
Section 108 Loan Guarantee Program

Project Summaries - Fiscal Year 2018

In fiscal year 2018, the U.S. Department of Housing and Urban Development (HUD) approved **\$58,600,000** 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 \$1,000,000 for the partial funding of improvements of hazardous sidewalks in Winchester, Virginia to a \$16,490,000 infrastructure project to support a housing development in Sacramento, California.

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 infrastructure improvements and facilities, 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 2018 are described in the summaries provided below. These assisted projects are grouped into three (4) categories: *Economic Development, Public Facilities and Improvements, Mixed-use and Housing Development Projects.*

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Economic Development Projects

Strawbridge Hotel Project – Melbourne, FL

Section 108 Loan Guarantee - \$2,000,000

The City of Melbourne will use Section 108 guaranteed loan proceeds to provide a loan to Melbourne Downtown Hotel, LLC. to complete the Strawbridge Hotel Project, which will be a Hilton Tapestry brand hotel. The project consists of the construction of a 156-room hotel in the central business district of Melbourne. The 11-story hotel will include a 3-level parking garage with 170 spaces, 4,600 square foot conference and event center, and 4,900 square foot indoor/outdoor rooftop lounge on a .57-acre, city-owned lot in Melbourne’s Community Redevelopment Area (CRA).

National Objective: The eligible activity will meet the Community Development Block Grant (CDBG) national objective of benefit to low- and moderate-income (LMI) individuals by creating jobs. The project is estimated to create 42 full-time equivalent (FTE) positions, at least 51 percent of which held by or made available to LMI individuals.

Guaranteed Loan Features:

Term: The City of Melbourne will repay the loan over a 20-year term with a 7-year interest-only period.

Repayment Source: The primary source of repayment for the Section 108 guaranteed funds will be repayment of the City’s loan to the developer from revenue generated from hotel operations.

Additional Security: In addition to an assignment of the City’s interest in its loan to the Project developer, the City will also assign HUD an interest in tax increment revenues if the third-party loan were to default. Primary members of the development team will also provide personal guarantees that the City will assign to HUD.

Inland Seafood Business Loan – Birmingham, AL

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

The City of Birmingham will use Section 108 guaranteed loan proceeds to provide a loan to Inland Seafood, a seafood distribution company. Inland Seafood will use the loan to remodel its 55,000 square-foot cold storage facility in Birmingham. Through this remodel, the business will be able to consolidate several existing production facilities, develop a centralized distribution center, as well as add a new culinary training facility. This new facility will create at least 47 full-time equivalent (FTE) positions in Birmingham’s Ensley neighborhood. Ensley is a distressed area which has experienced chronic disinvestment over the last forty years that has been designated as a Commercial Revitalization Area targeted for redevelopment.

National Objective: The eligible activity will meet the CDBG national objective of benefit to LMI persons through job creation. At least 51 percent of the 47 FTE jobs to be created will be held by or made available to LMI individuals.

Guaranteed Loan Features:

Term: The City will lend funds to Inland Seafood at its cost of funds for a 20-year term with an interest-only payment the first year, gradually increasing principal payments over the life of the loan.

Repayment Sources: Inland Seafood will repay the loan using revenue generated by operations.

Additional Security: The City will assign its interest in its third-party loan, which will be secured by a first priority lien on the real property and on machinery and equipment.

For Additional Information:

[Seafood Source - July 24, 2017 - Inland Seafood gets incentives to expand in Alabama](#)

Whitelaw Building Redevelopment Project – Akron, OH

Section 108 Loan Guarantee – \$1,850,000

The City of Akron is using the Section 108 guaranteed loan proceeds, as well as \$800,000 in CDBG funds, to finance the renovation of the historic Whitelaw Building into a 200+ seat community theater and office space for the Akron Civic Theatre. With the new space, the City will be able to increase its presentation of local and regional artists, expanding its ability to provide demographically and economically diverse activities in the downtown area. The renovation of the Whitelaw Building is an integral part of a larger redevelopment project, The Bowery Project, which consists of the rehabilitation of six blighted buildings on South Main Street in downtown Akron. This project is a \$41 million mixed-use redevelopment project, which will bring 116 FTE jobs through the development of new office and retail space and a fresh food grocer as well as 92 mixed-income housing units to Downtown Akron.

National Objective: The CDBG national objective to be met through the project is addressing slums or blight on an area basis.

