



HUD OZ Roundtable

Opportunity Zones: Prioritizing Community Impact



Today's Topics



HOME and HTF in OZs



SECTION 108



CDBG & 108 with OZs



TAKING ADVANTAGE OF OZs



PROJECT EXAMPLES:

Atlantic City/County, NJ



HOME and Opportunity Zones



Anti-displacement tool

Additional leverage



HTF and Opportunity Zones

Preservation and production of affordable rental housing

- Ensure mixed-income and diverse neighborhoods with affordability requirements for 30 years



Operating costs of HTF-assisted properties



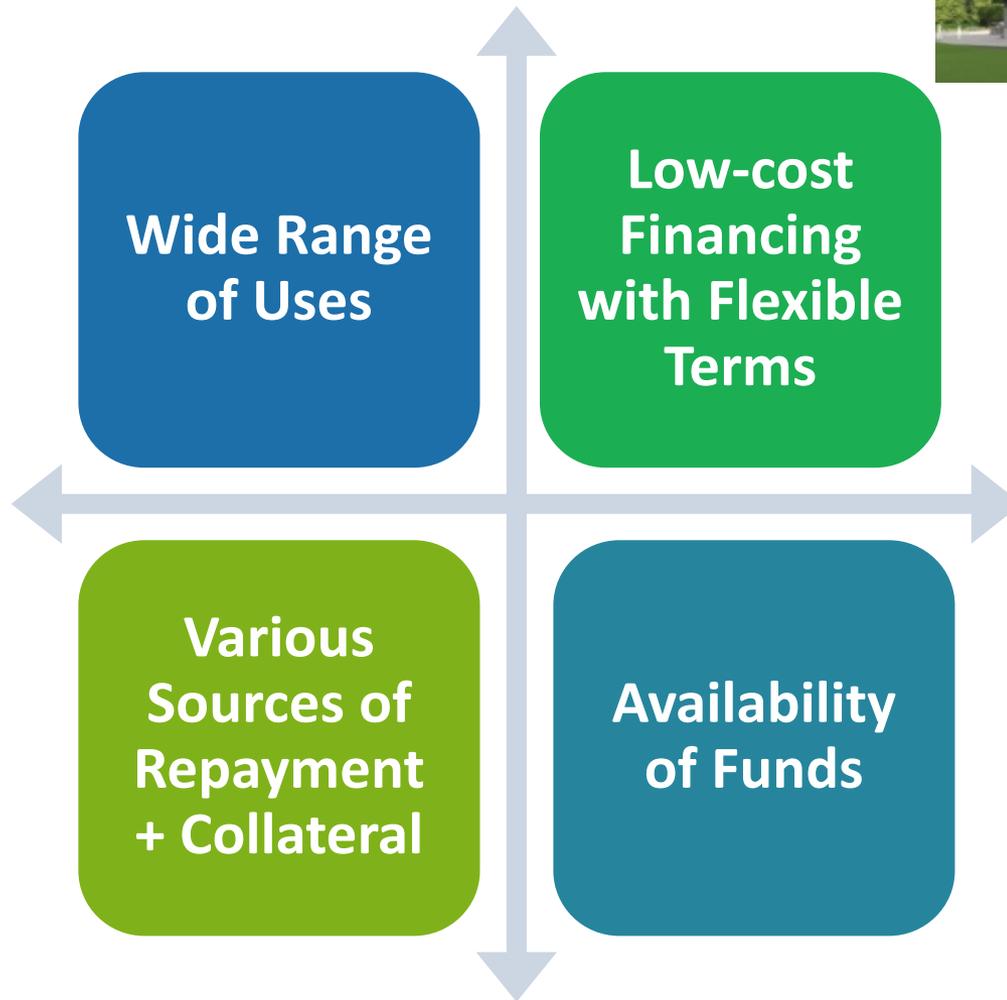
HUD's Section 108 Loan Guarantee Program



Provides loan guarantees
CDBG Program Framework
Low Cost & Non-Competitive



What makes Section 108 an attractive financing tool?



