DON AGENDA ITEMS DECEMBER 14, 2021 Rosalyn B. Clemens Director

Section 108 HUD Loan Guarantee Program

- Requesting authority to submit to the U.S. Department of Housing and Urban Development (HUD) a Substantial Amendment to the City of Toledo of 2020-2024 Consolidated Plan and 2021-2022 Annual Action Plan for use of the Section 108 Loan Guaranty Program; and submittal of a generic application to establish a Section 108 Loan Pool.

- Source of financing for economic development, housing rehabilitation, public facilities and infrastructure projects.

- The Section 108 Program can be used by the City to undertake eligible projects or alternatively, can be loaned to third-party businesses and developers to undertake projects through a *Section 108 Loan Pool*.

City of Toledo

Section 108 HUD Loan Guarantee Program

- *This flexibility makes the Section 108 Program one of the most potent and important public investment tools that HUD offers to local governments.*

- Specific Year 1 Implementation Action of *Toledo Together A Guiding Vision & 10-Year Action Plan for housing* (Comprehensive Housing Strategy) unanimously adopted by the Toledo City Council in September 2021.

- Supports the Comprehensive Housing Strategy goal of diversifying local funding sources to finance housing, public facilities and community development needs in Toledo.

Section 108 HUD Loan Guarantee Program

- Not a general obligation of debt

- Leverages limited grant funds

- Access funds immediately (versus pay as you CDBG)

- Ability to structure repayments based on specific project requirements

- Long-term, fixed-rate financing below conventional rates.

- Section 108 Loan Project Profiles - HUD Exchange [link.zixcentral.com]

City of Toledo

SECTION 108 PROCESS BASICS

- Community submits generic application to HUD to obtain commitment for Section 108 borrowing authority .

- City of Toledo has $37 million Section 108 borrowing authority (5x annual CDBG allocation)

- If approved, City establishes Loan Pool and implements application, underwriting and approval process for eligible projects.

- HUD has established required underwriting guidelines for all revenue generating projects, designed to minimize risks and maximize community development impact.

- Income producing projects must demonstrate ability to pay the Section 108 loan from cash flow **and** provide additional security.

- For Non income producing projects, like community centers and infrastructure, City must pledge revenues from other income streams (i.e., TIF, parking revenue, franchise fees) or annual CDBG allocation to cover debt service.

- Several options, negotiated on a case-by-case basis, for repayment and loan security: liens on real property, debt service reserve, interest income from loan portfolio, debt service reserves, personal and corporate guarantees.

City of Toledo

Green City Growers Greenhouse Cooperative

Location: Cleveland, OH

The City of Cleveland, Ohio lent $8 million of Section 108 Loan Guaranteed financing to remediate and redevelop 10.68 acres of an industrial and residential site into an employee-owned cooperative greenhouse that create 42 full-time jobs. The greenhouse produces 2 million pounds of healthy, leafy greens and 200,000 pounds of fresh herbs each year for Cleveland residents.

City of Toledo

Farragut Hotel

Location: Knoxville, TB

The City of Knoxville used $2.9 million in Section 108 loan funds to help fund the redevelopment of the historic Farragut Hotel building in downtown Knoxville. The City considered the redevelopment of the Farragut Hotel to be the final puzzle piece in a revitalized downtown on the rise.

TOL
City of Toledo

Practice Yoga

Location: Austin, TX

After a devastating fire claimed the Practice Yoga studio, Austin, Texas made a low-interest loan under its Family Business Loan Program with $150,000 in Section 108 guaranteed funds for the business to renovate its space and create 12 new, full-time jobs.

TOL
City of Toledo

GATEWAY AT WILLOWBROOK, LA

Location: Los Angeles, CA

County used $1.8 million of Section 108 as gap financing for the $44 million mixed-use project. The Gateway at Willowbrook is a five-story, development that includes a branch of the LA County Library and 105 units of affordable housing for seniors. The development is one of several new community assets, including a rehabilitated transit station and a new medical campus intended to help revitalize the Willowbrook neighborhood. The unincorporated area, located adjacent to South Los Angeles, is predominantly Latino and African-American, with significant economic and social barriers to opportunity.