Guaranteed Loan Features:

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

Repayment Sources: The City will use funds generated from the lease payments of five of the six buildings in the Bowery Project to pay the debt service on the Section 108 guaranteed loan.

Additional Security: The City will assign its interest in its third-party loan, which will be secured by a first priority lien on the real property.

For Additional Information:

[Akron Beacon Journal - Feb. 6, 2018 - Bowery project gets more public support](#)

Duncan Aviation Infrastructure Project - Provo, UT

Section 108 Loan Guarantee – \$2,500,000

The City of Provo will use its Section 108 guaranteed loan proceeds to finance infrastructure improvements near the Provo Municipal Airport. These improvements will allow Duncan Aviation, which has a facility at the airport, to expand and provide an estimated 400 to 600 additional FTE jobs.

National Objective: The eligible activity will meet the CDBG national objective of benefit to LMI persons through job creation, where at least 51 percent of the FTE jobs will be held by or made available to LMI persons.

Guaranteed Loan Features:

Term: The City of Provo will repay the loan over a 10-year term.

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

Additional Security: The City of Provo will provide HUD with collateral in the form of a first priority lien on several city-owned properties.

For Additional Information:

[Daily Herald - July 25, 2018 - HUD gives \\$2.5 million loan to help with infrastructure for Duncan Aviation](#)

Public Facilities and Improvements

Sidewalk Improvements Project – Winchester, VA

Section 108 Loan Guarantee - \$1,000,000

The City of Winchester will use \$1,000,000 in Section 108 guaranteed loan proceeds to partially fund improvements to 11,000 linear feet of hazardous sidewalks in LMI communities within Winchester's North End neighborhood. Not only will the sidewalk improvements increase safety for the neighborhood population traversing the sidewalks, but the improvements will also help the City accomplish its Comprehensive Plan primary goal of increasing walkability in the community. The lack of connectivity between segments of sidewalks are inconsistent with the Americans with Disabilities Act (ADA) Accessibility Guidelines therefore, replacing the deteriorated sidewalks will provide a safe and equitable form of mobility for residents and visitors located in the areas where the improvements are necessary.

National Objective: The activity will meet the CDBG national objective to LMI individuals on an area basis. This activity will take place in an area that has a population where at least 51 percent of the residents are LMI.

Guaranteed Loan Features:

Term: The City of Winchester will repay the loan over a 10-year term with principal payments beginning in year one.

Repayment Source: The primary source of repayment for the Section 108 fund will be CDBG funds.

Additional Security: The City will pledge its full faith and credit as additional collateral to secure the Section 108 Loan Guarantee. The City has a current bond rating of AAA from Standard & Poor.

For Additional Information:

[City of Winchester, VA - Sidewalk Master Plan](#)

Community and Senior Center Project – DeKalb County, GA

Section 108 Loan Guarantee - \$7,840,000

DeKalb County will use \$7,840,000 in Section 108 guaranteed loan proceeds to finance the construction of a community and senior center facility, the South East Dekalb Senior Center in the County’s District 4. The facility will be 21,000 square feet and consist of multipurpose and program space, administrative office space, a swimming pool, supportive space, and over 100 parking places. Programming will include health/wellness projects, swimming and aquatic programing, nutritional counseling, educational programs, congregate meals, community activities, and transportation assistance. Approximately two-thirds of the center’s usage is expected to be from seniors. The remaining usage is expected to be split between non-senior community members and groups renting space.

DeKalb County has built four other similar centers in the past using Section 108 guaranteed funds. The closest senior center to this Project has a waitlist of over 600 people, and the County expects demand to continue to grow.

National Objective: This activity will meet the CDBG national objective of benefit to LMI persons, both on a limited clientele basis for senior-only portion of the facility and on an area basis for the portion of the facility to be used by the general public.

Guaranteed Loan Features:

Term: DeKalb County will repay the loan over a 20-year loan term with gradually increasing annual payments.

Repayment Source: The County will use its General Funds to repay the loan.

Additional Security: DeKalb County will provide collateral in the form of a first priority lien on the Project property.

Georgia Farrow Recreation Center Expansion – Irving, TX

Section 108 Loan Guarantee – \$3,359,000

The City of Irving will use \$3,359,000 in Section 108 guaranteed loan proceeds to finance the expansion of the Georgia Farrow Recreation Center in its Bear Creek neighborhood. This expansion will consist of approximately 11,128 square feet of new construction to include a second gymnasium with locker rooms with restrooms and showers, an additional storage room, a game room area, and an expanded fitness room. It will also include the construction of a second parking lot, sidewalks, additional security lighting, landscaping, irrigation and signage.