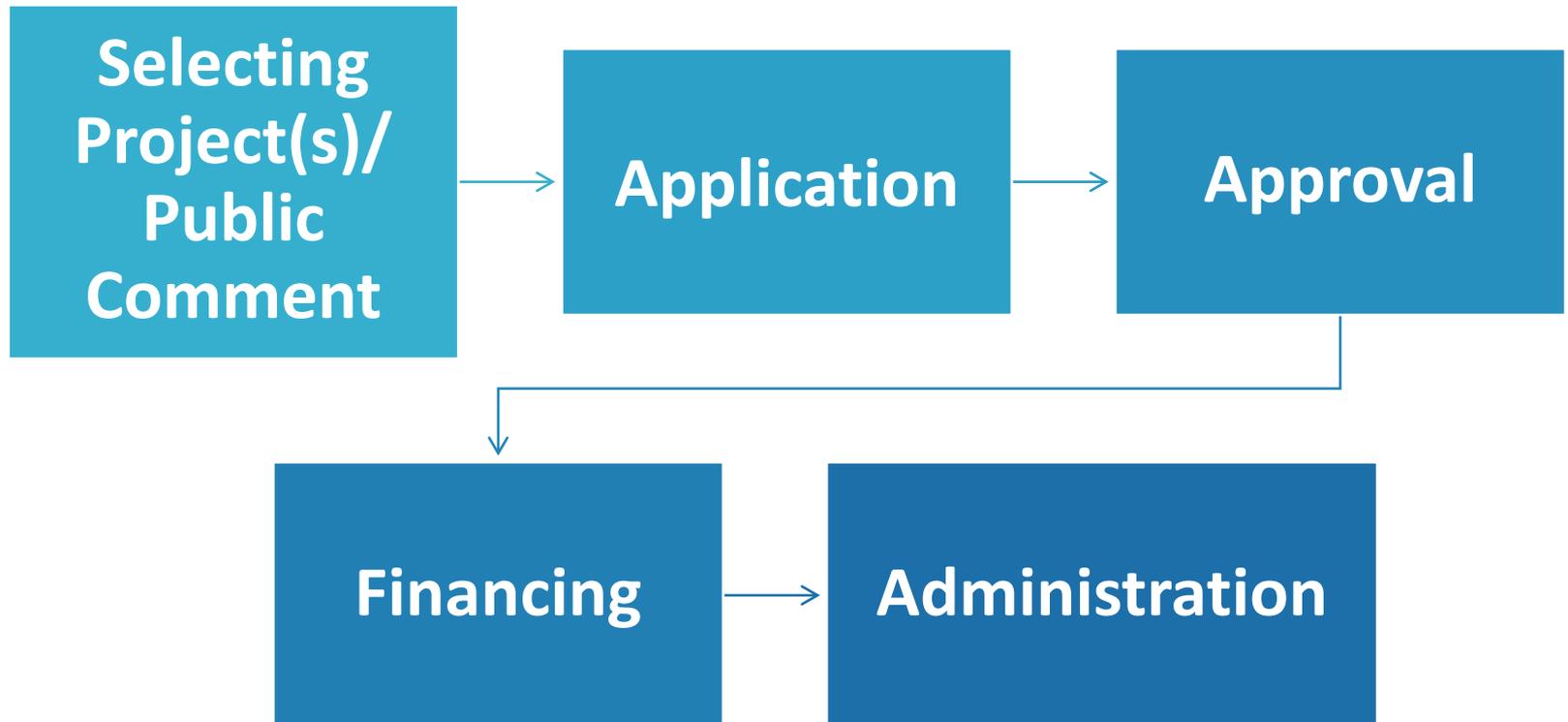
Section 108 Borrowing Capacity

Annual CDBG Allocation		\$3,000,000
Max available borrowing capacity	x 5	= \$15,000,000
Outstanding 108 commitments	-	\$800,000
Outstanding 108 loan balance	-	\$2,000,000
Available borrowing capacity		= \$12,200,000

