



Ohio Conference of Community Development (OCCD)

Section 108 Loan Guarantee Program



Today's Topics



Section 108 Basics



Combining 108 with Other Financing



Project Examples



Resources



Section 108 Basics



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 = 0.025% + 0.35% = **0.3750%** on 4/19/21
- Employs the programmatic framework of the CDBG Program
- Dedicated staff willing to provide 1-on-1 Technical Assistance



CDBG National Objectives



Benefit to Low- and Moderate-Income Persons

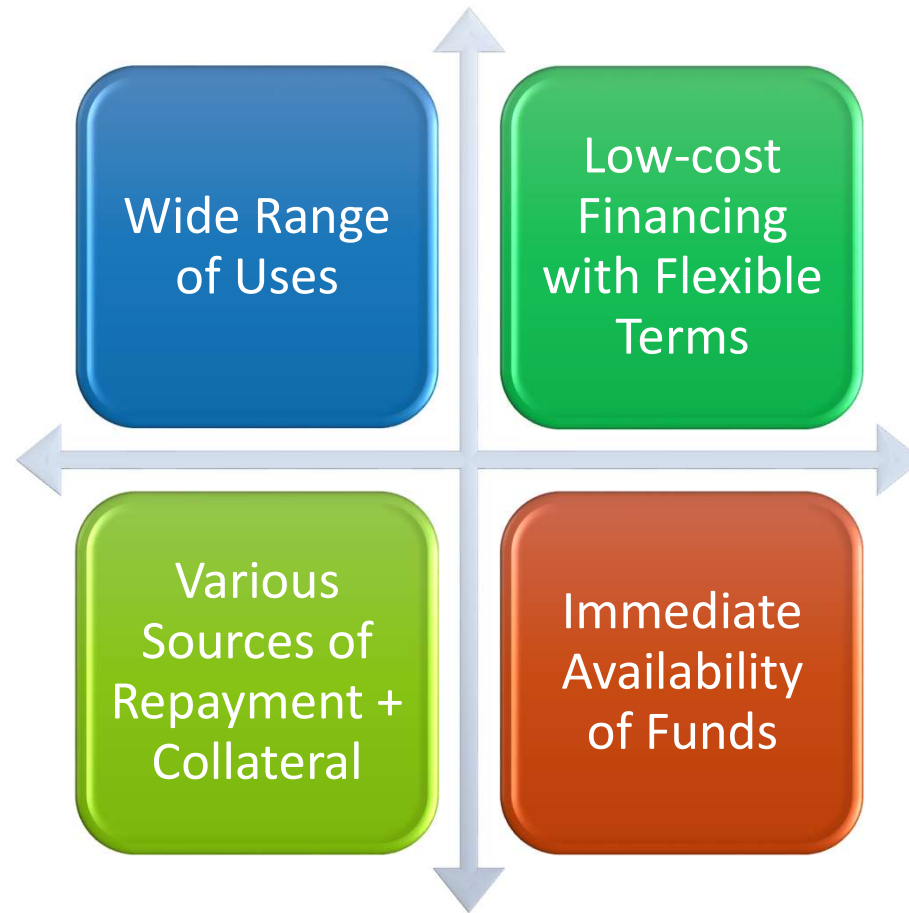


Elimination of Slum & Blight

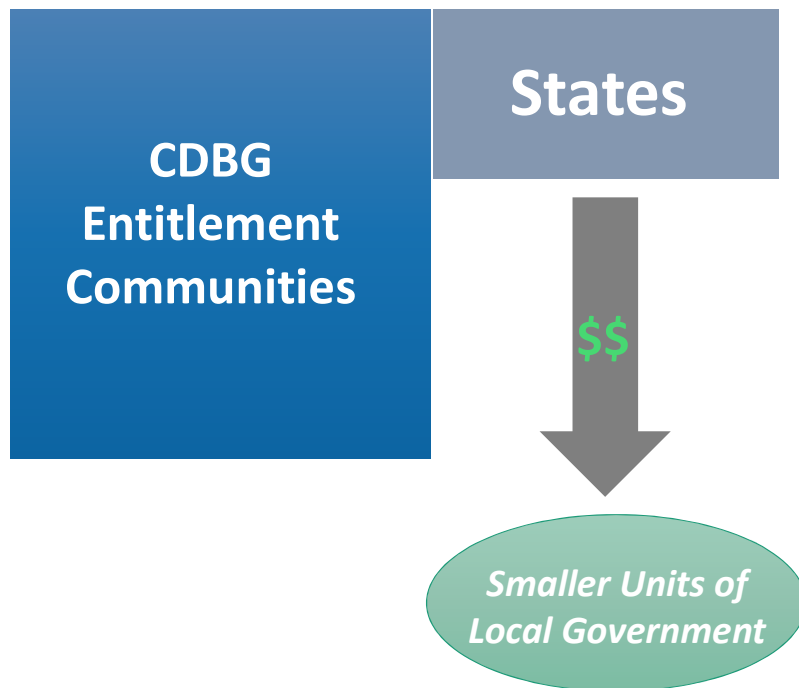


Urgent Need

Why is Section 108 an attractive financing tool?



