
Section 108 Loan Guarantee Program

Project Summaries - Fiscal Year 2017

In fiscal year 2017, the U.S. Department of Housing and Urban Development (HUD) approved **\$38,922,000** in Section 108 Guaranteed Loan commitments for a variety of community and economic development projects throughout the United States. The loan guarantee amounts ranged from \$1,026,000 for assistance to a Nissan dealership in Downey, California to \$6,000,000 for an urban lettuce farm in Atlanta, Georgia.

The Section 108 Loan Guarantee Program provides states and local governments access to low-interest financing for a variety of projects, including affordable housing developments, public facilities and infrastructure improvements, and commercial/industrial developments. Generally, the costs of these projects exceed available local government resources, including HUD funds available through the [Community Development Block Grant \(CDBG\)](#) program. In all cases, however, these projects are well suited to the financing assistance available through the Section 108 Loan Guarantee Program.

The Section 108 Loan Guarantee assisted projects approved in FY 2017 are described in the summaries provided below. These assisted projects are grouped into three (3) categories: *Economic Development*, *Housing*, and *Public Facilities and Improvements*.

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Economic Development Projects

Business Loan Fund – Village of Oak Park, IL

Section 108 Loan Guarantee – \$3,000,000

The Village of Oak Park will use \$3,000,000 in Section 108 loan guarantee financing to establish a loan fund focused on small and medium-sized, for-profit businesses. The Village will use these funds to spur expansion and improvement of existing businesses, promote neighborhood revitalization, create and retain jobs benefitting low- and moderate-income individuals, and deliver key services and positive economic benefits for the community. Oak Park will make loans using a rolling application process to businesses for up to \$1 million at interest rates that are lower than conventional financing. The Village will provide loans for working capital, acquisition, rehabilitation and tenant build-outs, as well as equipment furnishings and fixtures.

National Objective: The Section 108 guaranteed financing will create or retain permanent jobs, of which at least 51% will be held by or made available to low- and moderate-income (LMI) persons, or will fund businesses that provide goods or services to low- and moderate-income neighborhoods.

Guaranteed Loan Features:

Term: The Village will repay the Section 108 guaranteed loan over a 20-year repayment term, with interest-only payments for the first 2 years.

Repayment Source: Repayments will be made from revenue generated by projects carried out by third-party borrowers.

Additional Security: The Village will assign to HUD its interest in the fund's loans, as secured by real property, machinery and equipment, inventory, or accounts receivables. The Village will also require personal guarantees on a case-by-case basis.

Additional Information:

[River Bender – December 13, 2016 - Durbin announces more than \\$3 million in HUD funding for Illinois housing and community development](#)

Downey Nissan Project – Downey, CA

Section 108 Loan Guarantee – \$1,026,000

The City of Downey will grant Section 108 guaranteed loan funds to Downey Import Cars, Inc. to assist with financing costs due to the relocation and expansion of Downey Nissan. The dealership, which has been in business for eight years, is seeking to relocate to a larger site in the city because the current site does not meet Nissan Corporate's company design and size standards. The new dealership will include a showroom, office space, repair shop, and vehicle display area. The space increase

will allow the business to expand its sales and service departments, which will account for the creation of 35 new full-time equivalent (FTE) jobs.

National Objective: The activity will meet the Community Development Block Grant (CDBG) national objective for assisting LMI persons through the creation of jobs that primarily benefit LMI persons, creating 35 permanent full-time equivalent (FTE) jobs.

Guaranteed Loan Features:

Term: The City will repay the Section 108 guaranteed loan over a 10-year term, with an interest-only payment for the first year.

Repayment Sources: The City will make its guaranteed loan debt service payments from its annual CDBG allocation.

Additional Security: As additional security for the loan, the City will establish a debt service reserve in the amount of one year's debt service and will pledge to maintain that level in the event that it uses funds toward repayment of the loan.

Atlanta Lettuce Project – Atlanta, GA

Section 108 Loan Guarantee – \$6,000,000

The City of Atlanta will use \$6,000,000 in Section 108 guaranteed loan financing to assist in the development of a large-scale hydroponic growing facility. The City will lend this financing to the Atlanta Lettuce Project (ALP), a for-profit corporation, that will operate the growing facility. ALP will be remediating a vacant, three-acre site in Mechanicsville, a low-income neighborhood in southwest Atlanta, for its commercial greenhouse and 9,000 square-foot packing facility. The project is expected to generate 25 permanent, full-time equivalent (FTE) jobs over the next seven years and an additional 10-15 FTE jobs over the remaining term of the loan. Employees will not only receive livable wages and health benefits, but each full-time employee will also ultimately become a shareholder in the company. Based on the City's demonstration of good cause, HUD provided a waiver of the individual public benefit standard requirements that would have required this economic development project to create 120 FTE ($\$6,000,000/\$50,000=120$) jobs based on the amount of assistance requested.