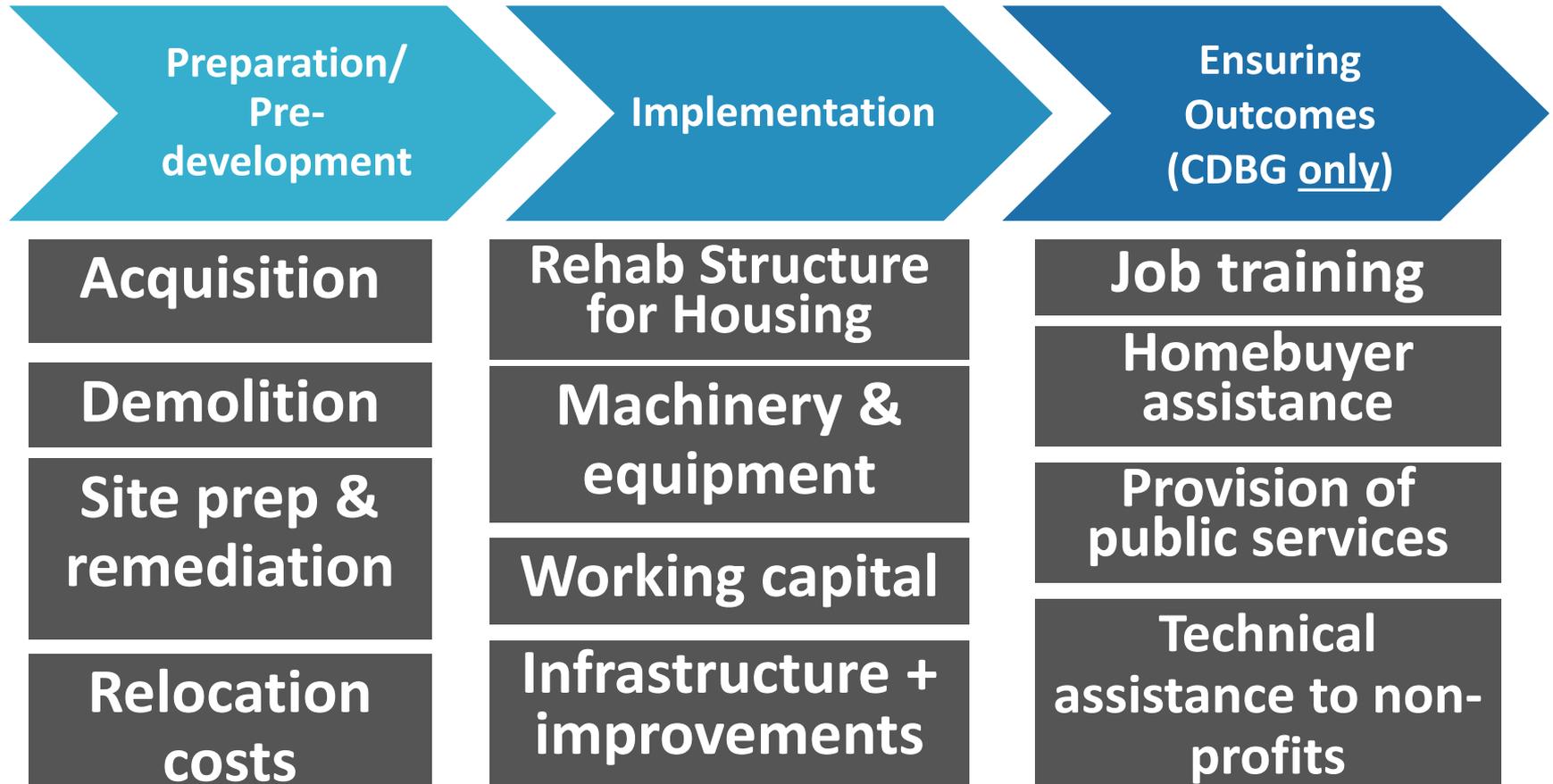
Or you can just look on our website here:

<https://www.hudexchange.info/resource/5197/current-availability-of-section-108-financing-cdbg-entitlement-and-state-grantees/>