Who has access to CDBG & Section 108 funds?



Subrecipient entities and other partners may receive Section 108 funds directly from lender if they are a **designated public agencies that can issue debt obligations.**

Examples: economic development or 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 |

You can get a recipient's current borrowing authority on our website here:

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

Section 108 Borrowing Capacity in Ohio (1 of 2)

**Total
Borrowing
Capacity for
Entitlements**
\$ 406,578,135

| Grantee | CDBG 2021 Award | 108 User | 5 x CDBG 2021 | Borrowing Capacity |
|-------------------|-----------------|----------|---------------|--------------------|
| Akron | \$6,112,442 | Yes | \$30,562,210 | \$25,757,210 |
| Alliance | \$619,449 | No | \$3,097,245 | \$3,097,245 |
| Barberton | \$660,648 | Yes | \$3,303,240 | \$3,303,240 |
| Bowling Green | \$307,838 | Yes | \$1,539,190 | \$1,539,190 |
| Butler County | \$1,293,576 | No | \$6,467,880 | \$6,467,880 |
| Canton | \$2,641,759 | Yes | \$13,208,795 | \$13,208,795 |
| Cincinnati | \$11,603,976 | Yes | \$58,019,880 | \$33,918,880 |
| Clermont County | \$1,000,794 | No | \$5,003,970 | \$5,003,970 |
| Cleveland | \$21,569,725 | Yes | \$107,848,625 | \$24,750,625 |
| Cleveland Heights | \$1,582,470 | Yes | \$7,912,350 | \$7,912,350 |
| Columbus | \$7,510,316 | Yes | \$37,551,580 | \$33,636,580 |
| Cuyahoga County | \$4,163,149 | Yes | \$20,815,745 | \$13,097,745 |
| Cuyahoga Falls | \$653,312 | No | \$3,266,560 | \$3,266,560 |
| Dayton | \$5,859,378 | Yes | \$29,296,890 | \$28,436,890 |
| East Cleveland | \$1,106,987 | No | \$5,534,935 | \$5,534,935 |
| Elyria | \$755,617 | Yes | \$3,778,085 | \$3,778,085 |
| Euclid | \$1,065,649 | Yes | \$5,328,245 | \$5,328,245 |
| Fairborn | \$278,829 | No | \$1,394,145 | \$1,394,145 |
| Franklin County | \$2,066,989 | No | \$10,334,945 | \$10,334,945 |
| Hamilton City | \$1,419,359 | No | \$7,096,795 | \$7,096,795 |
| Hamilton County | \$3,395,025 | No | \$16,975,125 | \$16,975,125 |
| Kent | \$302,337 | No | \$1,511,685 | \$1,511,685 |
| Kettering | \$567,827 | Yes | \$2,839,135 | \$2,839,135 |
| Lake County | \$1,408,602 | Yes | \$7,043,010 | \$7,043,010 |

**Total Borrowing
Capacity for the
State of Ohio**
\$ 638,294,910

These borrowing capacity calculations are based on the FY2021 CDBG grant awards as well as grantees' outstanding Section 108 guaranteed loans and commitments as of 2/28/21

Section 108 Borrowing Capacity in Ohio (2 of 2)

**Total
Borrowing
Capacity for
Entitlements**

\$ 406,578,135

| Grantee | CDBG 2021 Award | 108 User | 5 x CDBG 2021 | Borrowing Capacity |
|----------------------|-----------------|----------|---------------|--------------------|
| Lakewood | \$1,969,843 | Yes | \$9,849,215 | \$9,849,215 |
| Lancaster | \$504,178 | Yes | \$2,520,890 | \$2,520,890 |
| Lima | \$1,086,823 | No | \$5,434,115 | \$5,434,115 |
| Lorain | \$1,245,239 | Yes | \$6,226,195 | \$5,496,195 |
| Mansfield | \$875,908 | Yes | \$4,379,540 | \$4,379,540 |
| Marietta | \$405,616 | No | \$2,028,080 | \$2,028,080 |
| Massillon | \$658,512 | Yes | \$3,292,560 | \$3,292,560 |
| Mentor | \$154,035 | No | \$770,175 | \$770,175 |
| Middletown | \$758,985 | Yes | \$3,794,925 | \$3,794,925 |
| Montgomery County | \$1,997,888 | No | \$9,989,440 | \$9,989,440 |
| Newark | \$739,355 | Yes | \$3,696,775 | \$3,196,775 |
| Ohio Non-entitlement | \$46,344,355 | Yes | \$231,721,775 | \$231,716,775 |
| Parma | \$967,426 | No | \$4,837,130 | \$4,837,130 |
| Sandusky | \$750,212 | No | \$3,751,060 | \$3,751,060 |
| Springfield | \$1,859,013 | No | \$9,295,065 | \$9,295,065 |
| Stark County | \$1,438,732 | No | \$7,193,660 | \$7,193,660 |
| Steubenville | \$616,364 | No | \$3,081,820 | \$3,081,820 |
| Summit County | \$981,336 | No | \$4,906,680 | \$4,906,680 |
| Toledo | \$7,483,240 | Yes | \$37,416,200 | \$37,416,200 |
| Warren | \$1,192,655 | Yes | \$5,963,275 | \$2,623,275 |
| Warren County | \$718,082 | No | \$3,590,410 | \$3,590,410 |
| Youngstown | \$3,522,132 | Yes | \$17,610,660 | \$13,897,660 |

