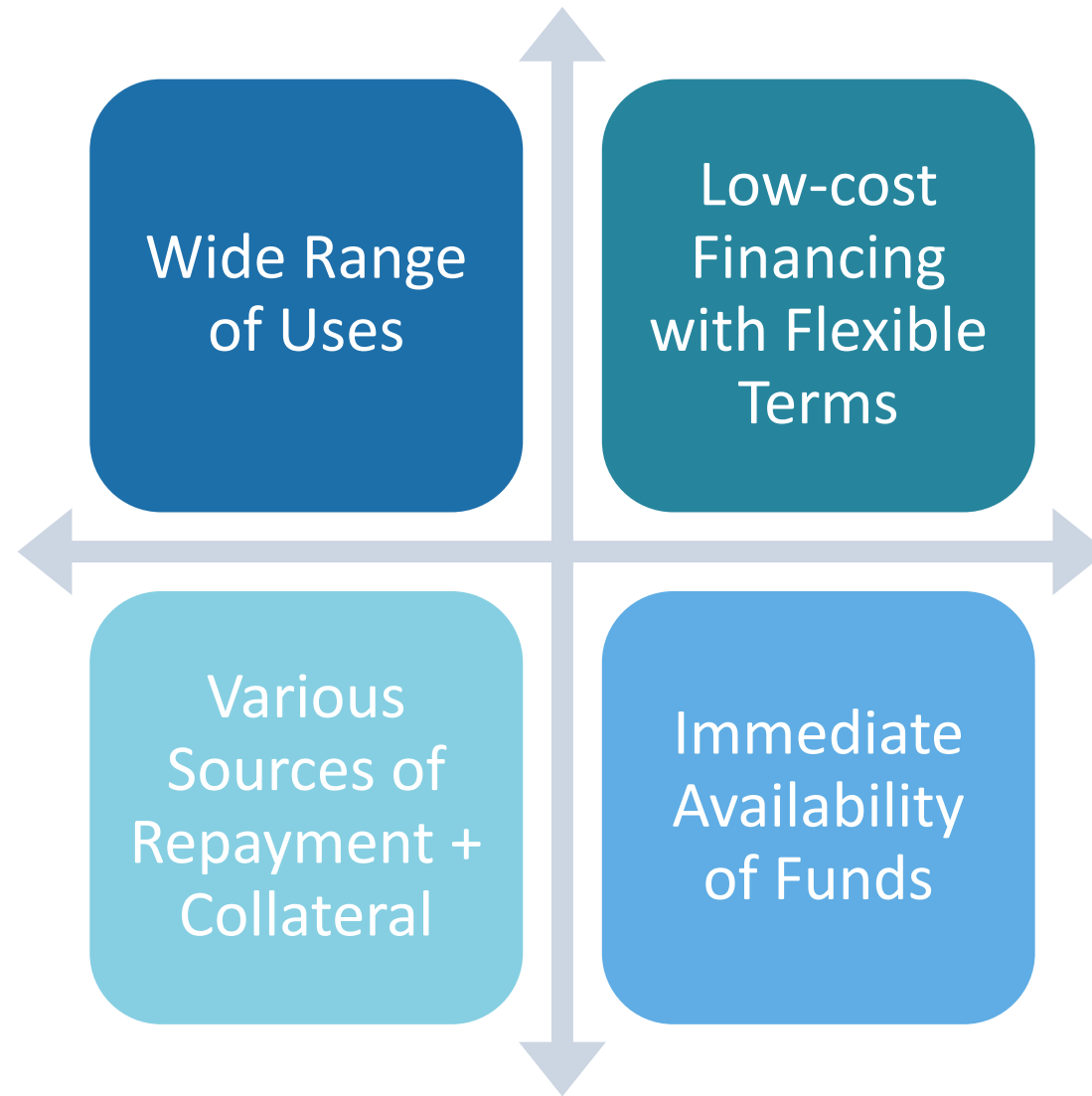
**Rehab Structure
for Housing**

**Machinery &
equipment**

Working capital

**Infrastructure +
improvements**

Why is Section 108 an attractive financing tool?