Section 108 Process



Stages for Section 108 & CDBG Deployment



Approach to using Section 108



Specific Project

Requires specific project detail for financial underwriting by HUD Headquarters

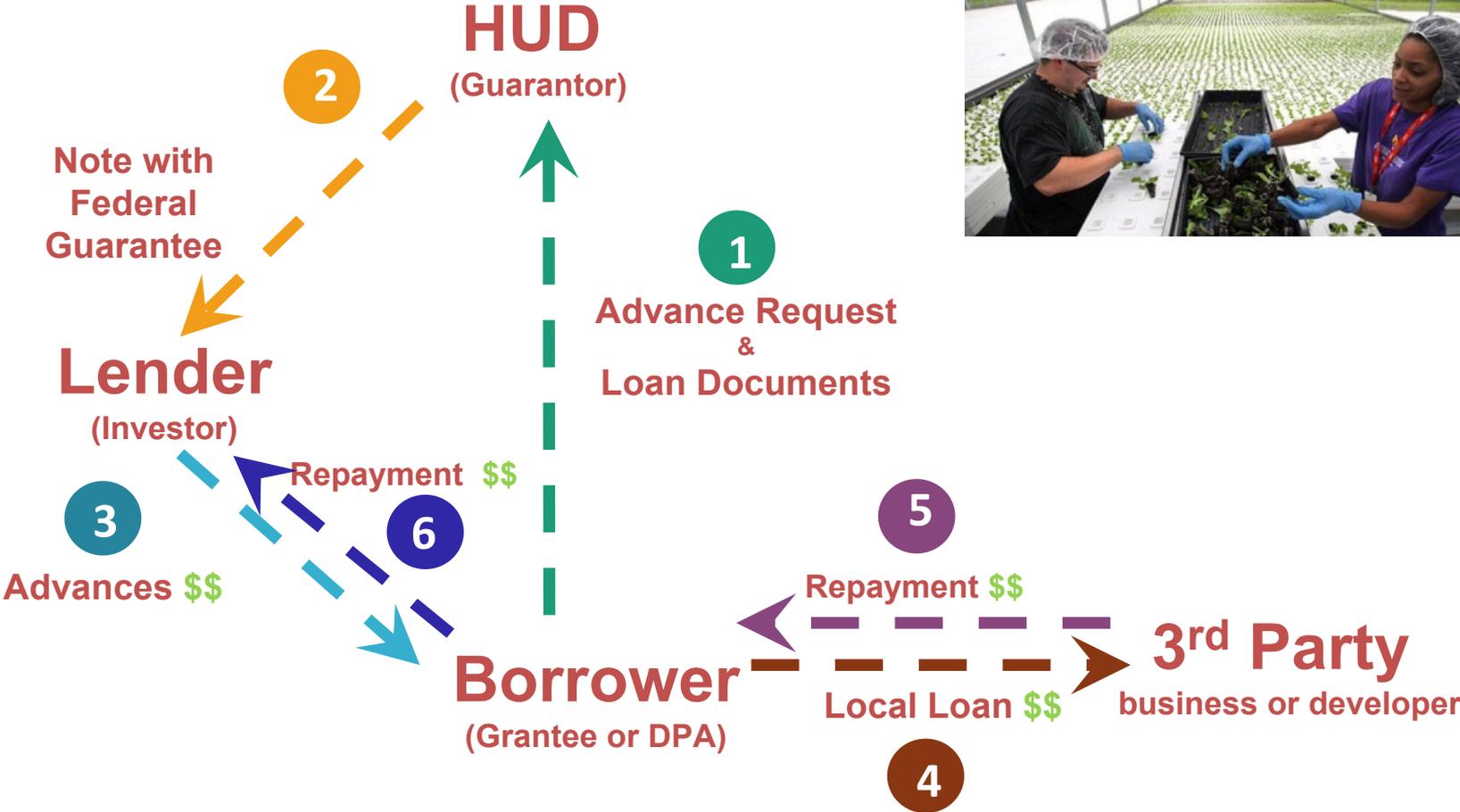
Loan Fund

Application describes types of activities the community will fund

Ideal for targeting resources to a specific geographic area or advance specific development goal



Flow of Funds: Project by a 3rd Party



Source of Capital & Interest Rates

Interim Financing: Variable interest rate financing based on the 3-month Treasury Bill Auction Rate + .35%)

Permanent Financing: Competitive fixed interest rate financing available through HUD's public offering



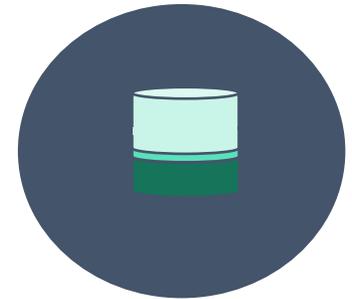
How does **Section 108** fit into the financing for a project?