**Total Borrowing
Capacity for the
State of Ohio**

\$ 638,299,910

These borrowing capacity calculations are based on the FY2021 CDBG grant awards as well as grantees' outstanding Section 108 guaranteed loans and commitments as of 2/28/21

Section 108 Utilization in Ohio

| Project # | Borrower | State | Project Name | Commitment | Advances | Repayments | Unpaid Balance |
|-----------------------------------------------------------------------------------------------------|-----------------|-------|----------------------------------------|----------------------|----------------------|---------------------|----------------------|
| B-11-MC-39-0001 | AKRON | OH | Highland Square Grocery Store | \$3,800,000 | \$3,800,000 | \$1,330,000 | \$2,470,000 |
| B-17-MC-39-0001 | AKRON | OH | Whitelaw Building Redevelopment | \$1,850,000 | \$1,850,000 | \$0 | \$1,850,000 |
| B-99-MC-39-0001 | AKRON | OH | Middlebury Grocery & Retail Center | \$2,000,000 | \$2,000,000 | \$1,515,000 | \$485,000 |
| B-01-MC-39-0003 | CINCINNATI | OH | Laurel Homes HOPE VI | \$4,000,000 | \$4,000,000 | \$3,200,000 | \$800,000 |
| B-12-MC-39-0003 | CINCINNATI | OH | Economic Comm. Dev. Loan Pool | \$37,000,000 | \$24,001,000 | \$2,100,000 | \$21,901,000 |
| B-00-MC-39-0004 | CLEVELAND | OH | Osborn Square Apartments | \$600,000 | \$600,000 | \$300,000 | \$300,000 |
| B-09-MC-39-0004 | CLEVELAND | OH | Flats East Bank Redevelop. | \$30,000,000 | \$30,000,000 | \$10,428,000 | \$19,572,000 |
| B-09-MC-39-0004-A | CLEVELAND | OH | Cooperative Greenhouse Project | \$8,000,000 | \$8,000,000 | \$745,000 | \$7,255,000 |
| B-10-MC-39-0004 | CLEVELAND | OH | NRSA-Loan Pool | \$18,124,000 | \$12,200,000 | \$1,329,000 | \$10,871,000 |
| B-10-MC-39-0004-A | CLEVELAND | OH | Health Tech fka-Warner Swasey Building | \$10,000,000 | \$10,000,000 | \$0 | \$10,000,000 |
| B-94-MC-39-0004-C | CLEVELAND | OH | Hoy Block II Project | \$87,000,000 | \$80,600,000 | \$59,500,000 | \$21,100,000 |
| B-04-UC-39-0001 | CUYAHOGA COUNTY | OH | Tinker's Creek Commerce Park | \$4,000,000 | \$4,000,000 | \$2,405,000 | \$1,595,000 |
| B-06-UC-39-0001 | CUYAHOGA COUNTY | OH | Flats East Bank | \$2,000,000 | \$2,000,000 | \$694,000 | \$1,306,000 |
| B-94-UC-39-0001 | CUYAHOGA COUNTY | OH | ED Loan Pool | \$10,000,000 | \$5,265,000 | \$5,183,000 | \$82,000 |
| B-03-MC-39-0016 | LORAIN | OH | Colorado Industrial Park | \$2,200,000 | \$2,200,000 | \$1,565,000 | \$635,000 |
| B-04-MC-39-0022 | WARREN | OH | Diane Sauer Chevrolet, Inc. | \$1,700,000 | \$1,700,000 | \$1,360,000 | \$340,000 |
| B-16-MC-39-0023 | YOUNGSTOWN | OH | Amphitheater and Riverfront Park | \$4,000,000 | \$4,000,000 | \$287,000 | \$3,713,000 |
|  TOTAL = | | | | \$226,274,000 | \$196,216,000 | \$91,941,000 | \$104,275,000 |

Approaches to using Section 108

Project Specific:

- Application is for a specific project or projects
- Requires a high level of project detail & specificity for financial underwriting by HUD Headquarters



Loan Fund:

- Application describes type of loan fund projects to be funded along with the community's underwriting process
- Individual projects must have a Field Office determination letter to funds to be drawn