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



➤ 7(a) Loans
➤ 504 Loans



➤ BUILD Grants
➤ TIFIA



➤ Low-Income Housing Tax Credits
➤ Opportunity Zones



➤ Revolving Loan Funds
➤ Brownfields Remediation Financing
➤ WIFIA



Resources

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

FMD is willing to provide 1-on-1 Technical Assistance during any project cycle stage for interested applicants.

For More Information



Paul Webster, Director: Paul.Webster@hud.gov

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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





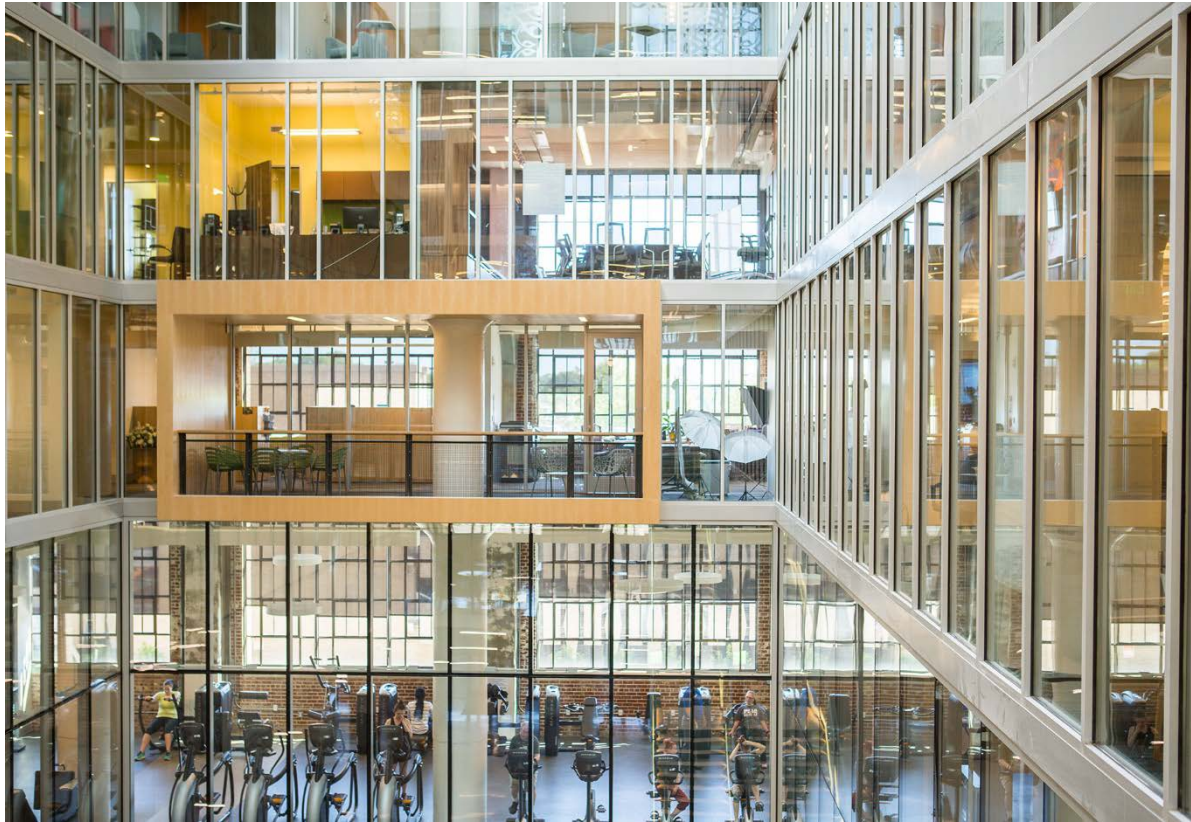
Background

- 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.





impact

Placemaking has transformed the entire Crosstown community and introduced Crosstown Concourse as 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/
- Borrowing Capacity for each state/community: hudexchange.info/resource/5197/current-availability-of-section-108-financing-cdbg-entitlement-and-state-grantees/
- 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