Addington Ridge

Location: High Point, NC

With $694,000 in Section 108 Loan Guarantee financing, High Point, North Carolina acquired and improved a site in the neighborhood of Deep River that it then sold to a developer to construct an 58-unit, affordable housing development
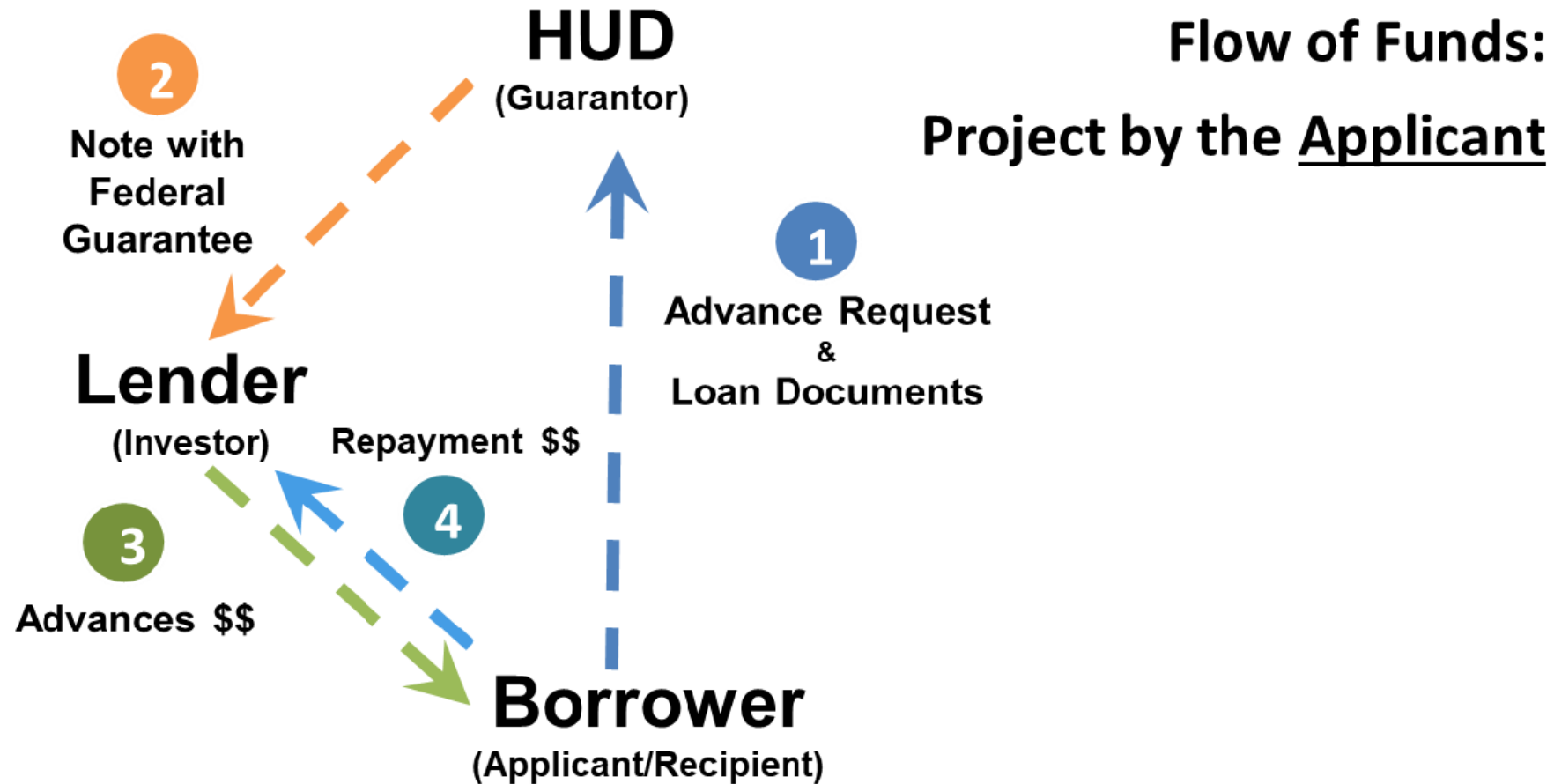
Packing House

Location: Anaheim, CA

Anaheim, California used $7 million of HUD Section 108 Guaranteed Loan funds to finance the restoration of a historic orange packing facility, originally built in 1919. The dilapidated building was rehabilitated into a food market with local vendors that has catalyzed economic development in Anaheim's downtown.