The Center was constructed in 1989 and lacks many of the amenities of the other recreation centers in the city, such as locker room showers. The Center has a high utilization rate, with over 1,200 users per day and 14,400 users per year. The Center's service area is 55.96 percent LMI according to current Census data.

National Objective: The CDBG national objective met will be benefit to LMI persons on an area basis as it serves an area that is approximately 56 percent LMI.

Guaranteed Loan Features:

Term: The City of Irving will repay the loan over a 10-year term.

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

Additional Security: The City will provide collateral in the form of a full faith and credit pledge. The City is a AAA rated municipality that manages a total annual budget of \$632,869,090. The City's general obligation debt is rated AAA/Aaa.

For Additional Information:

[City of Irving - May 17, 2017 - View Georgia Farrow Rec Center Expansion Plans](#)

Fire Station #2 Project – Parkersburg, WV

Section 108 Loan Guarantee – \$1,500,000

The City of Parkersburg will use its Section 108 guaranteed loan proceeds to finance the demolition and reconstruction of Fire Station #2. The station has been in service for more than 80 years and is in serious need of repair. This project will replace the existing station as well as expand the station's functionality by adding a community room. The completed station will consist of approximately 6,000 square feet to include a new front office, six sleeping rooms, two showers and restroom facilities, expanded living quarters, a fitness center and the new community room.

National Objective: This activity will meet the CDBG national objective of benefit to LMI persons on an area basis, where at least 51 percent of the residents are LMI and the area is primarily residential. The area to be served by this activity is 56.52% LMI.

Guaranteed Loan Features:

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

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

Additional Security: The City will provide collateral by pledging the revenues from its Memorial Bridge Fund. The Memorial Toll Bridge generates approximately \$1,750,000 in annual revenues.

For Additional Information:

[WTAP 5 - Sept. 10, 2018 - UPDATE: Parkersburg Fire Station #2 to be demolished this month](#)

Streetscape Improvement – Beaver County, PA

Section 108 Loan Guarantee – \$3,089,000

Beaver County will use its Section 108 guaranteed loan funds to partially finance two separate streetscaping projects. The street improvement project in Ambridge are a part of a larger streetscape project, which will serve to revitalize Merchant Street, the Borough’s main commercial corridor. This project will focus on improving the sidewalks, rights-of-way, planting street trees, and installing benches. The street improvement project in Monaca will enhance safety and accessibility for pedestrians in accordance with Americans with Disabilities Act standards. The project is part of the implementation of a larger Monaca transportation improvements strategy and an area-wide brownfields plan to help prepare the Borough’s infrastructure for new residential developments and new manufacturing facilities, including the new Shell Cracker Plant.

National Objective: The CDBG national objective to be met by the Borough of Ambridge project will be benefit to an area where at least 51 percent of the residents are LMI persons. Over 62 percent of the residents of the area served by this project are LMI persons. The Borough of Monaca project will provide a benefit to LMI persons on a limited clientele basis. The benefit to LMI persons is accomplished by removing architectural barriers to the mobility of elderly persons or persons with disabilities.

Guaranteed Loan Features:

Term: The County’s loan will have a 10-year term.

Repayment Source: The County will use CDBG funds to repay the loan.

Additional Security: As additional collateral, Beaver County has committed its full faith and credit to secure the loan. The County has also entered into a Memorandum of Understanding with both the Borough of Ambridge and the Borough of Monaca guaranteeing that each Borough would repay its respective outstanding portion of the Section 108 debt service to Beaver County from its respective local municipal funds should CDBG funds become unavailable.

For Additional Information:

[The Times - Apr. 24, 2018 - Bids received for Ambridge streetscape project](#)

South Roswell Road Sidewalk Project – Sandy Springs, GA

Section 108 Loan Guarantee – \$2,872,000

The City of Sandy Springs will use \$2,872,000 in Section 108 loan guaranteed funds to provide financial assistance for the completion of the South Roswell Road Sidewalk project. The City began this project in 2014 to provide improved access to shopping, services, transit, and jobs for the lower income residents living on the south side of the community. The City determined that an improved sidewalk network will enhance residents’ access to retail, key services, transit, and jobs. The City’s use of Section 108 to finance the entire project at one time will result in significant cost savings compared to funding the project over several years with grant funds.