What 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

Hospitals

Gov't Bldgs serving Residents

Infrastructure

Water & Sanitation

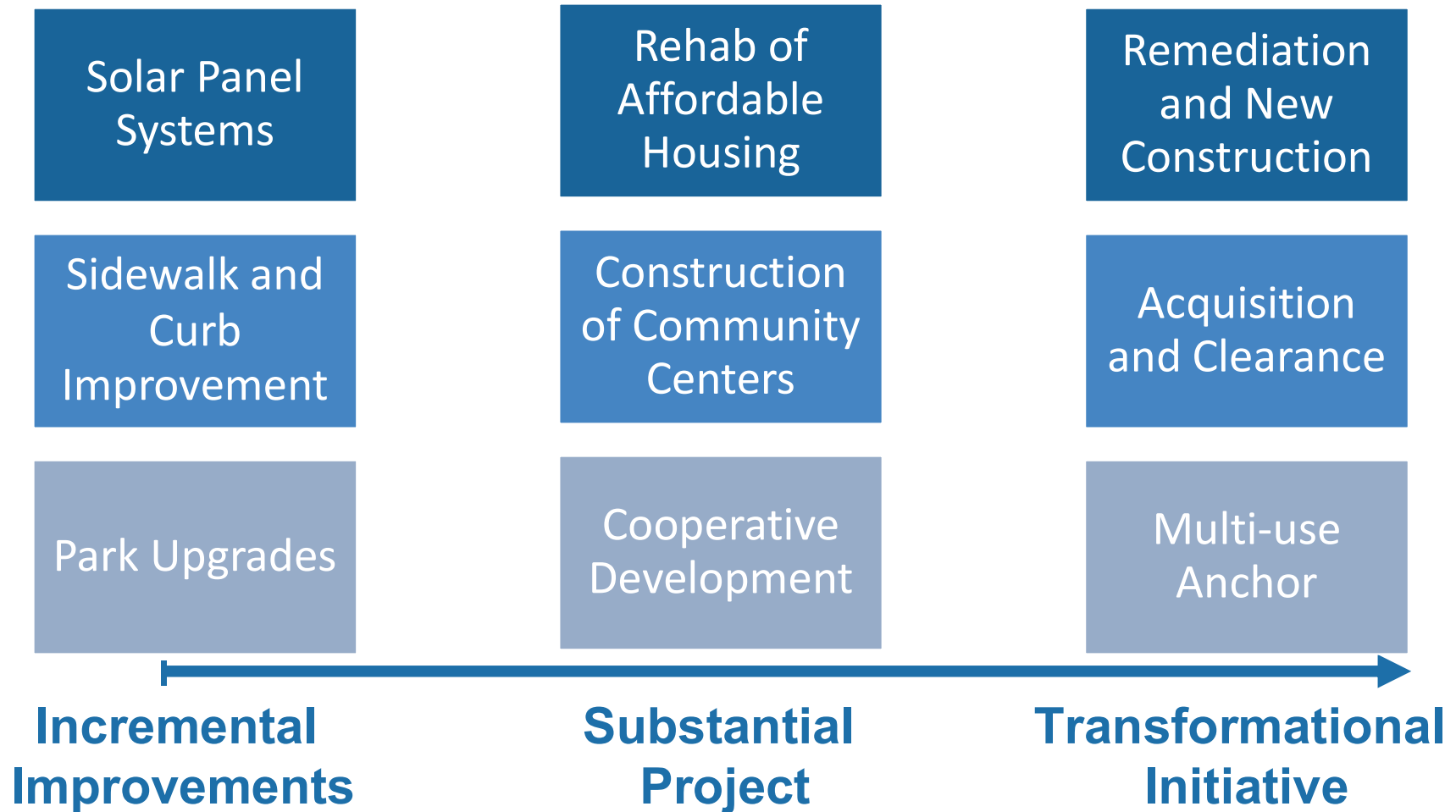
Streets, Curbs and Gutter Improvements

Broadband Line Extensions

Devastated Landscapes

Source: Code of Federal Regulations (CFR) §570.703 Eligible Activities¹³

What is the scale of Section 108 projects?



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**



**Program
Requirements**



**Financial
Requirements**



The diagram consists of two circles. A smaller blue circle on the left contains the text 'Program Requirements'. A larger light green circle on the right contains the title 'FINANCIAL' at the top. Below the title, the circle is divided into two columns. The left column is headed 'Repayment' and contains a bulleted list of five items: Sources, General Funds, CDBG, Expiring funds, Project Revenues, and Flexible Terms. The right column is headed 'Collateral' and contains two sections: 'Primary Source:' followed by 'Pledge of current and future CDBG', and 'Potential Sources of Additional Collateral:' followed by 'Property lien', 'Full faith and credit', and 'Reserve Accounts'.

Program Requirements

FINANCIAL

Repayment

- Sources
- General Funds
- CDBG
- Expiring funds
- Project Revenues
- Flexible Terms

Collateral

Primary Source:

Pledge of current and future CDBG

Potential Sources of Additional Collateral:

Property lien

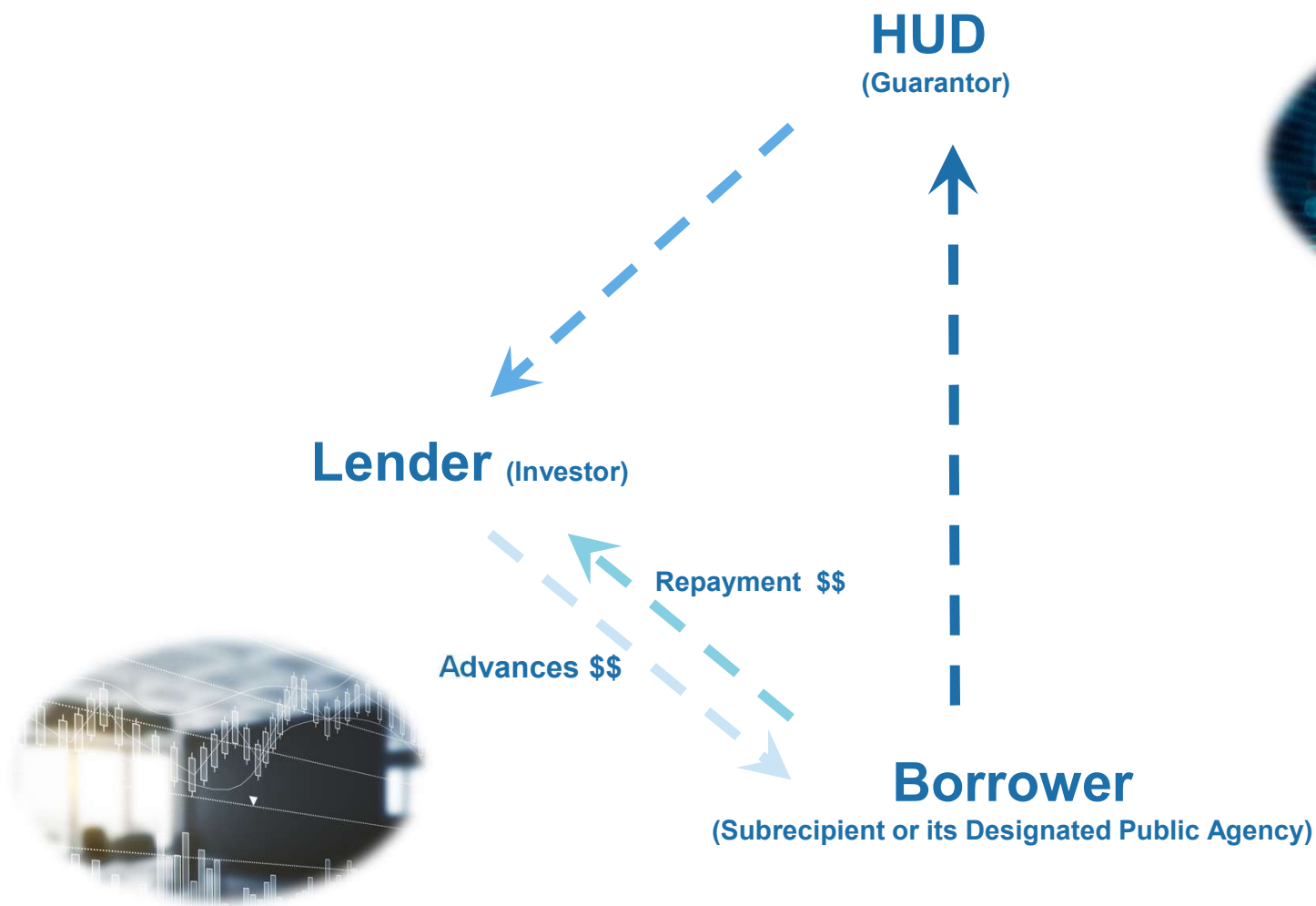
Full faith and credit

Reserve Accounts

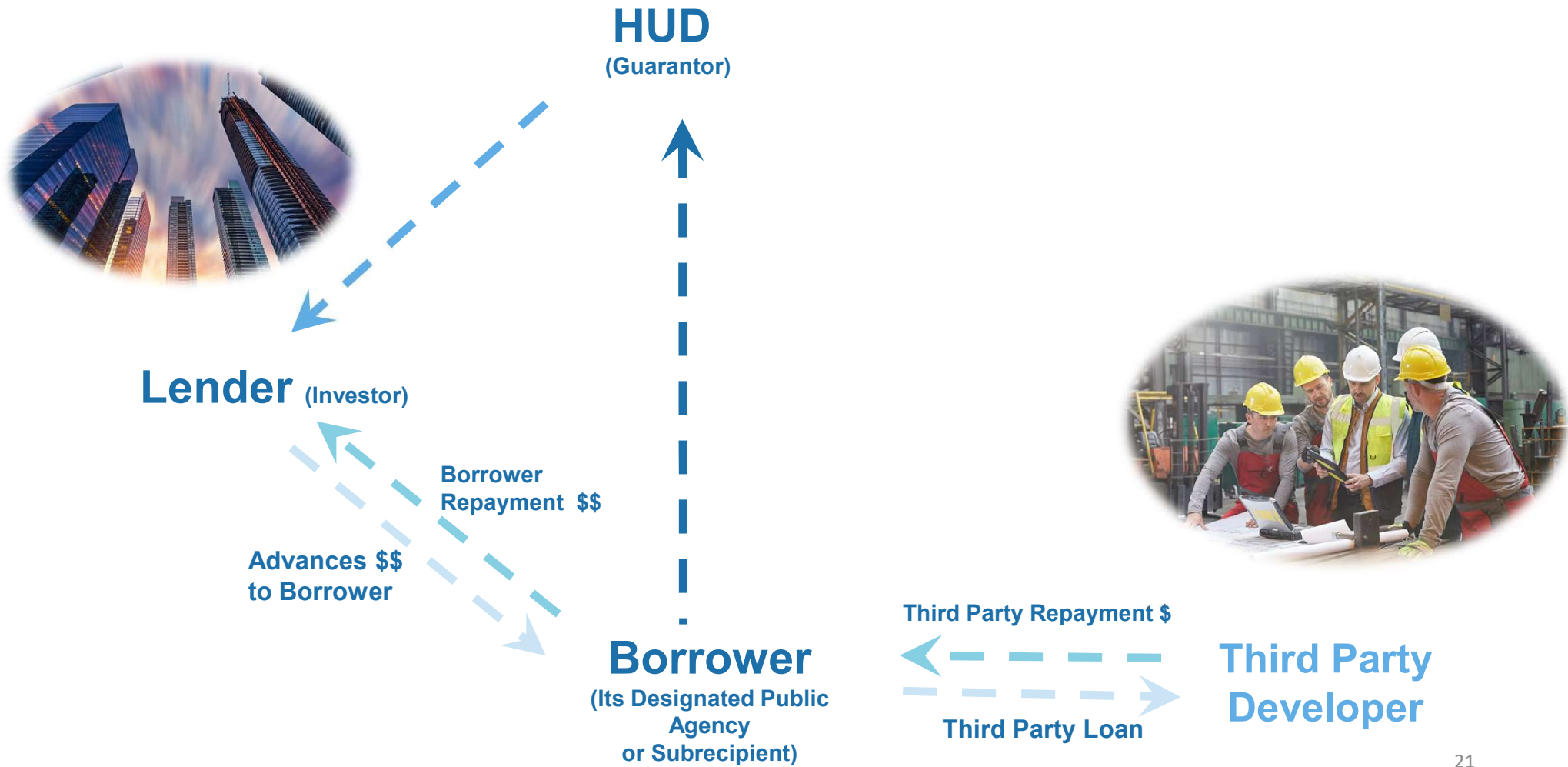
Section 108 Application Process

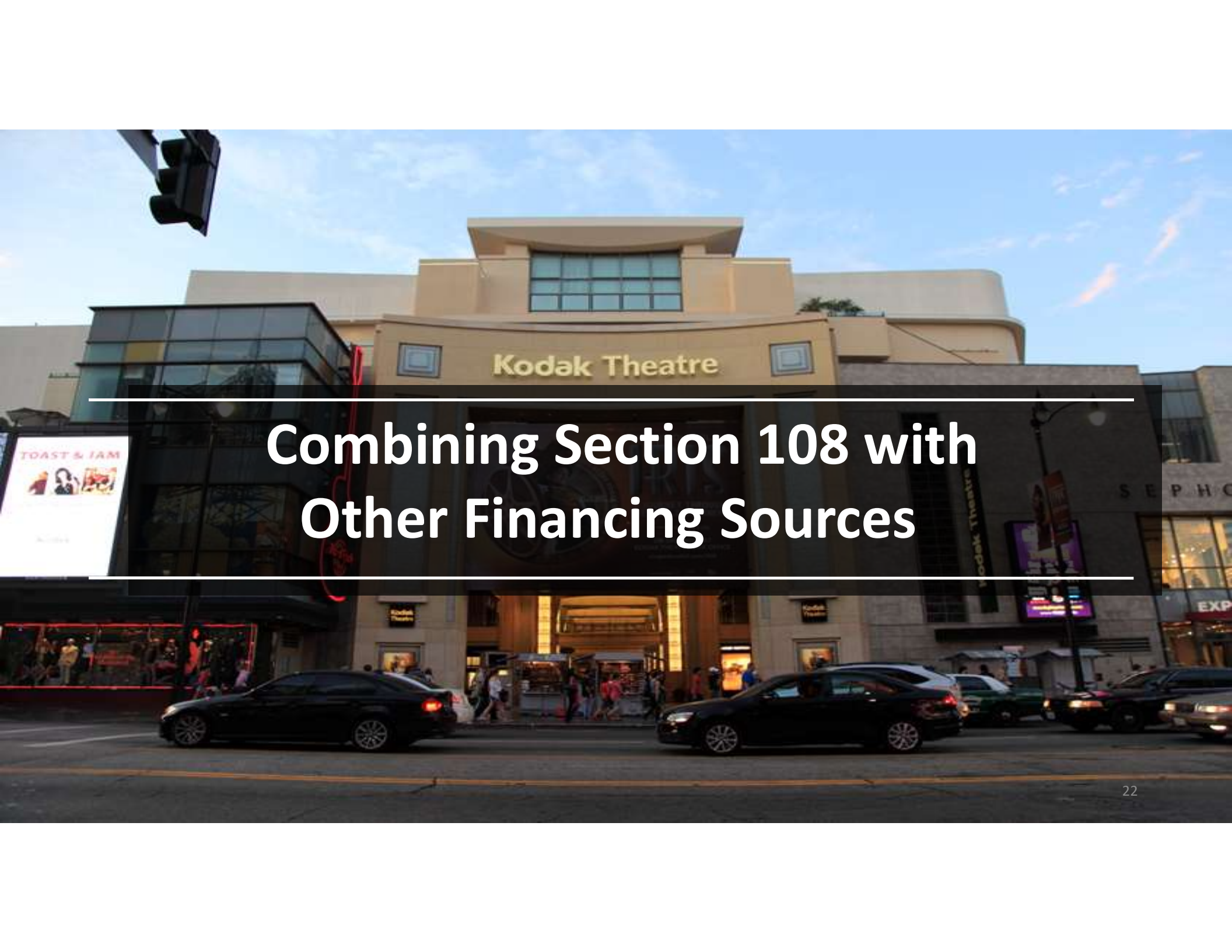


Flow of Funds: Project by the Applicant



Flow of Funds: Project with a Third Party Developer/Borrower



A photograph of the Kodak Theatre in Los Angeles at dusk. The building is a large, modern structure with a prominent "Kodak Theatre" sign in gold lettering. The sky is a mix of blue and orange from the setting sun. In the foreground, there are cars on a street and a traffic light. A semi-transparent black box with white text is overlaid on the center of the image.

Combining Section 108 with Other Financing Sources

How does Section 108 fit into the financing for a project?



STANDALONE



COMBINED



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

Combining Section 108 with Other Financing

- Section 108 (and CDBG) can be used to fund mixed-use development
 - Allocate funds to uses that meet program objectives (e.g., commercial component of the project)
- LIHTC and NMTC financing sources can work well with Section 108
 - Deferred principal options exist
- There are limitations on using Section 108 funds with federal tax-exempt financing; HUD can work with communities to avoid conflicts (OMB Circular A-129)



An architectural rendering of a modern, multi-story building with a prominent central tower. The building has a grid-like facade with many windows. In the foreground, there is a large, open plaza with a paved walkway, trees, and a small fountain. People are shown walking and sitting on benches, suggesting a lively public space. The sky is blue with some clouds.

Project Examples

Economic Development + Remediation Example

Cleveland, Ohio

TOTAL 108 FINANCING: \$3.97M

Green City Growers Greenhouse Cooperative

- The City remediated and redeveloped 10+ acres of an industrial/residential site into an employee-owned cooperative greenhouse that created 42 full-time jobs producing 2 million pounds of healthy greens and 200,000 pounds of fresh herbs annually.
