



THE PRINCE GEORGE'S COUNTY GOVERNMENT


Office of Audits and Investigations


October 11, 2022

FISCAL AND POLICY NOTE

TO: Robert J. Williams, Jr.
Council Administrator

William M. Hunt
Deputy Council Administrator

THRU: Josh Hamlin 
Director of Budget and Policy Analysis

FROM: Arian Albear 
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CR-098-2022 Loan Pool Application

CR-098-2022 (*Proposed by:* Council Chair at the request of the County Executive; *Introduced by:* Council Members Hawkins, Harrison, Glaros, Medlock, and Franklin)

Assigned to the Planning, Housing, and Economic Development (PHED) Committee

A RESOLUTION CONCERNING SECTION 108 LOAN POOL APPLICATION TO ESTABLISH A LOAN POOL FOR HOUSING REHABILITATION, ACQUISITION OF REAL PROPERTY, ECONOMIC DEVELOPMENT AND PUBLIC FACILITIES ACTIVITIES for the purpose of approving an application to the United States Department of Housing and Urban Development ("HUD") for an up to twenty five million dollars (\$25,000,000) loan pool pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, to help bridge financing gaps and enable borrowers to proceed with their respective transactions; create and retain jobs and expand the existing tax base. In addition, the Section 108 Loan Pool provides a valuable source of financing to support larger scale acquisition, economic and mixed-use development, infrastructure and public facilities and preservation of quality affordable housing.'

Fiscal Summary

Direct Impact

Expenditures: None likely.

Revenue: None.

Indirect Impact

Likely favorable.

Legislative Summary

CR-098-2022¹, proposed by the Council Chair at the request of the County Executive, was introduced by Council Members Hawkins, Harrison, Glaros, Medlock and Franklin on September 6, 2022, and referred to the Planning, Housing, and Economic Development (PHED) Committee. CR-098-2022 would approve an application from the County to the U.S. Department of Housing and Urban Development (HUD) pursuant to Section 108 of the Housing and Community Development Act of 1974. The Loan Pool totals up to \$25,000,000 and would provide gap financing, create and retain jobs, and expand the existing tax base.

The Loan Pool provides long-term, fixed rate loans not available conventionally for County enterprises. The Pool would also provide large-scale acquisition, economic and mixed-use development, infrastructure, and public facilities and preservation of affordable housing.²

Background/Current Law

Prince George's County is an urban county eligible to apply for a HUD Loan Pool pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended. Among the eligible activities possibly funded by the Pool are:³

- Special Economic Development (24 CFR 570.703(i) and 24 CFR 570.203/204)
- Acquisition of Real Property (24 CFR 570.703(a))
- Housing Rehabilitation (24 CFR 570.703(h))
- Public Facilities (24 CFR 570.703(l))

¹ [CR-098-2022](#).

² <https://www.hudexchange.info/programs/section-108/section-108-program-eligibility-requirements/#overview>

³ CR-098-2022, [Attachment A](#), page 3.

Out of the available \$25 million, the Section 108 program assumes that borrowers will use a total of \$20 million for real property and \$5 million for personal property, such as machinery and equipment. Personal property loans mature in 20 years and real property loans in 10 years.⁴

The County is responsible for maintaining a spread of 1% over its cost of funds to private borrowers. The 1% spread will be used to cover the administrative costs of managing the loans and as a loan loss reserve for the Section 108 portfolio to lessen the County's risk.⁵ In case a loan becomes delinquent, the County must obtain legal judgement and liquidate the specific lien on the asset pledged as collateral.⁶

The \$25,000,000 initial funds will be provided by HUD and repaid through the 20-year period from the projects supported by the loan.

Resource Personnel

- Aspasia Xypolia, Director Department of Housing and Community Development

Discussion/Policy Analysis

CR-098-2022 would approve the County's application to HUD to establish a Loan Pool for housing rehabilitation, acquisition of real property, economic development and public facilities activities. The Loan Pool would add a funding source to the County and the Department of Housing and Community Development (DHCD) for certain eligible projects. Depending on the type of project, the County would be able to:

- Re-loan the funds to a third-party business or developer ("third-party loan"); or
- Directly, or through a "sub-recipient partner," expend the funds on the project. "Subrecipient partners" can be non-profits or public agencies who help design and manage the project on behalf of the local government.

The County would be required pledge current and future CDBG allocations to repay and secure the loan. In addition, the County will be required to pledge additional security, such as property liens, tax increment revenue, or other collateral for the loan.

The loan pool has the possibility to be a substantial economic and equity engine in the County; however, it comes with the added risk of potential defaults on third-party loans.

⁴ CR-098-2022, [Attachment A](#), page 5.

⁵ Communications with DHCD. October 5, 2022.

⁶ CR-098-2022, [Attachment A](#), page 18.

Fiscal Impact

- *Direct Impact*

Adoption of CR-098-2022, in and of itself, would not have a direct fiscal impact to the County as it merely approves the County's application. Accessing the loan pool should not have a substantial impact, as the start-up costs will be provided by HUD. As noted above, to the extent the County makes third-party loans, there is a risk of default by the third-party business or developer.

- *Indirect Impact*

Adoption of CR-098-2022 may promote economic development through the creation of more affordable housing units and business associated with servicing those units. In the long term, if executed successfully, there may be an increased tax base and further economic activity.

- *Appropriated in Current Fiscal Year*

N/A.

Effective Date of Proposed Legislation

The proposed Resolution shall be effective upon its adoption.

If you require additional information, or have questions about this fiscal impact statement, please email me.