National Objective: The project will meet the CDBG national objective of addressing slums or blight on an area basis.

Guaranteed Loan Features:

Term: The City will repay the Section 108 guaranteed loan over a 20-year loan repayment term, with a three-year interest-only period.

Repayment Sources: The City's guaranteed loan payments will be made from ALP's loan repayments using project revenues.

Additional Security: The Section 108 guaranteed loan will be secured by the City's pledge of its interest in a third-party loan with ALP, secured with machinery and equipment as well as site improvements.

Additional Information:

[Atlanta Lettuce Project Presentation - The Community Foundation for Greater Atlanta](#)

Paramount Theater & Massasoit Hotel Project – Springfield, MA

Section 108 Loan Guarantee – \$3,650,000

The City of Springfield will use Section 108 loan guaranteed financing to fund the New England Farm Workers Council's \$41 million redevelopment of the historic Paramount Theater and Massasoit Building, which occupy an entire block in downtown Springfield.

This project will preserve, repair, and upgrade the historic Paramount Theater, which has been closed since 2014, to create a performing arts center. The rehabilitation of the Massasoit Building, built in 1857 and remodeled in 1926, will reposition floors two through four back to its original use as an 81-room hotel and extensively restore and update the rest of the building, which has been vacant for more than a decade. The Massasoit building contains more than 63,000 square feet of space and houses businesses fronting Main Street.

The project will also complement several developments in nearby downtown Springfield including the \$950 million mixed-use MGM Springfield entertainment complex, the redevelopment of a 265-unit apartment building, and the ongoing \$84 million restoration of the historic Union Station terminal building. Moreover, this investment will assist in furthering the recovery of downtown Springfield, which suffered damage during a 2011 tornado and a 2012 gas blast.

National Objective: The activity will create permanent jobs, where at least 51 percent of jobs will be offered to or held by low- and moderate-income persons. The City estimates 73 jobs will be created in total.

Guaranteed Loan Features:

Term: The City will repay the Section 108 guaranteed loan over a 20-year term.

Repayment Source: The City will make guaranteed loan payments from repayments on its loan to the developer, which will be funded with project revenue.

Additional Security: The City will assign to HUD its first position lien on the project property.

Additional Information:

[Mass Live - March 26, 2018 - Owner says \\$41 million rehab of Paramount Theater-Massasoit property in downtown Springfield set to begin](#)

Aurora Arts Center – Aurora, IL

Section 108 Loan Guarantee – \$3,000,000

The City will loan \$3 million to The Community Builders, Inc. (Developer) for the development of the Aurora Arts Center, a mixed-use development with a restaurant space, a performing arts school for artists, a rehearsal space for the Paramount Theatre, and short-term housing for visiting artists. The Developer will acquire and rehabilitate a four-story, 88,000 square-foot building located at East Galena Boulevard and South Stolp Avenue on Stolp Island, the City's historic downtown district. The Paramount Theatre opened in 1931, was restored in the 1970s, and added to the National Register of Historic Places in 1980. The total development cost for the project will be approximately \$13.7 million and include Federal and State Historic Tax Credits, New Markets Tax Credits, as well as several other resources.

National Objective: The activity will create permanent jobs, where at least 51 percent of jobs will be offered to or held by low- and moderate-income persons. The City estimates that the project will create 74 permanent FTE jobs. The project is located in a Neighborhood Revitalization Strategy Area.

Guaranteed Loan Features:

Term: The City has a 20-year loan term with a seven-year, interest-only period due to the NMTC financing structure.

Repayment Source: Repayments will be made a recapture agreement with Paramount Theatre with the City, from the Developer through an agreement with the City, from lease revenues from the future restaurant tenant, and from food and beverage sales tax revenues from the project.

Additional Security: The City will pledge a lien on another City-owned property, a 28-acre vacant parcel with Tollway frontage.

Additional Information:

[Chicago Tribune – Oct. 11, 2017 - Work begins on \\$35 million downtown Aurora arts center](#)

Economic and Community Development Loan Fund– Aurora, IL

Section 108 Loan Guarantee – \$3,000,000

The City will use \$3 million in guaranteed loan funds to establish three loan funds, totaling \$3 million, to target economic development, housing rehabilitation, and public facility projects; it intends to allot \$1 million to each of these three categories, although some projects may fall under multiple categories of loan types. The City may directly administer some loans, while others may be administered by third-party entities through loan or subrecipient agreements.

Economic Development Loan Fund: The City plans to provide approximately \$1 million to a non-profit subrecipient with microlending experience to originate, underwrite, and service an economic

development loan fund. This loan fund would provide loans to support site work, rehabilitation, and/or new construction. The fund would target entrepreneurs and small businesses unable to access conventional financing.