National Objective: The CDBG national objective to be met by the completion of the South Roswell Road Sidewalk Project is to benefit low- and moderate-income persons on an area basis. Over 46 percent of the population in the service area is LMI, which exceeds the County’s exception threshold of 42.75 percent.

Guaranteed Loan Features:

Term: The City’s loan will have a 12-year term, including a two-year, interest-only period.

Repayment Source: The City will use annual allocations of CDBG as the primary source of repayment for the Section 108 loan.

Additional Security: At this time, the city is considering securing the loan with a first lien on city-owned real property, which would be determined prior to HUD’s guarantee.

Mixed-use and Housing Development Projects

Northside Commons– Spartanburg, SC

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

The City of Spartanburg will use \$3,000,000 in Section 108 guaranteed loan funds to assist in the financing of the development of Northside Commons, a new construction, mixed-use project in the city’s Northside neighborhood. This Project is a component of the Northside Initiative, a collaboration between public, private, civic, educational, and philanthropic institutions. Moreover, the planning effort that served as the impetus to the Northside Initiative was assisted through a HUD Choice Neighborhoods Program Planning Grant.

The Project will include three buildings, supplying both new housing as well as leased commercial space to Spartanburg’s Northside neighborhood. The Northside neighborhood is a low-income area of the city with families having a median income of \$16,290. This development will also bring new medical services to what is currently a medically-underserved area.

The portion of the development to be financed with Section 108 guaranteed funds will include 14,500 square feet of medical clinic and medical office space.

- AccessHealth, which will lease approximately 5,000 square feet of space in Building 2 of Northside Commons, is a non-profit organization that connects clients with medical service providers and physicians. Access Health will occupy approximately 17 percent of the square footage in Building 2, which has a total development cost of \$8.09 million. AccessHealth’s clients are referred to physicians and programs that provide primary care, thus reducing waiting lines and emergency room costs to hospitals in the area. The organization typically serves uninsured and underinsured clients, 100 percent of which are low- and moderate-income (LMI) persons. The organization is growing and needs additional space to serve its clients. AccessHealth is expected to serve at least 2,500 LMI clients per year in this new space.
- The Edward Via College of Osteopathic Medicine (VCOM), which will lease 10,500 square feet of space in Building 1 of Northside Commons, is a non-profit medical college. VCOM will occupy the entirety of Building 1, which has a total development cost of \$3.058 million. It requires additional space in order to provide new medical services for neighborhood residents and to serve as a training laboratory for medical students. The new facility is required for the ongoing medical college accreditation of the Carolina Campus. VCOM currently enrolls 300 full time students and is expected to serve 3000 clients annually with the new facility.

The development will also consist of 5,000 square feet of space for a non-profit focused on the neighborhood’s revitalization, the Northside Development Group (NDG), as well as classrooms, community engagement space, a student dormitory for Wofford College’s Sustainability Program and rental housing. The housing units will be a mix of affordable and market rate units.

National Objective: The Community Development Block Grant national objective met will be benefit to low- and moderate-income persons on limited clientele basis and through job creation.

Guaranteed Loan Features:

Term: The City will repay the loan over an 8-year term, with seven years interest-only and a balloon payment in Year 8.

Repayment Sources: At the end of the New Market Tax Credit (NMTC) compliance period, the City will sell the properties occupied by VCOM and AccessHealth, to pay off the Section 108 loan. If tenants are unable to acquire their occupied properties at the end of the compliance period, HUD has determined that the Project will be generating sufficient net operating income to enable the city to obtain a new loan to pay off the Section 108 loan.

Additional Security: The City identified the collateral to secure the loan as the assignment of the Investment Fund's interest in the sub-CDE. As a result of NMTC Program requirements, the City cannot place a lien on the Project real estate; however, the sub-CDE can place a lien on the real property. Therefore, the City will assign HUD its membership interest in the sub-CDE as collateral on the loan.

For Additional Information:

[The City of Spartanburg, SC - Creating a community of choice. All together. All focused.](#)

Housing and Community Development Fund – Clackamas County, OR

Section 108 Loan Guarantee – \$11,100,000

Clackamas County intends to use approximately \$6,000,000 of the Section 108 guaranteed loan funds for eligible activities that will facilitate the new construction of commercial space and preservation of affordable housing units. The Borrower will provide 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. Guaranteed loan funds will also be used for rehabilitation of existing affordable housing and potentially for mixed-use buildings. The Borrower will not use funds for the construction of new housing units.

