



Metropolitan Washington Council of Governments

Section 108 Loan Guarantee Program



Today's Topics



Section 108 Basics



Combining 108 with Other Financing



Project Examples



Resources



Section 108 Basics

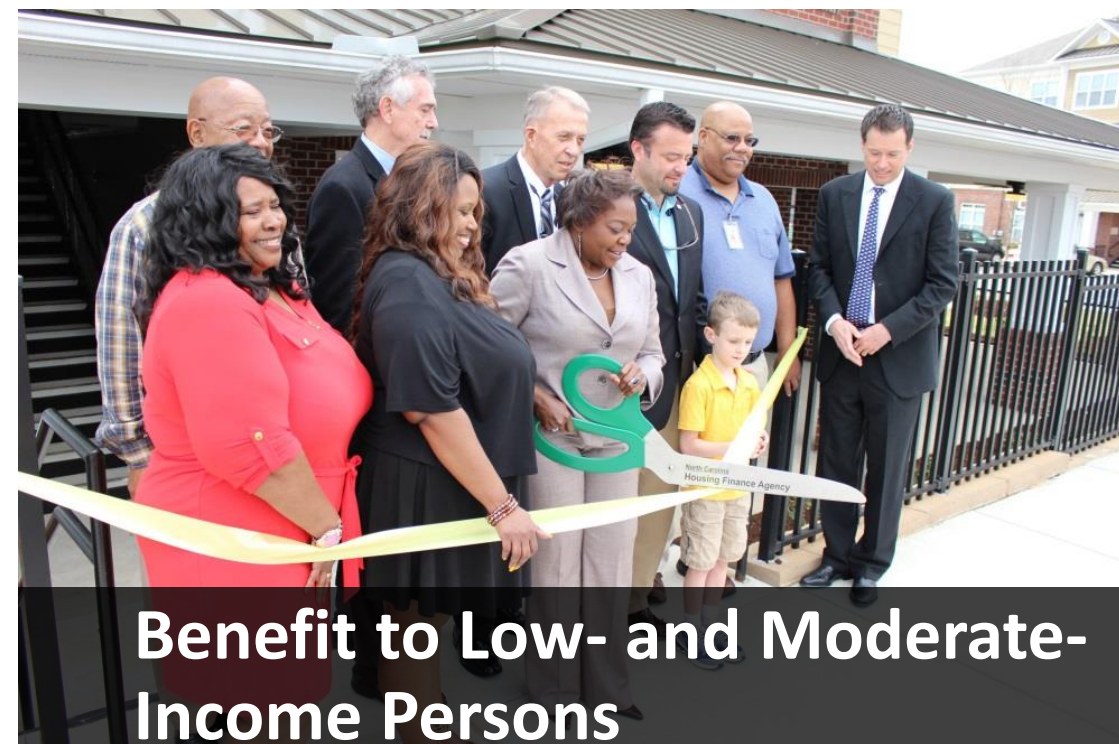
HUD's Section 108 Loan Guarantee Program



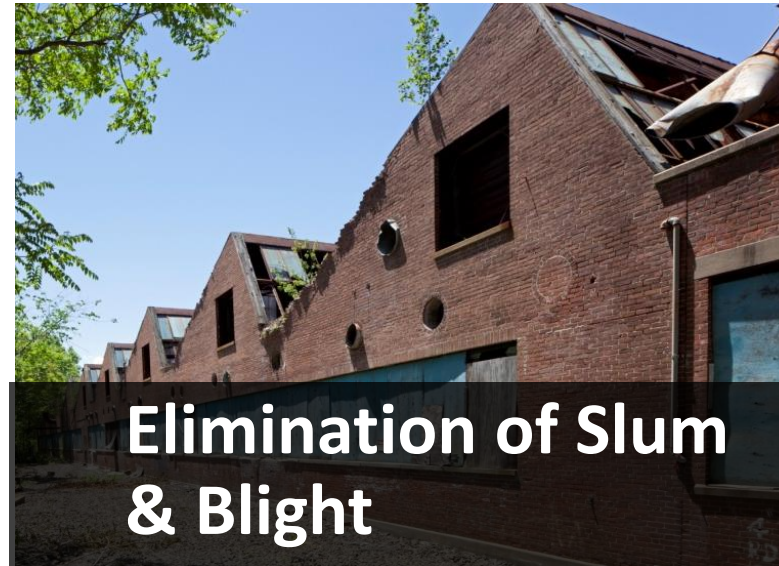
- Provides loan guarantees, not grants
- Offers recipients a non-competitive means of accessing lower interest rates
 - Variable Rate Financing: 3-month Treasury Bill Auction Rate + 35 bps = 0.045% + 0.35% = 0.395% on 3/8/21
- Employs the programmatic framework of the CDBG Program
- Dedicated staff willing to provide 1-on-1 Technical Assistance