- The City assembled the parcels and then sold the site to a developer to carry out the project consisting of two buildings, a greenhouse with multiple bays and a packing house where produce will be prepared for shipping.
- Green City Growers cooperative leases the facility from the Developer.
- The City lent the Section 108 guaranteed loan proceeds through the New Market Tax Credit (NMTC) structure to a special purpose private for-profit Investment Fund



Public Facilities Example

Youngstown, Ohio

TOTAL 108 FINANCING: \$4M

Amphitheater and Riverfront Park

- The City used Section 108 loan funds to finance the redevelopment of a 20-acre riverfront site into a public park and amphitheater.
- The park will include a children's play area, pedestrian walking trails, lawn areas that will incorporate 'green infrastructure' for storm water retention, community event spaces, water features and basketball athletic areas. The amphitheater will feature a covered stage, open-air seating for 3,250 people, public restrooms, and a concession area.
- The project location is downtown, of which 61.4% of the residents are low- and moderate-income persons.



Loan Fund Examples

Clackamas County, OR

Housing and Community Development Fund

- TOTAL 108 FINANCING: \$11M
- \$6M
 - Provides loan funds to third party borrowers for acquisition and to undertake demolition, clearance, and site preparation activities as necessary to prepare the properties for new construction
 - Rehabilitates existing affordable housing and potentially for mixed-use buildings
- \$4.1M
 - For public facilities that address community needs, such as health centers, service centers, and food banks.

Washington, DC

Third Party Loan Fund

- TOTAL 108 FINANCING: \$38.8M
- Provides third-party loans for the preservation of affordable housing
- Types of Multifamily Preservation Projects