In addition to affordable housing, the County intends to use approximately \$4,100,000 in guaranteed loan funds for public facilities that address community needs, such as health centers, service centers, and food banks.

The County will provide approximately \$1,000,000 in guaranteed loan funds for third party borrowers to create job opportunities for LMI persons.

Potential Pipeline: Clackamas County has identified three potential projects for the loan fund:

- Acquisition of an existing commercial property to be developed as a mixed-use commercial and multi-family housing project. The County's Housing Authority would provide funds for construction and would own and operate the development.
- Acquisition of an existing residential health care facility in an urban area that would be rehabilitated by a third party and owned by the Borrower. The facility would provide space for multiple agencies to provide health care, dental care and behavioral health services to low-income persons.
- Construction of a health care, dental care and behavioral health care facility (Federally Qualified Health Center) on County-owned land that would provide services to low-income residents in the rural community of Sandy. The County Health Centers Division would operate the facility.

National Objective: Clackamas County will evaluate all assisted projects to ensure that they will meet the criteria for benefit to low- and moderate-income persons by: assisting low- and moderate-income persons on an area basis; assisting activities that benefit a limited clientele, where at least 51 percent of whom are LMI persons; assisting activities designed to create or retain permanent jobs, where at least

51 percent of jobs involve the employment of LMI persons, or assisting activities carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by LMI households.

Underwriting:

The County’s Housing and Community Development Department (HCD) will review applications using weighted scoring criteria. HCD will submit recommendations to the Policy Advisory Board (PAB), which consists of city managers or public works directors from each of the Borrower’s 15 jurisdictions. The PAB will review recommended applications to the Board of County Commissioners, which will make final approvals of applications.

Guaranteed Loan Features:

Term: The County will have a 20-year loan term.

Repayment Source: Clackamas County will use the revenue generated by assisted projects carried out by third-party borrowers. The County will also charge a one percent loan origination fee based on the principal amount of the loan for direct costs associated with third party loans.

Additional Security: The County will pledge its interest in third party loans, secured by liens on real property and improvements as well as liens on machinery and equipment, and other items of personal property.

Twin Rivers Infrastructure Project – Sacramento, CA

Section 108 Loan Guarantee – \$16,490,000

In conjunction with the City of Sacramento, the Sacramento Housing and Redevelopment Agency (SHRA) and Housing Authority of the City of Sacramento (HACS) are preparing to replace and redevelop the Twin Rivers housing development, the City’s oldest public housing stock, into a mixed-income housing development. The overall project is also being supported through a \$30 million HUD Choice Neighborhoods Implementation grant.

HACS will use \$16.49 million in Section 108 guaranteed loan proceeds to finance the initial phase of the new Twin Rivers Transit Oriented Development and Light Rail Station Project. This phase will consist of demolition as well as on-site and off-site public infrastructure work necessary to begin the vertical construction of the residential component of the larger Twin Rivers redevelopment project.

The current Twin Rivers development is located on 21.3 acres and is isolated and disconnected from the surrounding area by train tracks, levees and rivers, with limited connection to the heart of downtown Sacramento. The housing development and the infrastructure systems supporting it are at the end of their useful life and do not conform to current seismic and energy efficiency standards. The new development will provide one-for-one replacement of all of the 218 existing public housing units, and, when completed, it will include a minimum of 487 mix-income rental housing units with supporting

amenities, installation of new streets, wet and dry utilities, streetlights and a multi-use public park. The project will expand options for residents to live, work, and learn in a mixed-use environment, offering opportunities for residents that were previously unavailable in the area.

National Objective: The CDBG national objective to be met will be benefit to LMI persons on an area basis as the area is over 93 percent LMI.

Guaranteed Loan Features:

Term: HACS's note will have a 20-year loan term.

Repayment Sources: The City and HACS will use annual allocations of CDBG as the primary source of repayment for the Section 108 loan. They will also make loan payments with other sources of funds as they may become available.

Additional Security: Both HACS and Sacramento Housing and Redevelopment Agency (SHRA) have fee title to unencumbered properties, both vacant sites and non-Annual Contributions Contract (ACC) residential rental units. SHRA received approval from its governing boards to pledge five unencumbered properties, while HACS received approval to pledge 208 unencumbered properties.

For Additional Information:

[City of Sacramento – City Council Report](#)