CDBG National Objectives



Benefit to Low- and Moderate-Income Persons

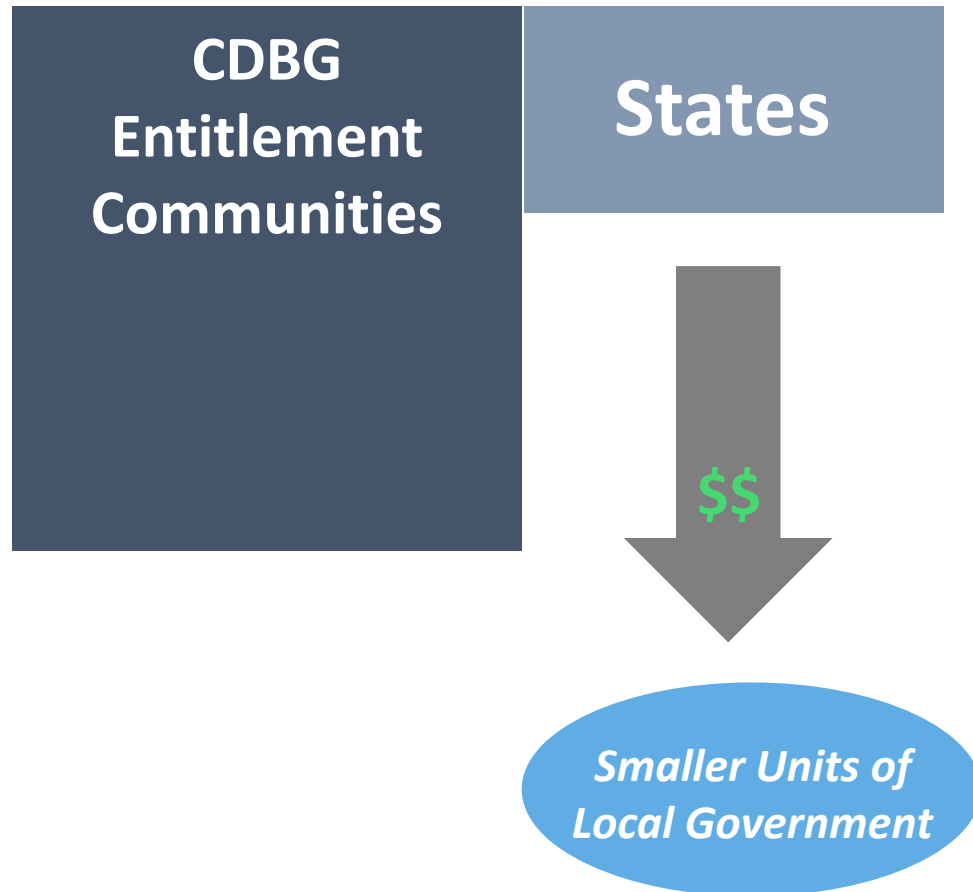


Elimination of Slum & Blight



Urgent Need

Who has access to CDBG & Section 108 funds?



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

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	= <u>\$15,000,000</u>
Outstanding 108 commitments	-	\$800,000
Outstanding 108 loan balance	-	<u>\$2,000,000</u>
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/>

Section 108 Borrowing Capacity for Metro Washington

Entitlement Communities in MD	Borrowing Capacity
City of Bowie (MD)	\$968K
City of Gaithersburg (MD)	\$2.3M
Montgomery County (MD)	\$25.1M
Prince George's County (MD)	\$25.1M
State of Maryland	\$39.9M

Entitlement Communities in VA	Borrowing Capacity
City of Alexandria (VA)	\$5.9M
Arlington County (VA)	\$6.6M
Fairfax County (VA)	\$26.2M
Loudoun County (VA)	\$7.2M
State of Virginia	\$95.5M