- Acquisition and substantial rehabilitation of naturally occurring affordable housing or existing affordable rental properties that will be recapitalized utilizing LIHTCs
- Acquisition and rehabilitation of Limited Equity Cooperatives that typically have difficulty securing competitive financing terms from the private market

Adaptive Reuse + Mixed-Use Example



Image Source: txktoday.com

The Hotel Grim Lofts Project

- **Texarkana, TX** **\$1.429M**
- - Funds used to redevelop the historic Hotel Grim, an eight-story, 103,200 square-foot structure built in 1925.
- - The redevelopment is a mixed-use, mixed-income historic preservation project.
- - The redeveloped property includes 98 housing units and approximately 5,000 square feet of commercial space on the first level.

Affordable Housing Rehab Example



Southside Revitalization Project

Component: Piedmont Affordable Rentals

- **Durham, NC** **\$8.8M**
- - Funds used for acquisition, site preparation, and infrastructure improvements
- - Enhanced infrastructure focused on water, sewer, curb/gutter, street pavement, and grading of lots
- - Combined with LIHTCs, HOME, NSP, and other sources

Images Source: Wilmur Conyers, City of Durham Presentation on Section 108

Supporting New Construction Example



Southside Revitalization Project

Component: Lofts at Southside

- **Durham, NC** **\$8.8M**
- - Funds used for acquisition, site preparation, and infrastructure improvements
- - Enhanced infrastructure focused on water, sewer, curb/gutter, street pavement, and grading of lots
- - Combined with LIHTCs, HOME, NSP, and other sources

Image Source: Wilmur Conyers, City of Durham Presentation on Section 108

Supporting New Construction Example



Avondale Trace Affordable Housing Project

- **High Point, NC** **\$650,000**
- In Phase 1, the Borrower requested Section 108 funds for site acquisition and/or improvements
- In Phase 2, after the eligible activities were complete, the Borrower conveyed the improved project site to the developer.