Affordable Housing Tax Credit Loan Fund: The City will establish a loan fund of approximately \$1 million to support tax credit-eligible housing projects. The City has identified several abandoned buildings in its Downtown and Eastside neighborhoods that could support such projects and that are located near amenities that could serve future low-income residents.

Public Facilities Loan Fund: The City intends to allocate approximately \$1,000,000 for public facilities, emphasizing projects that would be privately-owned and operated by non-profit providers. Such projects would be multipurpose facilities that would generate rent for repayment of Section 108 guaranteed loan funds. The City has targeted a potential community center in the Eastside neighborhood, one of Aurora’s most economically challenged neighborhoods.

National Objective: All loan fund activities will meet the CDBG criteria for benefit to LMI persons by creating or retaining permanent jobs, where at least 51 percent of jobs will be offered to or held by low- and moderate-income persons, providing permanent housing to be occupied primarily by LMI households, or by primarily serving LMI persons on an area basis or by benefitting a limited clientele, at least 51 percent of whom are LMI persons.

Guaranteed Loan Features:

Term: The City will repay the loan over a 20-year term.

Repayment Source: The guaranteed loan payments will be made primarily from repayments on third party loans from revenue generated by the projects.

Additional Security: The City will pledge its interest in third-party loans, secured by liens on real property, equipment, corporate guarantees, and other assets from third-party borrowers.

Housing Development Projects

The Hotel Grim Lofts Project – Texarkana, TX Section 108 Loan Guarantee – \$1,429,000

The City of Texarkana will use the Section 108 guaranteed loan proceeds to assist a private developer, Grim Lofts, LLC, redevelop the historic Hotel Grim, an eight-story, 103,200 square-foot structure built in 1925. The iconic building is strategically located on State Line Avenue on the Texas and Arkansas border. The redevelopment, Hotel Grim Lofts, 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.

The Project's financing is from different sources including a Section 108 guaranteed loan, state and federal historic tax credits, an Environmental Protection Agency (EPA) loan, conventional debt and city funds.

National Objective. The CDBG national objective to be met by the eligible activities is benefit to LMI persons by providing permanent residential structures. The City will ensure that at least 20 of the 98 units will be leased to LMI households after demonstrating that good cause existed for HUD to provide a waiver of the LMI housing national objective criteria for the project, which would have required 51% of the units in a multifamily housing rehabilitation project to be occupied by LMI households. Instead, HUD allowed the City to meet the requirement of 20% of the units, which exists for new construction of multifamily housing as long as the proportion of CDBG funds expended for the total development costs will be no greater than proportion of units in the project that will be occupied by LMI households.

Guaranteed Loan Features:

Term: The City of Texarkana will repay the Section 108 guaranteed loan over a 20-year term.

Repayment Source: The City will use net operating income from Project proceeds as a repayment source.

Additional Security: The Section 108 loan will be secured by the Hotel Grimm Lofts building.

Additional Information:

[Hotel Grim Redevelopment Project](#)

Public Facility and Improvement Projects

Fire Station Construction Project – Kenosha, WI

Section 108 Loan Guarantee – \$4,713,000

The City of Kenosha will construct a new fire station on the city-owned, vacant site of the former Bain School. The new fire station is the result of a consolidation of the city's emergency response districts. The station will replace two fire stations that currently serve portions of the proposed service area as well as adjacent areas. Consolidating and reallocating fire and emergency resources will allow the City to increase its level of service and responsiveness to LMI persons living in an inner-city area. The new service area, one of five emergency response districts within Kenosha, is responsible for approximately 35.75% of emergency medical calls in Kenosha.

National Objective: The CDBG national objective to be met is area benefit where at least 51 percent of the residents are LMI persons and in an area that is primarily residential.

Guaranteed Loan Features:

Term: The City of Kenosha will repay the Section 108 guaranteed loan over a 20-year term.

Repayment Source: The repayment source for this non-income producing activity will be the City's annual CDBG allocation.

Additional Security: The City will pledge its full faith and credit as additional security for the loan.

Additional Information:

[Fox 6 News - Dec. 12, 2016 - HUD approves \\$4.7M loan to City of Kenosha to help build new fire station](#)

**Public Facilities Reconstruction Project (Reissuance) – Carolina, PR
Section 108 Loan Guarantee - \$1,850,000**

The Municipality of Carolina was reissued part of its fiscal year 2010 Section 108 guaranteed loan commitment to carry out a Public Facilities Reconstruction project including the construction and reconstruction of the Quebrada Maracuto bridge, streets, sidewalks, gutters, and water and sewer drainages in the Barrazas, Carruzo, Cacao, Trujillo Bajo and Cedro Wards. Since its original commitment had expired, it had to reissue the commitment in order to access the remaining funds for the completion of these activities.