Washington, DC	Borrowing Capacity
District of Columbia (DC)	\$38.2M

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



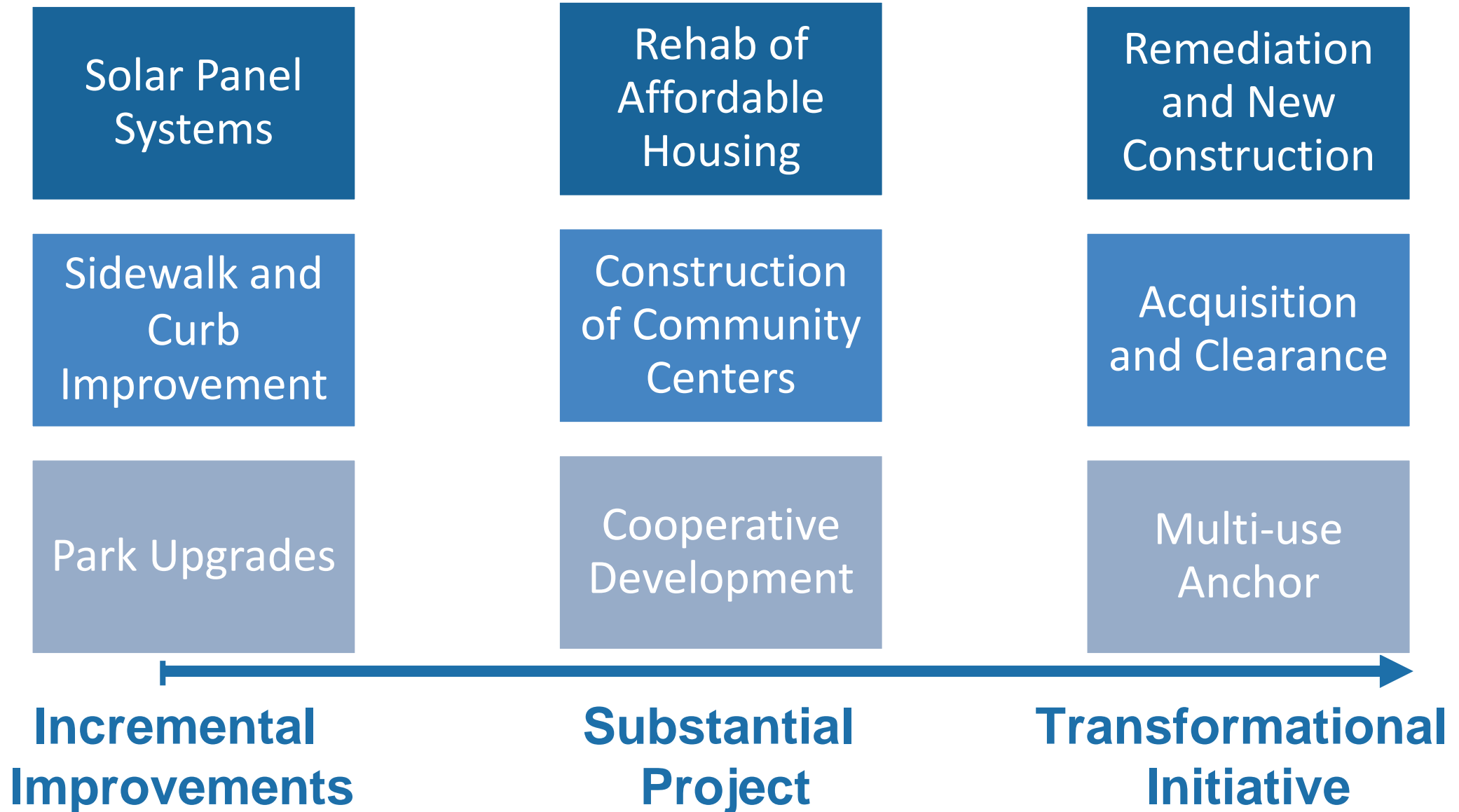
Water & Sanitation

Streets, Curbs and Gutter Improvements

Broadband Line Extensions

Devastated Landscapes

What is the scale of Section 108 projects?



Stages for Section 108 Deployment

Preparation/ Pre-development

Implementation

Acquisition

Demolition

**Site prep &
remediation**

**Relocation
costs**

**Rehab Structure
for Housing**

**Machinery &
equipment**

Working capital


**Infrastructure +
improvements**

Eligible Activities related to Affordable Housing

- **Housing rehabilitation**, such as:
 - Privately owned buildings and improvements for residential purposes;
 - Low-income public housing and other publicly owned residential buildings
 - Manufactured housing
- **Acquisition**, reconstruction, **rehabilitation** or historic preservation, or **construction** of public facilities, including public streets, sidewalks, other **site improvements** and public utilities
- **Remediation** of properties with known or suspected environmental contamination
- **Rehabilitation** of real property owned or acquired by the public entity or its designated public agency
- **Site preparation**, including remediation of properties with known or suspected environmental contamination, related to redevelopment/use of properties acquired with Section 108 funds or for economic development activities



**Program
Requirements**



**Financial
Requirements**



**Program
Requirements**

FINANCIAL

Repayment

Collateral

Primary Source:

Pledge of current and
future CDBG

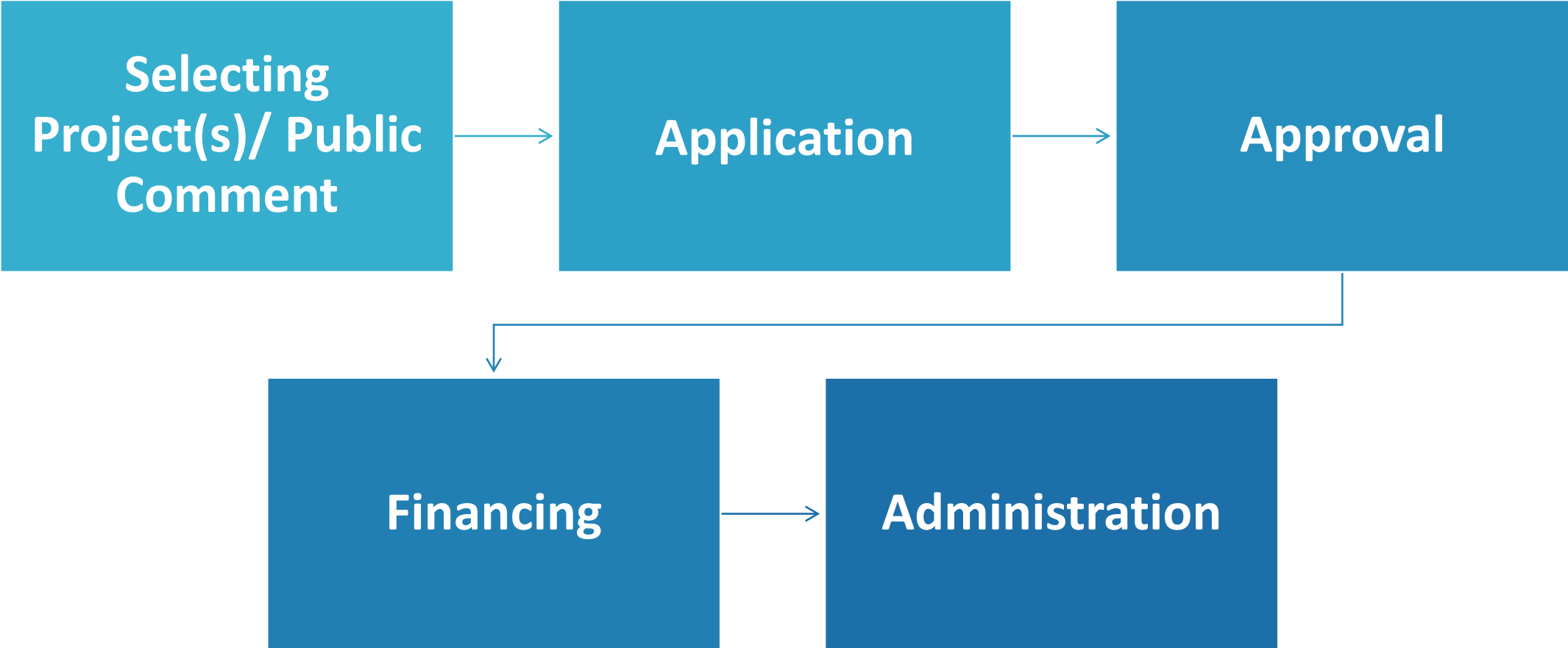
Potential Sources of
Additional Collateral:

Property lien

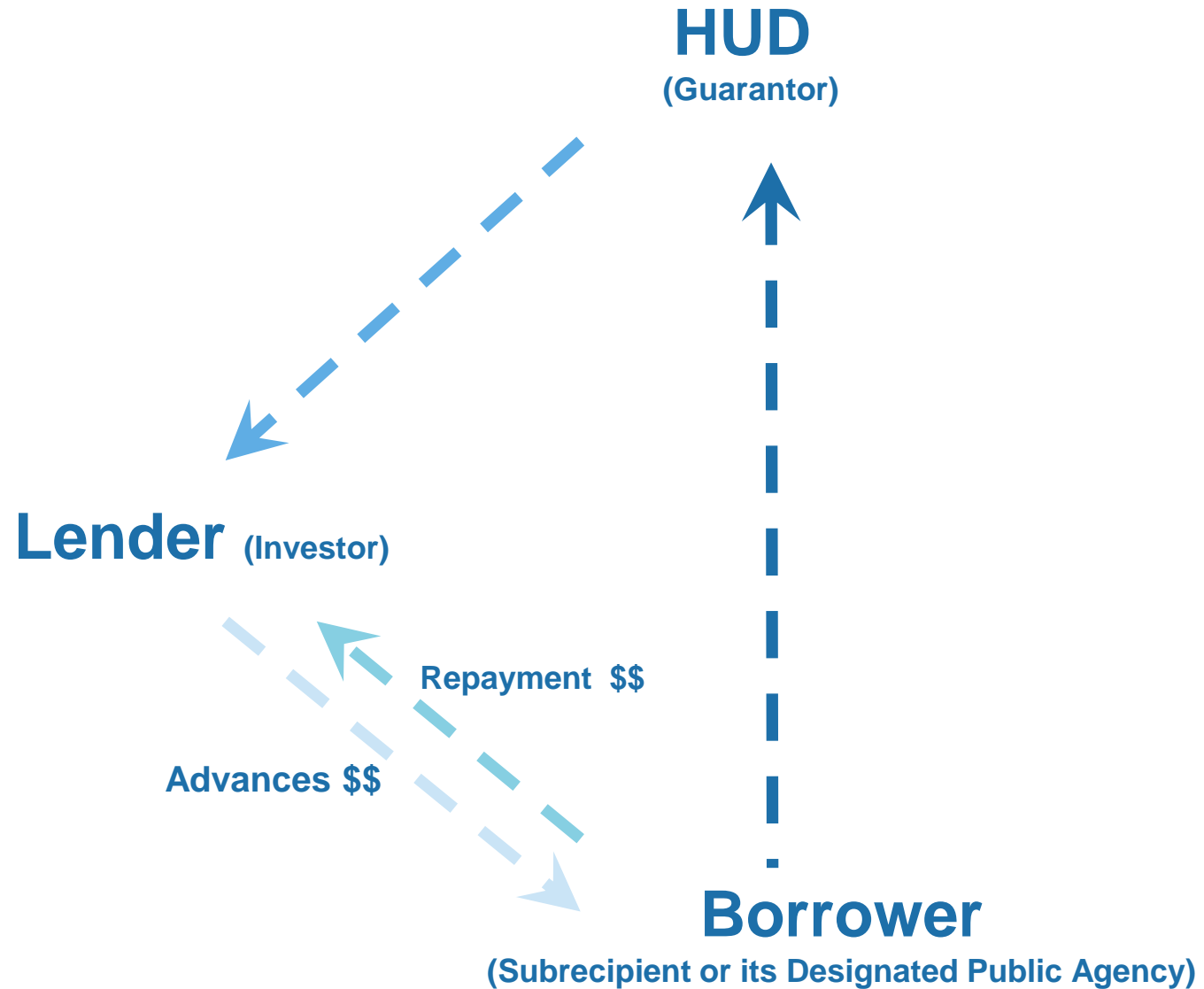
Full faith and credit

Reserves (subject to
appropriations)