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

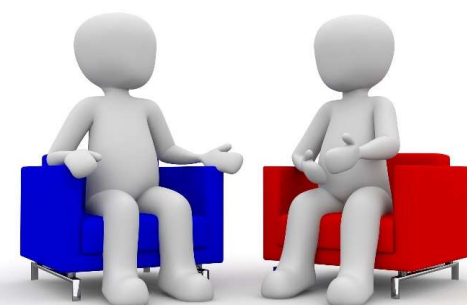
- Help to clarify outstanding issues related to underwriting
- Share guidance and best practices on documentation

Financing Phase

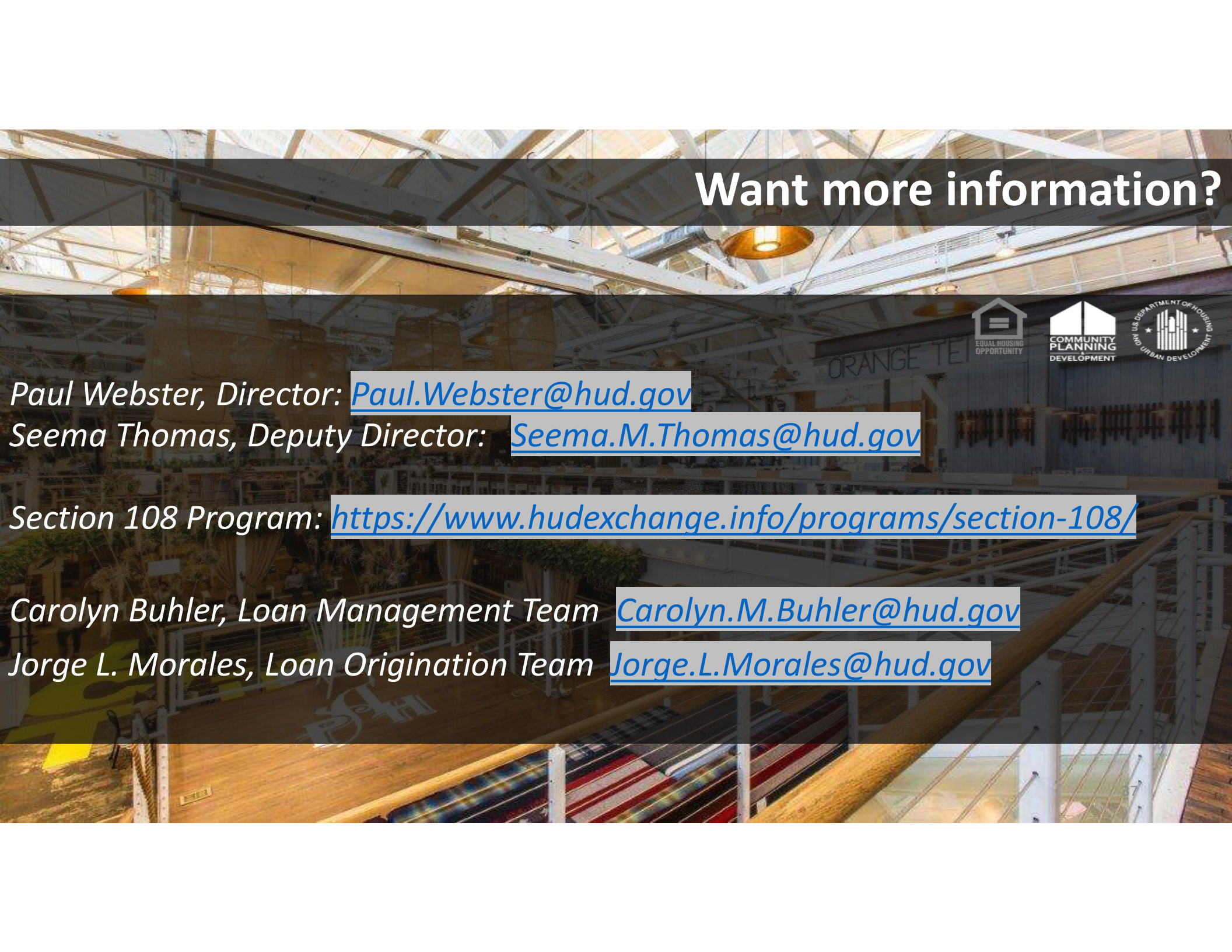
- Identify additional collateral
- Advise on loan proceeds and disbursements

Implementation

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



FMD provides 1-on-1 Technical Assistance during any project cycle stage for interested applicants.



Want more information?



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Section 108 Program: <https://www.hudexchange.info/programs/section-108/>

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