

SECTION 108 LOAN GUARANTEE PROGRAM

CR – 098 - 2022

OCTOBER 12, 2022



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County Executive



OVERVIEW

What is the Section 108 Loan Guarantee Program?

- The Section 108 Loan Guarantee Program (Section 108) provides CDBG recipients with the ability to leverage their annual grant allocation to access low-cost, flexible financing for catalytic housing and/or economic development projects
- Grantees can currently access up to 5x their annual CDBG allocation in Section 108 financing, as a one-time authorization

What types of projects can Section 108 financing support?

- Acquisition
- Rehabilitation for mixed-use and/or mixed-income housing
- Economic development (hotels, office parks, grocery stores, commercial retail)
- Public facilities and improvements

What are key components of applying for Section 108?

- Application submission (separate from the Consolidated Plan)
- HUD approval
- Funds raised from investors through a public offering – typically held in June/July
- Project screening and selection on individual transactions by the grantee

ADVANTAGES

- Leverages limited grant funds
- Not a general obligation of debt
- Access funds immediately (versus pay as you go)
- Ability to structure repayment based on specific project needs
- Long-term, fixed-rate financing at favorable rates

TERMS

Amount

- Up to five times most recent grant amount

Term

- Up to 20 years

Rates

- Permanent financing
- Interim financing

Fees (may be passed on to 3rd party borrowers)

- Section 108 financing fee
- Permanent financing underwriting fees

ADMINISTERING THE LOAN POOL

HUD Grantee

- Applies for and administers Section 108 Loan Guarantee Funds

HUD

- Reviews and approves Section 108 application and level 1 and level 2 transactions
- Raises funds from investors