STANDALONE



LAYERED



GAP



Using Section 108 maximizes the impact of grant funds



Combined CDBG + 108 Funding for Projects

> \$10

< \$4 million

Average Annual CDBG Allocation (Section 108 Borrowers) over the last 20 years

Combining Section 108 with Other Federal Financing



- New Market Tax Credits



- Opportunity Zones
- EDA Public Works & Economic Adjustment Assistance



- Historic Tax Credits



- 7(a) Loans
- 504 Loans



- BUILD Grants
- TIFIA



- Low-Income Housing Tax Credits



- 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

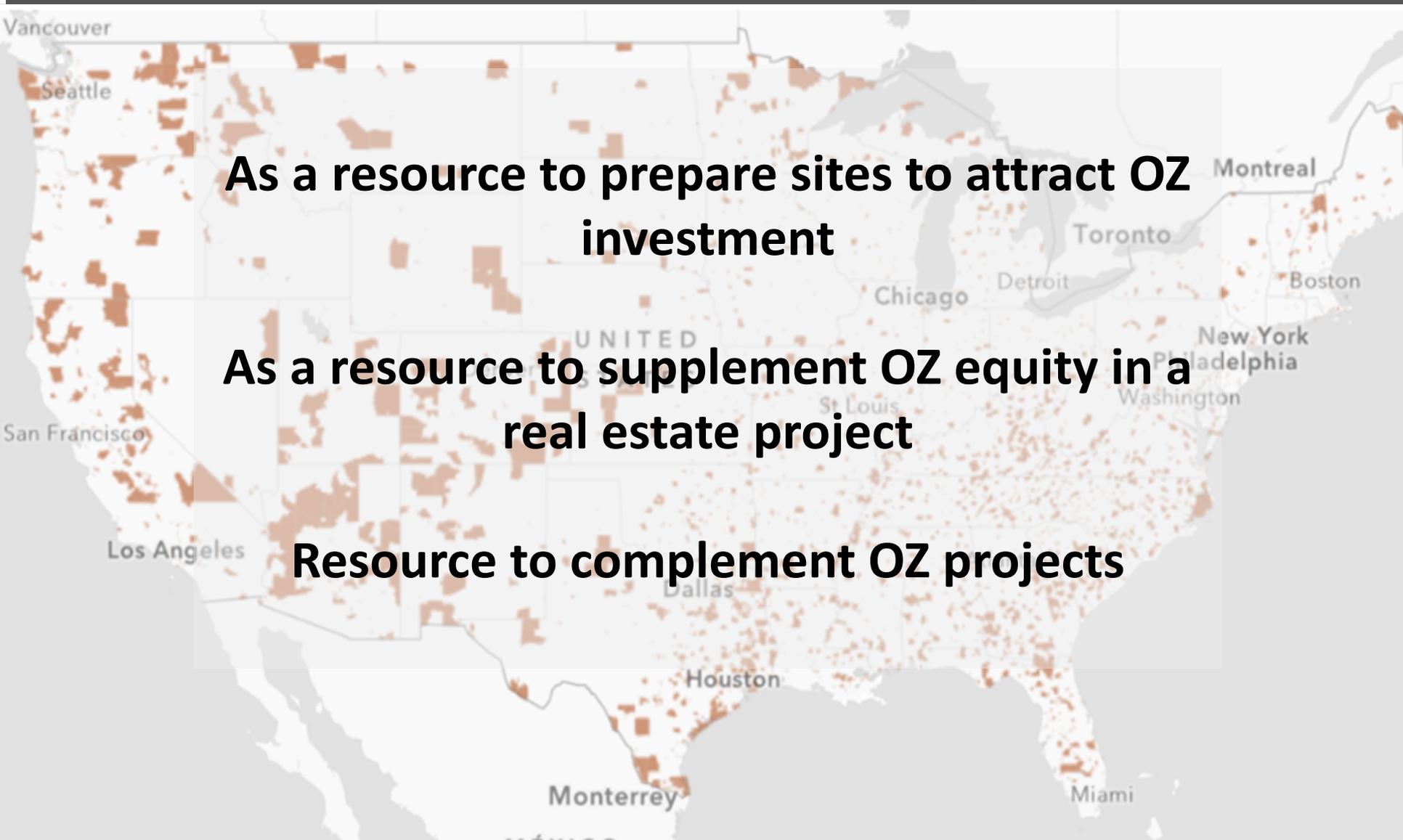
- Allocate funds to uses that meet program objectives (e.g., commercial component of the project)

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)

- 4% LIHTC



How Section 108 and CDBG Can Be Used in OZs

A map of the United States showing numerous brown dots scattered across various states, representing Opportunity Zones. Major cities are labeled, including Vancouver, Seattle, San Francisco, Los Angeles, Dallas, Houston, Monterrey, Miami, Chicago, Detroit, Toronto, Montreal, Boston, New York, Philadelphia, and Washington. The text is overlaid on the map.