National Objective: The project will meet CDBG national objective of benefit to low- and moderate-income persons on an area basis.

Guaranteed Loan Features:

Term: The Municipality of Carolina will continue to repay the Section 108 guaranteed loan over a 20-year term, established in 2012.

Repayment Source: The repayment will be made with the Municipality's annual CDBG allocation.

Additional Security: The Section 108 guaranteed loan will be secured by a first lien on several municipal properties.

**Street Improvement Project – Denison, TX
Section 108 Loan Guarantee – \$1,550,000**

The City of Denison will use the Section 108 loan guarantee financing for infrastructure improvements in LMI neighborhoods. In total, an estimated 13 lane miles and 25 streets will be improved through this project. The Section 108 financing will enable the Borrower to support these overlay projects on an accelerated timeline that would not be feasible with currently available resources.

National Objective: The City’s activities will meet the CDBG national objective of benefit to LMI persons on an area basis. The census block groups to be served by the activities range from 55 percent to 88 percent LMI.

Guaranteed Loan Features:

Term: The City of Denison will repay the Section 108 guaranteed loan over a 10-year term.

Repayment Source: The City’s guaranteed loan payments will be made from its CDBG funds.

Additional Security: The City of Denison pledged its full faith and credit as authorized by a resolution.

Additional Information:

[Herald Democrat - July 17, 2017 - Denison starts work on \\$2.2M street repairs](#)

Southeast Neighborhood Recreation Center Project (SENRC) – Manhattan, KS

Section 108 Loan Guarantee – \$3,304,000

The City of Manhattan will use its Section 108 guaranteed loan proceeds to finance the construction of the South East Neighborhood Recreation Center (SENRC). SENRC will be 17,000 square feet, featuring a full-size, multi-purpose court and two non-regulation size, multi-purpose cross courts. In addition, the facility will include an interior walking track, restroom/locker rooms, a staff office, and a multi-purpose classroom to be used by neighborhood residents for meetings, classes or other activities. Surface parking will also be constructed adjacent to the facility.

National Objective: The eligible activity will meet the CDBG national objective of benefit to LMI persons on an area basis where the benefits of the activity must be available to all the residents in a particular area, where at least 51 percent of the residents are LMI.

Guaranteed Loan Features:

Term: The City of Manhattan will repay the Section 108 guaranteed loan over a 20-year term.

Repayment Source: The City will use its annual CDBG allocation to repay the loan.

Additional Security: Collateral from the City will be provided in the form of a first priority lien on the SENRC real property.

Additional Information:

[City of Manhattan Parks & Rec - South East Neighborhood Rec. Center](#)

Street Reconstruction Project – Malden, MA

Section 108 Loan Guarantee – \$2,400,000

The City of Malden will use \$2.4 million in Section 108 guaranteed loan financing to support a citywide program to design and reconstruct deteriorated roadways through its subrecipient, the Malden Redevelopment Authority. This reconstruction effort is tied to an aggressive program to replace the city's aging water mains. The Massachusetts Water Resources Authority (MWRA) has identified the city as having the highest percent of lead service lines within its service area, estimating that 26 percent of the city's 11,682 service lines are lead. The replacement of these water mains has left miles of damaged roadways in need of assistance.

National Objective: The activities will meet the CDBG national objective of benefit to LMI persons on an area basis. The service areas for the street reconstruction projects to be funded range from 61% to 75% LMI.

Guaranteed Loan Features:

Term: The City of Malden will repay the Section 108 guaranteed loan over a 20-year term.

Repayment Source: The City's guaranteed loan payments will be made from the city's future annual CDBG allocations.

Additional Security: The City of Malden will pledge as collateral its full faith and credit and taxing authority.

Amphitheater and Riverfront Park Project – Youngstown, OH

Section 108 Loan Guarantee – \$4,000,000

The City of Youngstown will use Section 108 loan guarantee funds to redevelop 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 park will link a currently industrial, vacant eight-acre site west of Market Street Bridge along the Mahoning River to the Covelli Centre to the east of the Market Street Bridge. The Covelli Centre, which opened in 2005, is a 6,000-seat capacity convocation center that hosts sporting events, ice shows, trade shows, festivals, concerts, and other community events.

National Objective: The eligible activities will meet the criteria for benefit to LMI persons, providing benefits to all the residents in a particular area, where at least 51 percent of the residents are LMI. The citywide area served by the project is 61.4% LMI.

Guaranteed Loan Features:

Term: The City of Youngstown will repay the Section 108 guaranteed loan over a 20-year term.

Repayment Source: The City's guaranteed loan payments will be made from its available CDBG funds.

Additional Security: The City of Youngstown will pledge the full faith and credit as collateral.

Additional Information:

[The Business Journal - Oct. 20, 2017 - HUD OKs \\$4m Loan for Amphitheater Project](#)