Trustee/Fiscal Agent

- Arranges interim loan
- Disburses funds to custodial lender

Custodial Lender

- Manages Loan Guarantee, Loan Repayment and Loss Reserve accounts

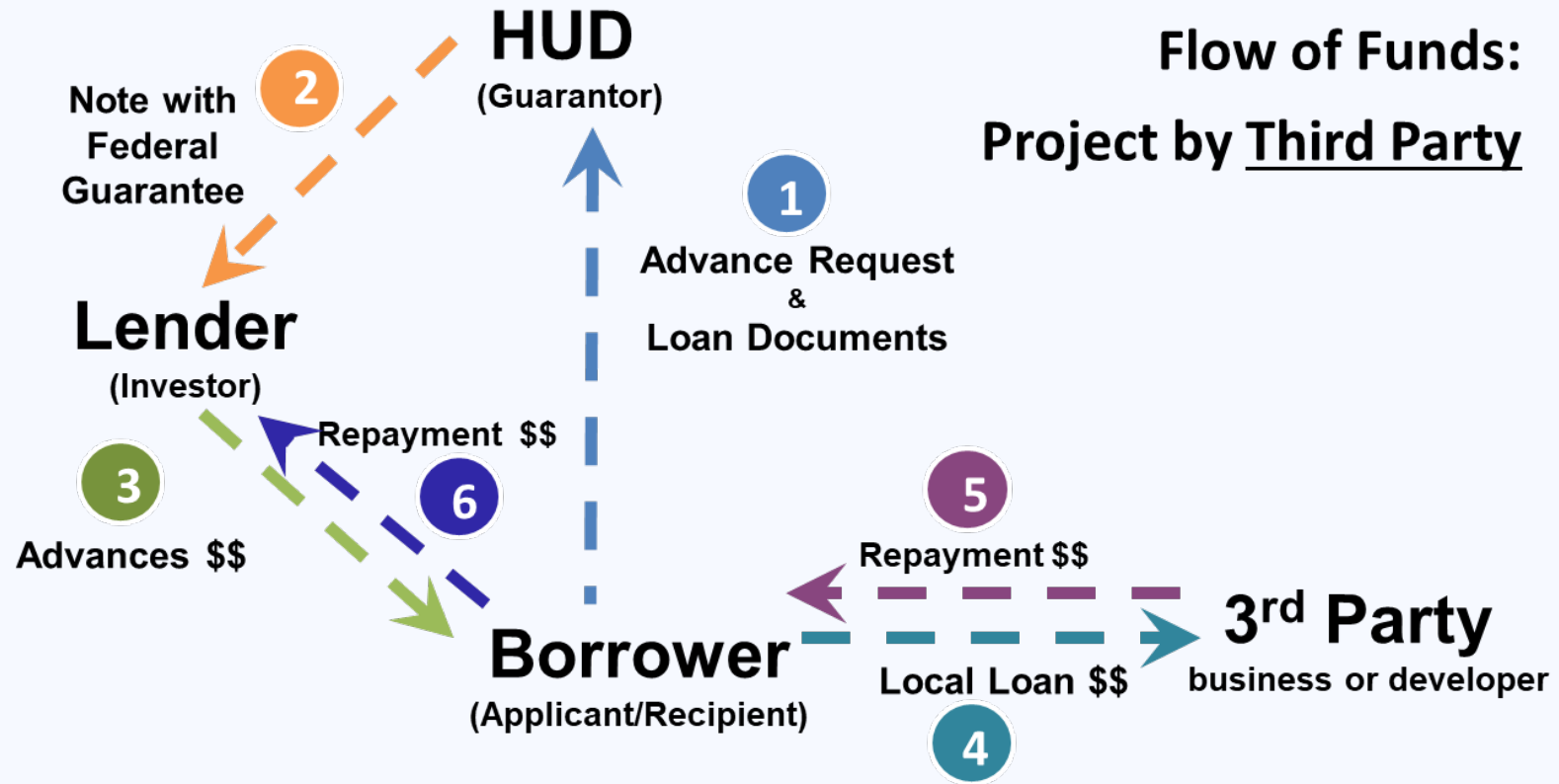
Third-party Borrower

- Borrows the funds and develops projects consistent with application and community goals

County or a Subrecipient

- Administrator of the the Section 108 loan program

THE PROCESS



COUNTY'S SECTION 108 PROGRAM

A \$25 million loan pool that

Implements Housing Opportunity for All

- Cross-cutting Strategy 3
Actions 3.2 and 3.4
- Targeted Strategy 1
Actions 1.3, 1.4, 1.5
- Targeted Strategy 3
Actions 3.4, 3.6

Advances key projects

- Acquisition
- Mixed-use developments
- Housing rehabilitation
- Public facilities
- Economic development

Targets resources for catalytic impact

- Use countywide or for targeted place-based investments (i.e., Blue Line or Purple Line Corridors)
- Leverage Section 108 with other private or philanthropic funding

PROJECT EXAMPLES

Mixed-use Development: Crosstown Concourse

The Crosstown Concourse project in Memphis, TN transformed a former Sears distribution center into a multi-use facility providing employment, medical services, education, and housing. The redevelopment of this ten-story warehouse building and associated structure as a mixed-use development created an economic anchor in the Midtown neighborhood. The property includes 260 apartments on floors seven through ten that are home to young leaders in arts, education, and healthcare. Artists, teachers, doctors, and scientists in the various residency programs of the founding partners are living in studio, one-, two-, and three-bedroom apartments. A minimum of 20% of the units are restricted for affordable housing.

- Location: Memphis, Tennessee
- Year of Section 108 Guaranteed Loan Closing: 2014

Key Numbers:

- **\$4 million** Section 108 Financing
- **\$205 million** total project cost
- **426 full-time jobs** created
- **56% of jobs** created thus far have been filled by individuals in **low- and moderate-income (LMI) communities**

Revitalization for Economic and Health Outcomes

Founded in 1914, Tasty Baking Company enjoyed success creating and delivering snack cakes and other baked goods throughout Pennsylvania and the northeastern United States. The City of Philadelphia considered the redevelopment of this site to be a major component of its overall economic development strategy. In exchange for a below-market rent rate, the operator provided space for additional community benefits that included a pharmacy offering free and reduced-price pharmacy services for low-income residents, a preventive-care health clinic, an American Heritage credit union, and a resource to assist low-income residents with public benefits such as healthcare and food stamps.

- Location: Philadelphia, Pennsylvania
- Year of Section 108 Guaranteed Loan Closing: 2012

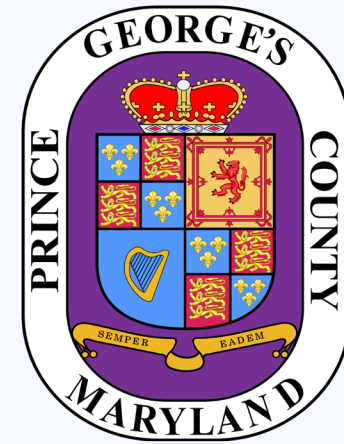
Key Numbers:

- **\$3 million** in Section 108 Financing
- **\$53 million** in refinanced debt
- **279 full-time jobs** retained or created
- **219,000 square feet** of real estate developed

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THANK YOU

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