As a resource to prepare sites to attract OZ investment

As a resource to supplement OZ equity in a real estate project

Resource to complement OZ projects



How Can Local Governments Take Advantage of OZ's?

State and local governments should take an active approach to directing Opportunity Fund investment.

Identify available sites and properties in Opportunity Zones

Look for ways to **complement** Opportunity Zone projects

Identify and plan for infrastructure to be rehabilitated

Streamline local government processes





How Can Local Governments Take Advantage of OZ's?

Build an attractive financing stack

Work with local government partners to create federal funding packages to fill gaps in Opportunity Zone project financing

Introduce additional tax incentives, tax increment financing and other financing strategies to encourage targeted investment in Opportunity Zones





Tips/Tools for Streamlining Federal Requirements

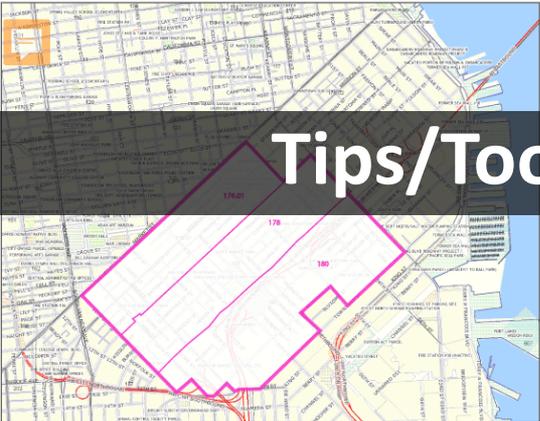
Streamlining reporting requirements can make CDBG/Section 108 more attractive as a local/state source of leverage for Opportunity Zone projects.

- Since Opportunity Zone funding does not have any reporting or tracking requirements, streamlining any additional requirements that would come from HUD funding is key.

If a project is in a designated Opportunity Zone, it may meet the requirements to ease HUD's reporting requirements under

presumptive benefit:

- If the poverty rate of each block group is 20%+ (not in the CBD) or 30%+ (in the CBD), all jobs created/retained will be considered LMI without requiring household income documentation.



Tips/Tools for Streamlining Federal Requirements

If a community has an Opportunity Zone, it will likely meet requirements needed to be designated a HUD **Neighborhood Revitalization Strategy Area (NRSA)**, which also permits more flexibility with HUD requirements:

- Can streamline requirements for jobs reporting (same as with presumptive benefit)
- Single family housing units can be aggregated for an overall 51% low to moderate income benefit, not 100%
- Can provide additional connected services (such as job training and other social services) by enabling communities to exceed CDBG public service cap in that area
- Designation lasts for 5 years and can be renewed

Atlantic County & County, NJ: Business Loan Program

Business loans made to two categories of borrowers:

1) Small to medium sized business

- Loans up to 40% of project costs or \$400,000, whichever is lower

2) Small businesses (including family-owned)

- Micro loans from \$1,000 - \$35,000

- Loans used primarily for gap financing for working capital, business operations including inventory, accounts payable, accounts receivable as well as fixed asset financing including acquisition, renovation and new construction

- Section 108 funds used to leverage SBA 504 private financing



Atlantic County & County, NJ: Business Loan Program

Loan fund managed by the Atlantic County Improvement Authority on behalf of Atlantic City and Atlantic County.

ACIA successfully used Section 108 funds in combination with OZ funds in the Tennessee Avenue redevelopment project.



The project revitalized an important tourist street, rehabilitating several buildings into a beer garden, coffee shop, yoga studio, two restaurants, and a chocolate bar.