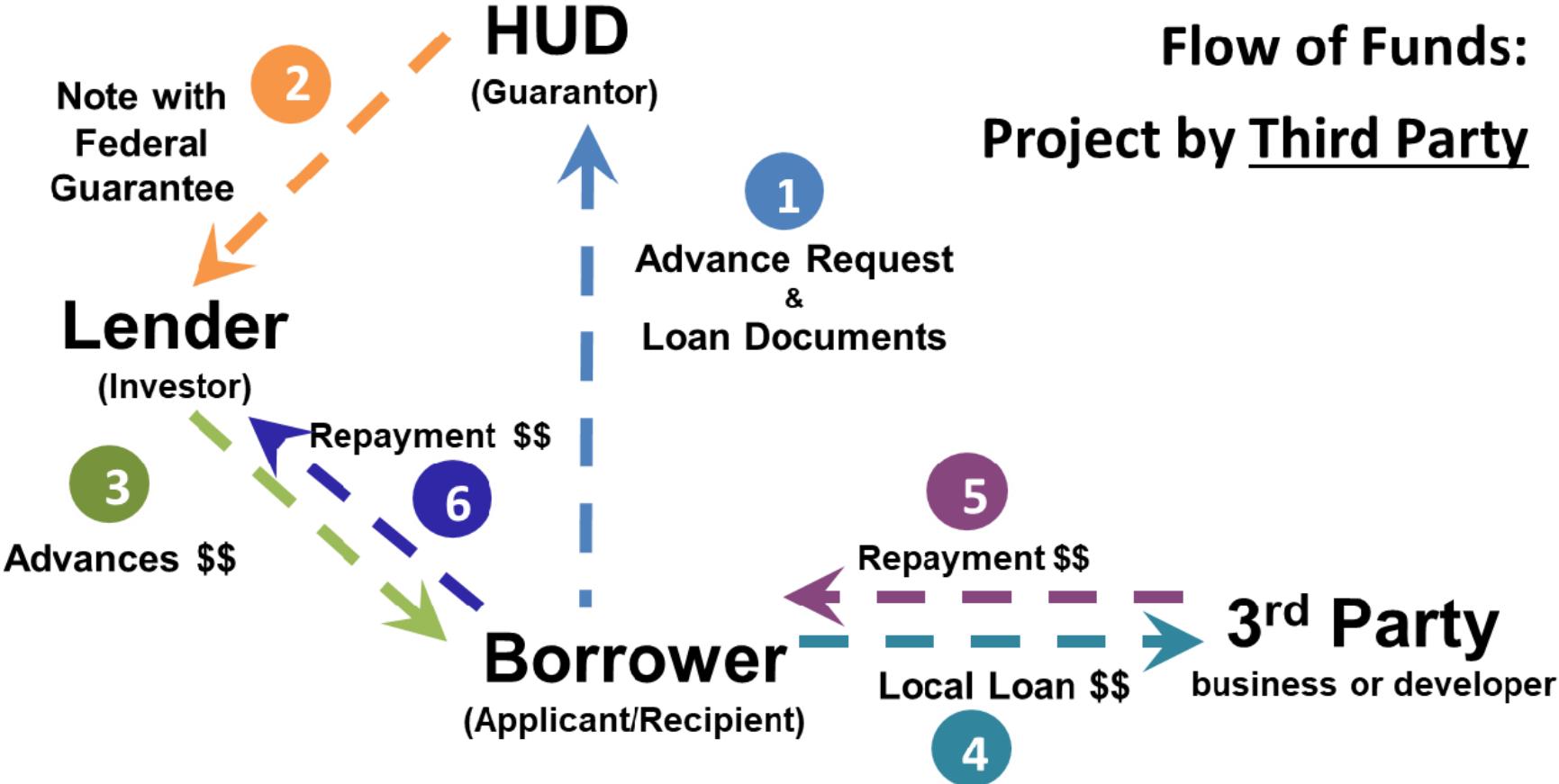City of Toledo

SECTION 108 PROCESS BASICS

- Approval process for each loan funded by Section 108 Loan Pool will include department underwriting staff review, Section 108 Loan Committee, citizens participation (public hearing) and Council approval.

- Approved loans are submitted to HUD field office of approval.

- If HUD approves, a commitment is issued to provide HUD's guarantee of the loan as an incentive for investor (s) to provide funding.

City of Toledo

Level 1 transaction –City borrows funds

HUD
(Guarantor)

Flow of Funds:

Project by the <u>Applicant</u>

2 Note with Federal Guarantee

1 Advance Request & Loan Documents

Lender
(Investor)

Repayment $$

3 Advances $$

4

Borrower
(Applicant/Recipient)

Level 1 & Level 2 transaction –City borrows and loans funds to 3rd Party to carry out a project.

REDEVELOPMENT OF DRIGGS DAIRY
ENGLEWOOD NRSA
Anchor Project

The Grand at N. Detroit- 2.75 Acres
70 Units
Community meeting& Fitness space
Pathway Services Hub
Retail Space

Thank you.

➡ **toledo.oh.gov**