

**Section 108 Loan
Guarantee Projects
June 11, 2024
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Director, DHCD**

OVERVIEW

- Powerful flexible financing tool for economic development, public facilities, infrastructure, housing rehabilitation, debt servicing and related fees.
- Leveraging of CDBG annual allocations for a guaranteed loan to implement current projects.
- Private lenders finance Section 108 loans with a “full faith and credit” guarantee by the federal government.
- The Section 108 Program is used by CDBG grantees to undertake eligible projects or alternatively, can be loaned to third-party businesses and developers to undertake projects through a Section 108 Loan Pool.
- Income producing projects must demonstrate ability to pay the Section 108 loan from cash flow **and** provide additional security including real estate, corporate and personal guarantees.

Section 108 Loans for Public Facilities

- For non income producing projects, like community centers and infrastructure, the City must pledge revenues from annual CDBG allocation as repayment source.
- HUD will also require pledging of an additional non tax revenue source as additional security to cover debt service in unlikely event of CDBG not being available.
- Public facilities must meet the Community Development Block Grant (CDBG) program national objective of benefit to LMI persons on an area basis, where at least 51 percent of the residents are LMI persons.

Toledo Section 108 HUD Loan Guarantee Program Progress

- December 2021, DHCD holds public hearing on 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 \$37 million Section 108 Loan Pool.
- December 21, 2021 Ordinance 619-21 approved submission of Section 108 Substantial Amendment and submittal of generic application to establish Section 108 Loan Program.
- In March 2022, the City of Toledo received HUD approval to establish The Section 108 Loan Program with \$37 million of Borrowing Authority, equivalent to 5 times the City's annual CDBG award.

Toledo Section 108 HUD Loan Guarantee Program Progress

- Ordinance 324-23 approved submission of a Section 108 Loan Guarantee Application to HUD for Community Centers Improvements in amount not to exceed \$4.5 million.
- Ordinance 325-23 approved submission of a Section 108 Loan Guarantee Application to HUD for improvements to Swayne Field Shopping center for the amount of \$616,000
- HUD has approved Toledo's Section 108 Loan Guarantee Application for Community Centers Improvements in amount of \$2 million.
- HUD has approved Toledo's Section 108 Loan Guarantee Application for Swayne Field for the amount of \$616,000.

Funding Process

- Upon approval of a Section 108 Loan Guarantee application, HUD generates a contract, Note and other agreements necessary to close the loan transaction and provide the approved funding.
- Legal review, advise and recommendations regarding the Contract, Note, Agreements and proceedings in connection with the issuance and sale of the Notes has been provided by The Department of Law, assisted by the firm of Squire Patton Boggs.
- Council Authorization is hereby requested to approve and enter into necessary agreements with HUD and authorize and provide pledges and assignment of CDBG funds as security, and appropriate proceeds of Notes, and authorize expenditure of proceeds, and declaring an emergency.

Section 108 Loan Interest & Terms

- Section 108 Loans are typically financed initially through an interim variable rate at 35 basis points above the 3-month Treasury Auction Bill rate. The city will add a 55 basis points for administrative costs to third party borrowers.
- Periodically, HUD releases public offerings for permanent financing of Section 108 loans, once a sufficient aggregate amount in loan guarantees have been awarded. Interest rates for loans funded by a public offering fixed at: 70-75 basis points above the 10-year Treasury rate.
- Up to a 20 Year Term

Community Center Improvements Section 108 Loan

- \$2,000,000
- Interim Interest Rate: 5.87% /20-year Term
- \$170,148.37 annual debt service
- 2.4% of current CDBG annual Allocation
- Partnership with Department of Public Service for \$8.5 million Community Centers upgrade project using ARPA, CIP and Section 108 funds

Community & Senior Center Improvements

Chester J. Zablocki Community Center

3015 Lagrange St.
Toledo, Oh. 43608

Proposed Improvements:

Roof

HVAC

Façade improvements

Plumbing improvements

Interior improvements and updates

Fire protection

Electrical updates and improvements

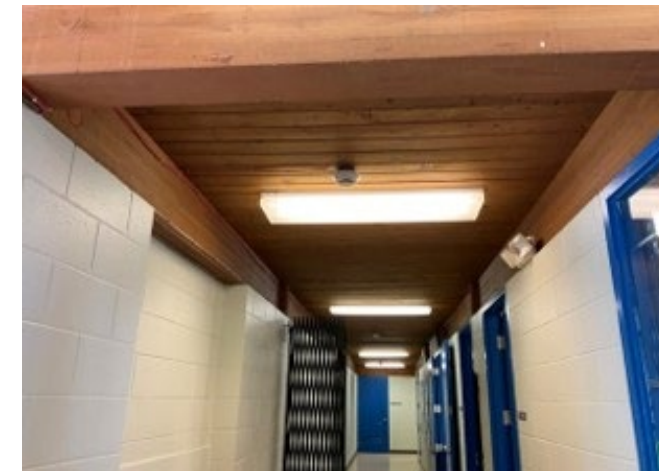
Fire alarm and electronics system

Equipment and furnishings

Site utilities improvements

Site pavement improvements

Accessibility improvements



Community & Senior Center Improvements

Believe Center

1 Aurora Gonzalez Dr.
Toledo, OH 43609

Proposed Improvements:

HVAC

Façade improvements

Interior improvements

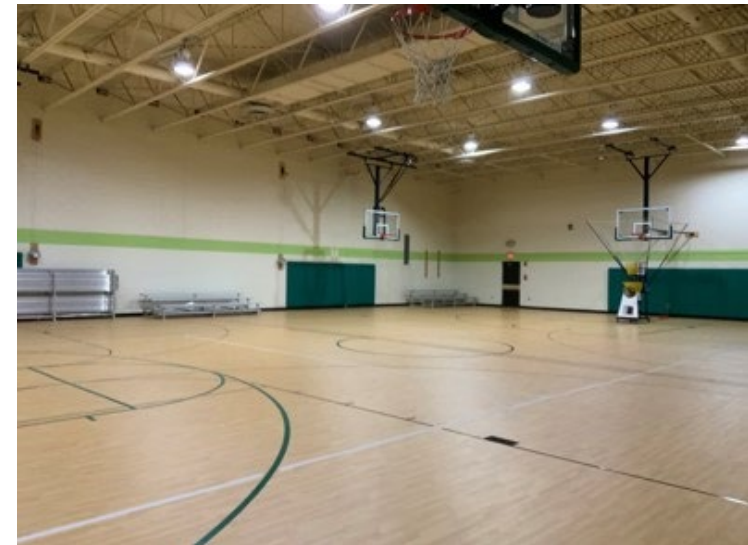
Plumbing improvements

Electrical improvements

Site development

Site pavement improvements

Follow-up studies



Community & Senior Center Improvements

East Toledo Senior Center

1001 White St
Toledo, OH 43605

Proposed Improvements:

- Structure improvements
- Interior improvements
- Plumbing improvements
- Fire alarm and electronics system
- Equipment and furnishings
- Site development



Swayne Field Improvements Section 108 Loan

- \$616,000
- Interim Interest Rate: 6.42%/20 year term
- \$54,765 annual debt service
- Secured with 1st mortgage on the real estate, corporate guarantee of anchor tenant Starr Beauty Supply, and assignment of rents and personal guarantee by owner/operator of Star Beauty Supply
- Net operating income at 57% occupancy is \$143,000/2.61 debt coverage ration

Englewood NRSA Boundaries

Located west of the downtown area, the Englewood NRSA area is bounded by West Snead Avenue to the west, I-75 to the north, Monroe / Collingwood to the east, and Dorr Street to the south



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Community Engagement

1

On-line Survey

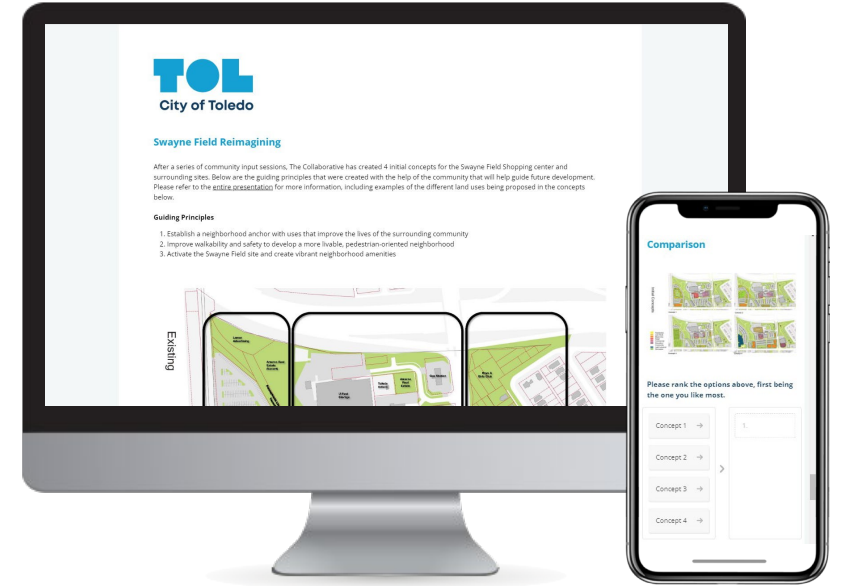
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Meetings

198

Participants

06-2023



Reimagining Swayne Field & Adjacent Properties

14

Swayne Field Vision

- Façade Improvements
- Lighting
- Parking lot upgrade
- Placemaking
- Stabilize deterioration

Swayne Field Vision

- Investment in an underserved neighborhood.
- Reposition distressed shopping center.
- Support workforce development and job creation.
- Create a catalyst for additional neighborhood revitalization.
- \$3.6 million investment



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Thank you.

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