Project Sources	
Private Capital/OZ Fund	\$687,000
Section 108	\$459,000
Total	\$1,146,103

3 Take-aways

Know your zone(s)

Know how much HUD funding is at your disposal

Be proactive and ensure your seat at the table





Resources



Section 108 General Resources

HUD has created resources on HUD Exchange to assist potential borrowers with developing applications:

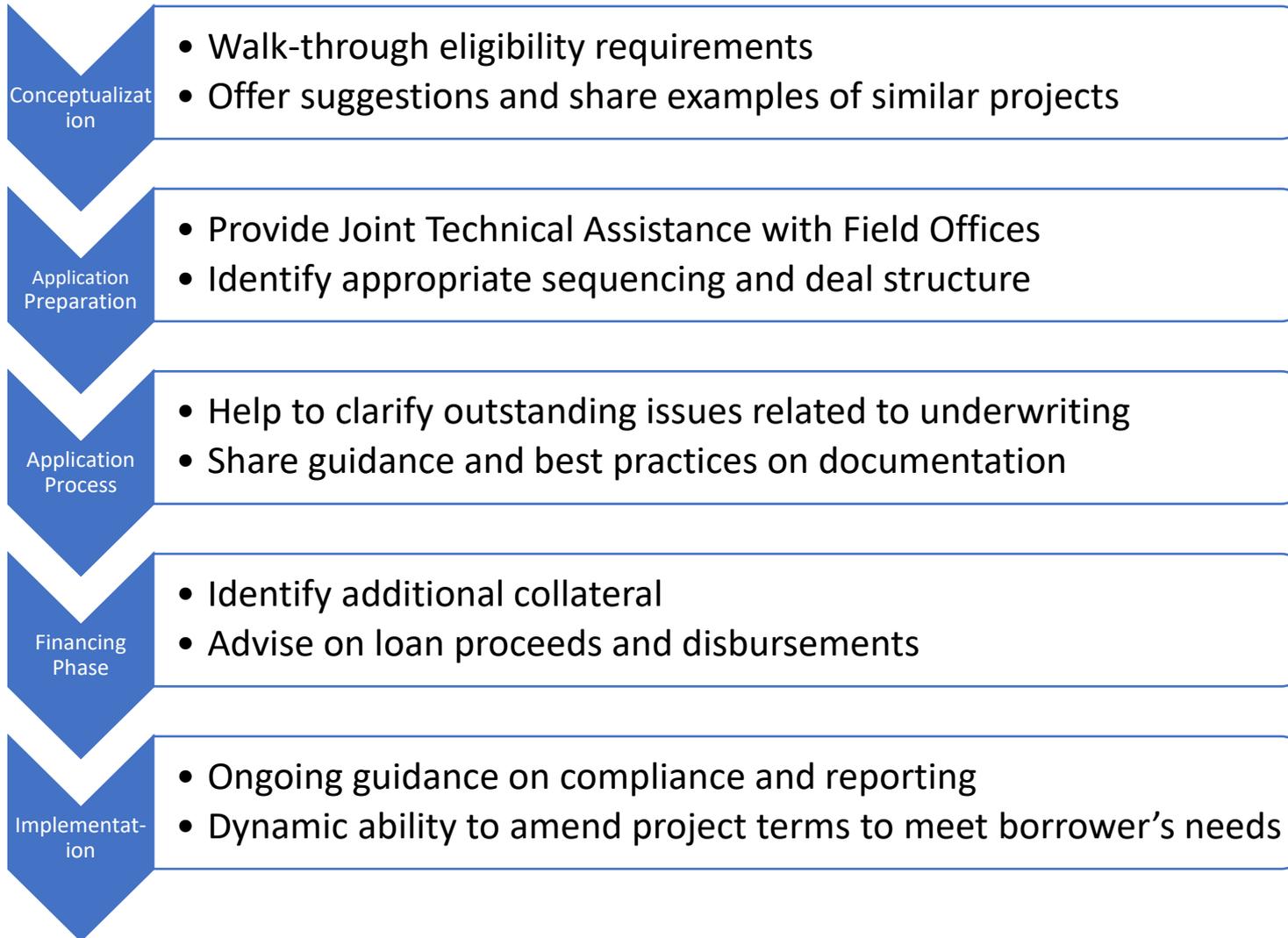
- Borrowing capacity spreadsheet [*updated annually*] [Link](#)
- Application Tool [Link](#)
- Single certifications document [Link](#)
- Section 108 Application & Finance Process Infographic [Link](#)
- Project profiles for all applications approved in recent fiscal years [Link](#)
- HUD NRSA Webinar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

Many other resources are available on HUD.gov and HUD Exchange.

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



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Want more information?

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