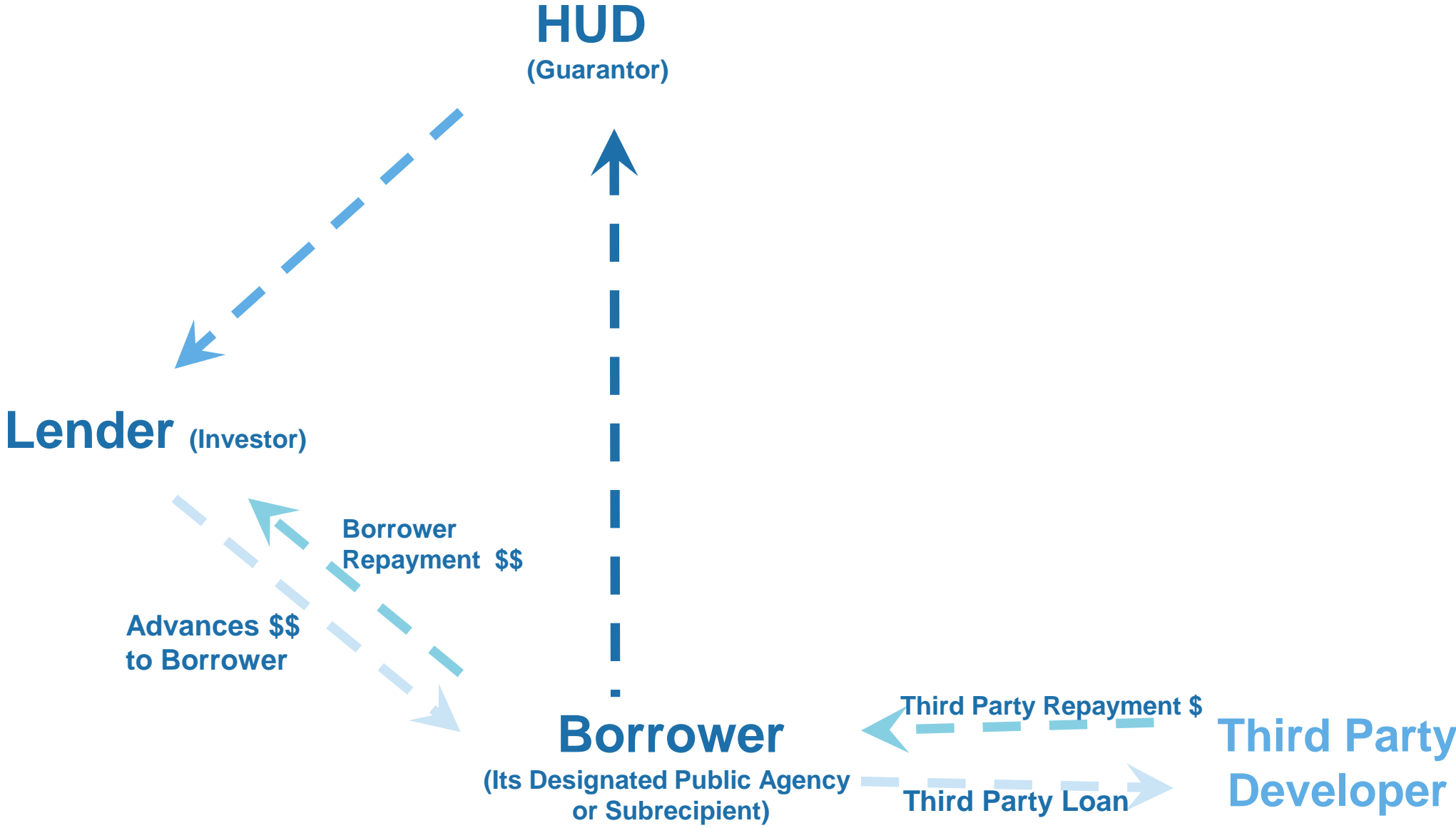
Section 108 Process



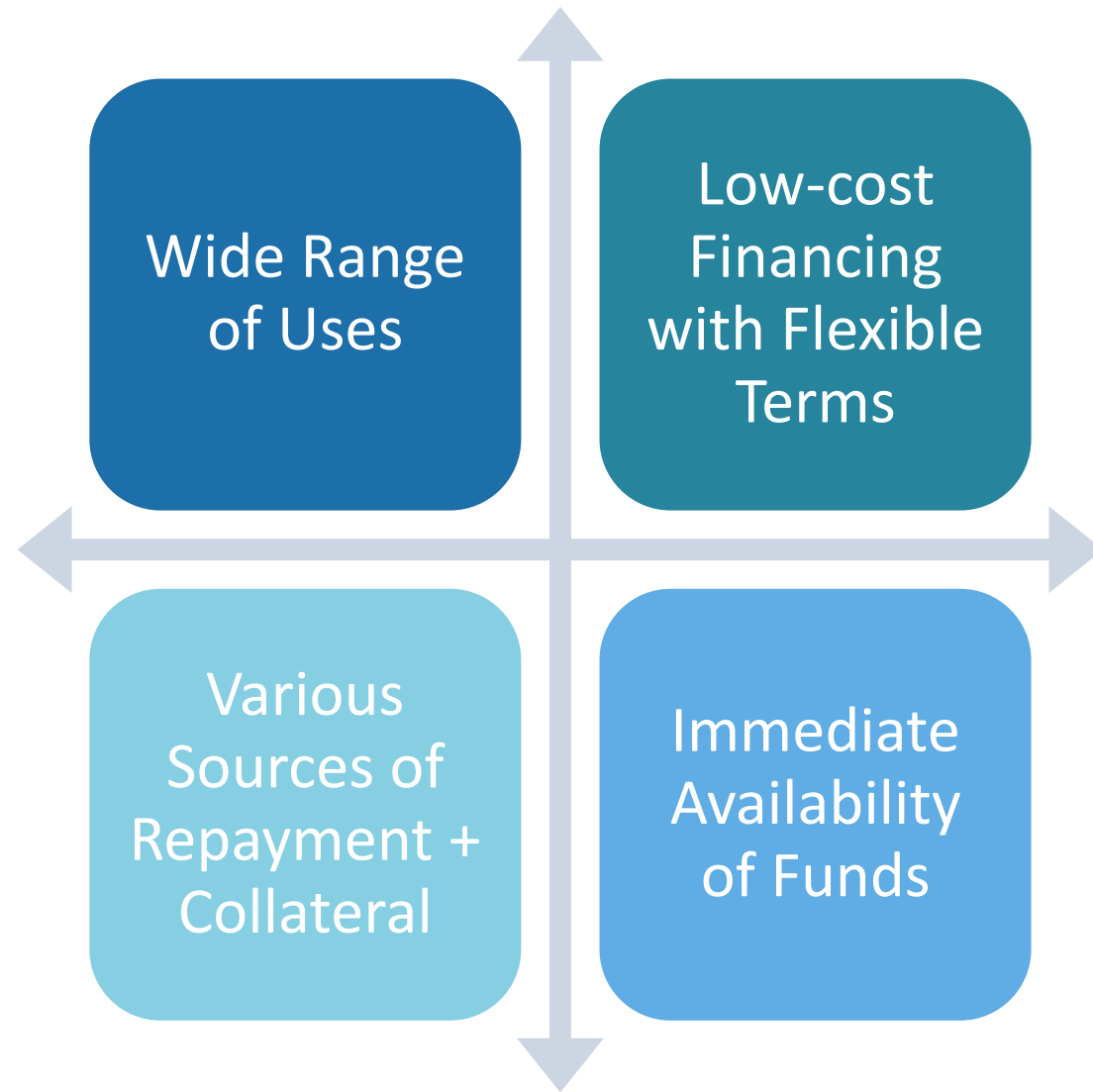
Flow of Funds: Project by the Applicant

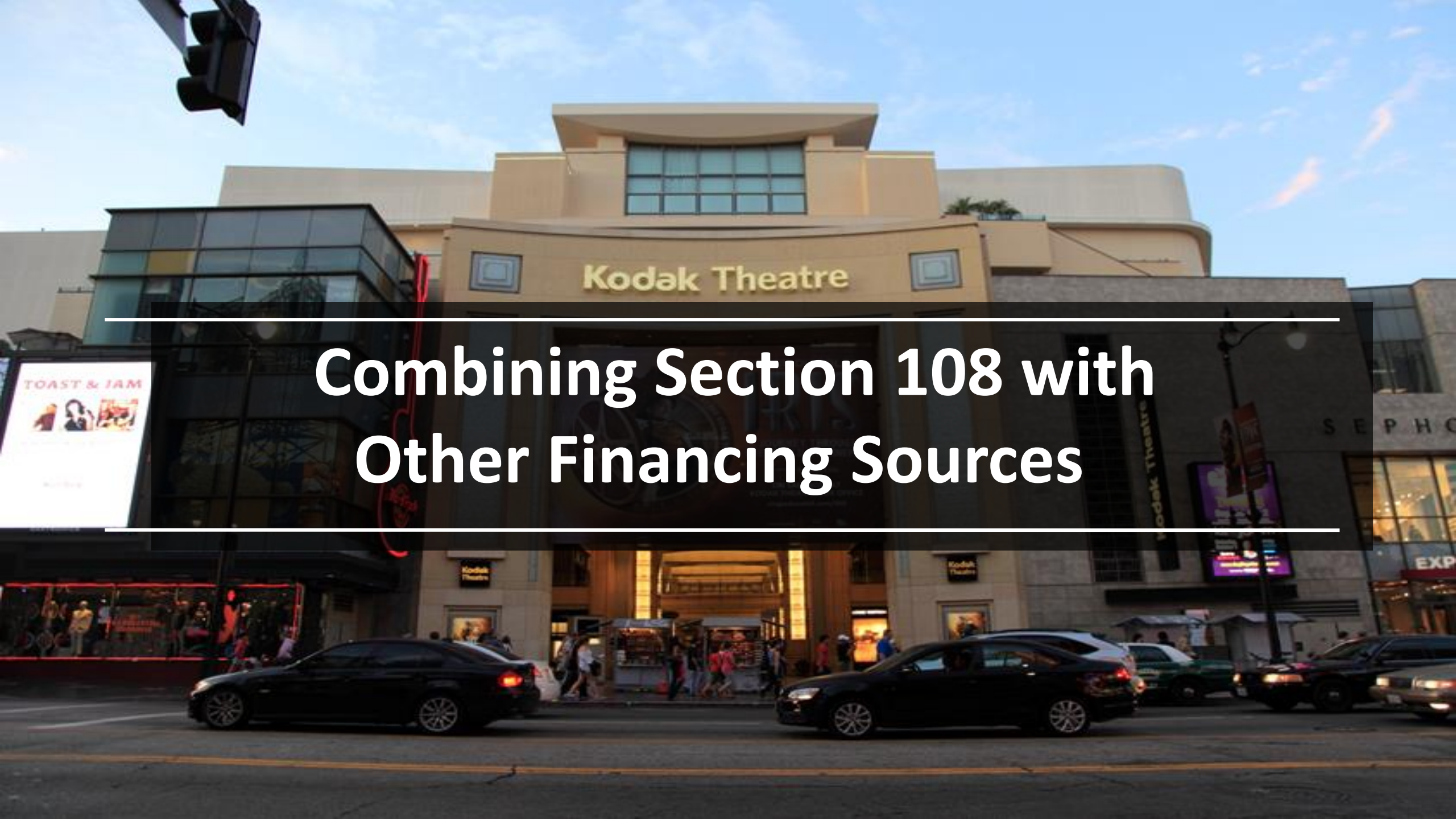


Flow of Funds: Project with a Third Party Developer/Borrower



Why is Section 108 an attractive financing tool?



A photograph of the Kodak Theatre building at dusk. The building is a large, multi-story structure with a prominent entrance. The name "Kodak Theatre" is displayed in large, illuminated letters above the entrance. To the left, there is a large digital billboard showing a "TOAST & JAM" advertisement. To the right, there is a "SEPHORA" store. The street in front of the building is busy with traffic, including several cars and a green taxi. The sky is a mix of blue and orange, indicating sunset or sunrise. A traffic light is visible in the upper left corner.

Kodak Theatre

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)





Project Examples



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

1. Acquisition and substantial rehabilitation of naturally occurring affordable housing or existing affordable rental properties that will be recapitalized utilizing LIHTCs
2. 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 will be a mixed-use, mixed-income historic preservation project.
- The redeveloped property will include 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

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

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:

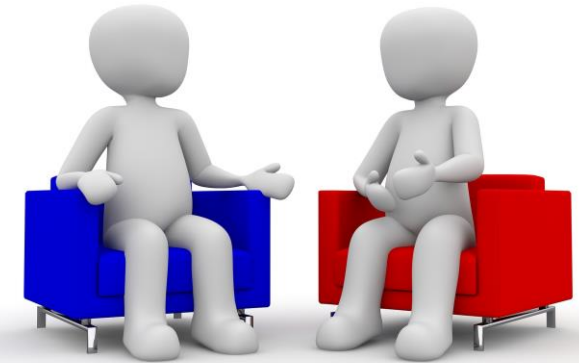
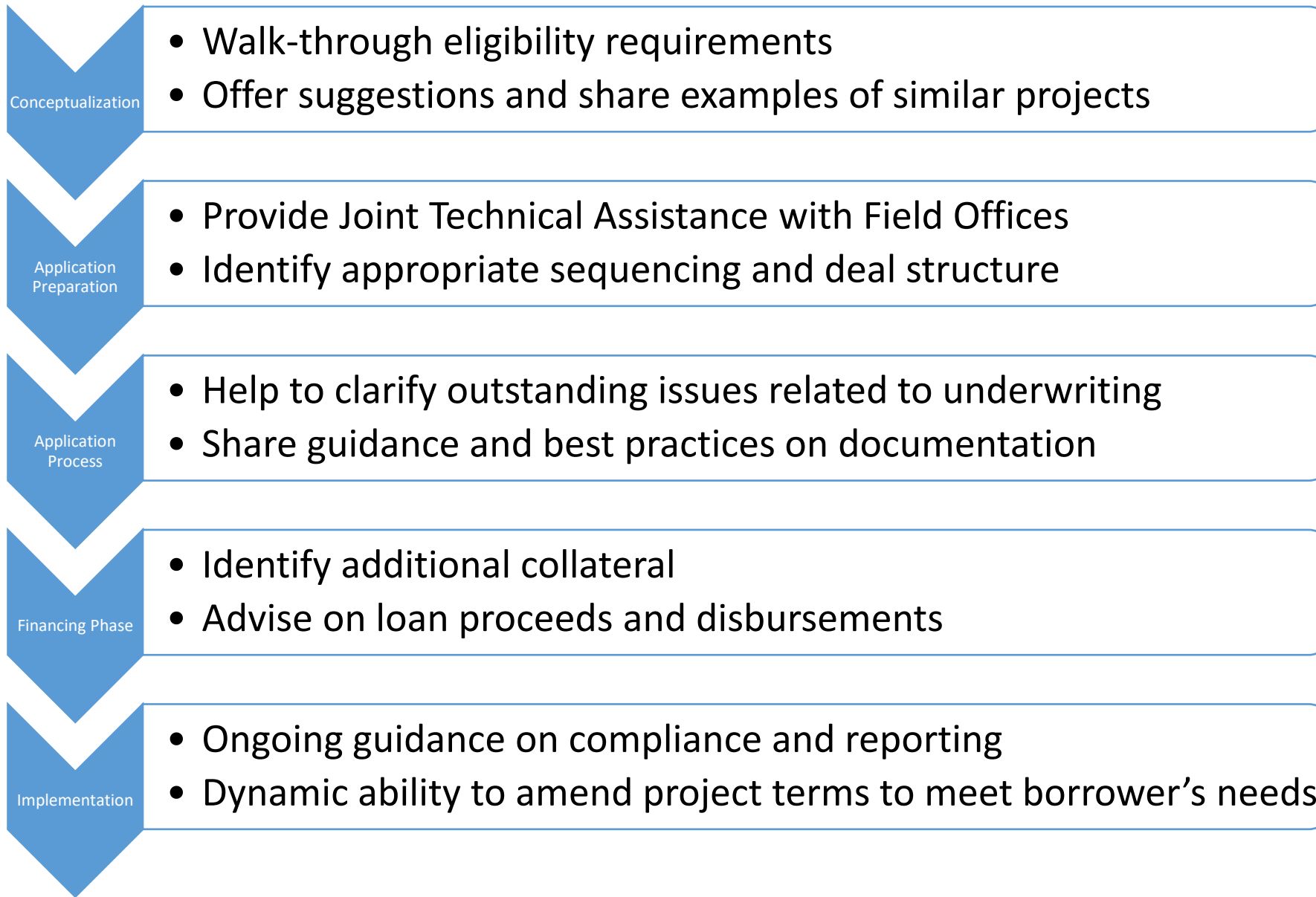
- Borrowing capacity spreadsheet [*updated annually*] [Link](#)
- Application Tool [Link](#)
- Single certifications document [Link](#)
- Section 108 Application & Finance Process Infographic [Link](#)
- Project profiles for all applications approved in recent fiscal years [Link](#)
- [Join our mailing 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



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

Want more information?

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Seema Thomas, Deputy Director: Seema.M.Thomas@hud.gov

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

