



**Section 108 Loan Guarantee Program
Community Development Block Grant (CDBG)
U.S. Department of Housing and Urban Development**

From Due Diligence to Redevelopment 2022



Today's Topics



Project Examples



CDBG Overview




CDBG Section 108 Basics



Combining 108 with Other Financing



Resources

An architectural rendering of a modern, multi-story building with a prominent central tower, set against a twilight sky. The building's windows are illuminated from within. In the foreground, a vibrant public plaza is shown at dusk, with people walking, sitting on benches, and playing in a water feature. The scene is lit with warm, ambient lighting, creating a lively and inviting atmosphere. A dark, semi-transparent banner with white text is overlaid across the middle of the image.

Types of Section 108 Projects with Examples

Types of Section 108 projects



Economic Development

Central Business District Support

Retail/Office and Manufacturing

Small Business Financing

Business Retention

Housing



Loan Funds for Third Party Developers

Adaptive Reuse

Supporting New Housing Construction

Rehab of private housing stock and public housing



Public Facilities

Community Centers

Park Upgrades

Hospitals

Gov't Bldgs serving Residents

Infrastructure



Water & Sanitation

Streets, Curbs and Gutter Improvements

Broadband Line Extensions

Devastated Landscapes

Scale of Section 108 projects

Solar Panel Systems

Rehab of Affordable Housing

Remediation and New Construction

Sidewalk and Curb Improvement

Construction of Community Centers

Acquisition, Clearance

Park Upgrades

Cooperative Development

Multi-use Anchor



Incremental Improvements

Substantial Project

Transformational Initiative

Demolition + Remediation + Flood Control Example



Meriden, Connecticut

TOTAL 108 FINANCING: \$1,500,000

Demolition and Flood Control

- The City used a Section 108 guaranteed loan to fund the demolition of abandoned structures on a seven-acre Factory H Brownfield site as a precursor to the installation of flood control infrastructure and creation of an open/green space public facility.
- The City created flood control infrastructure to prevent future flooding in low- and moderate-income neighborhoods surrounding Factory H. This will improve the immediate area from one that can currently only contain water from a 25-year storm to one that can contain water from a 100-year storm.
- The City is repaying the Section 108 loan over a 15-year term using its annual CDBG allocation as the source of its repayment.
- For Additional Security, the City is pledging its full faith and credit.

Landfill Cap + Remediation + Park Space Examples



Waltham, Massachusetts

TOTAL 108 FINANCING: \$4.195M

Landfill Remediation

- The City will use 108 funds to complete the testing for the final cap and construct the cap. Once the cap is in place, the City will design and build a park at the City-owned site. The current site of the former landfill occupies 8.69 acres of land in one of Waltham's lowest income neighborhoods.
- The landfill was originally used as a dump site for ashes from coal and heating furnaces in 1912, with up to 35,000 tons of ash dumped on site annually until 1971 when the site was closed. The task of the scope of work, to be funded by Section 108 loan funds, is to complete an evaluation of alternative corrective actions to be implemented to address the specific conditions of contamination. With the cap in place, the City will be able to develop a viable and sustainable neighborhood amenity that will reduce blight and improve the lives of residents in the area

Remediation + Urban Ag + Economic Development Example

Cleveland, Ohio

TOTAL 108 FINANCING: \$3.97M

Green City Growers Greenhouse Cooperative

- 108 funds were used to remediate and redevelop 10.68 acres of an industrial/residential site into an employee-owned cooperative greenhouse that created 42 full-time jobs producing 2 million pounds of healthy greens and 200,000 pounds of fresh herbs annually.
- The City assembled the parcels and then sold the site to a developer to carry out the project consisting of two buildings, a greenhouse with multiple bays and a packing house where produce will be prepared for shipping. The developer leases the facility to the Green City Growers cooperative.



reduce blight and improve the lives of residents in the area



Section 108 Basics

Community Development Block Grants (CDBG)

The CDBG Program provides **annual grants on a formula basis** to states, cities, and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.

- \$3.45 billion in FY 2021
- Approximately 1200 grantees nationwide
 - 30% states
 - 70% cities (over 50K) and counties (over 200k)
 - Separate funding for Tribes, Territories, and after Presidentially Declared Disasters





HUD's Section 108 Loan Guarantee Program

- Provides loan guarantees (up to 5x the CDBG grant), not grants
- Offers recipients a non-competitive means of accessing lower interest rates
 - Variable Rate Financing: 3-month Treasury Bill Auction Rate + 35 bps = 1.64% + 0.35% = 1.99% on [6/15/22](#)
- Employs the programmatic framework of the CDBG Program
- Dedicated staff willing to provide 1-on-1 Technical Assistance



CDBG and Section 108 National Objectives



Benefit to Low- and Moderate-Income Persons



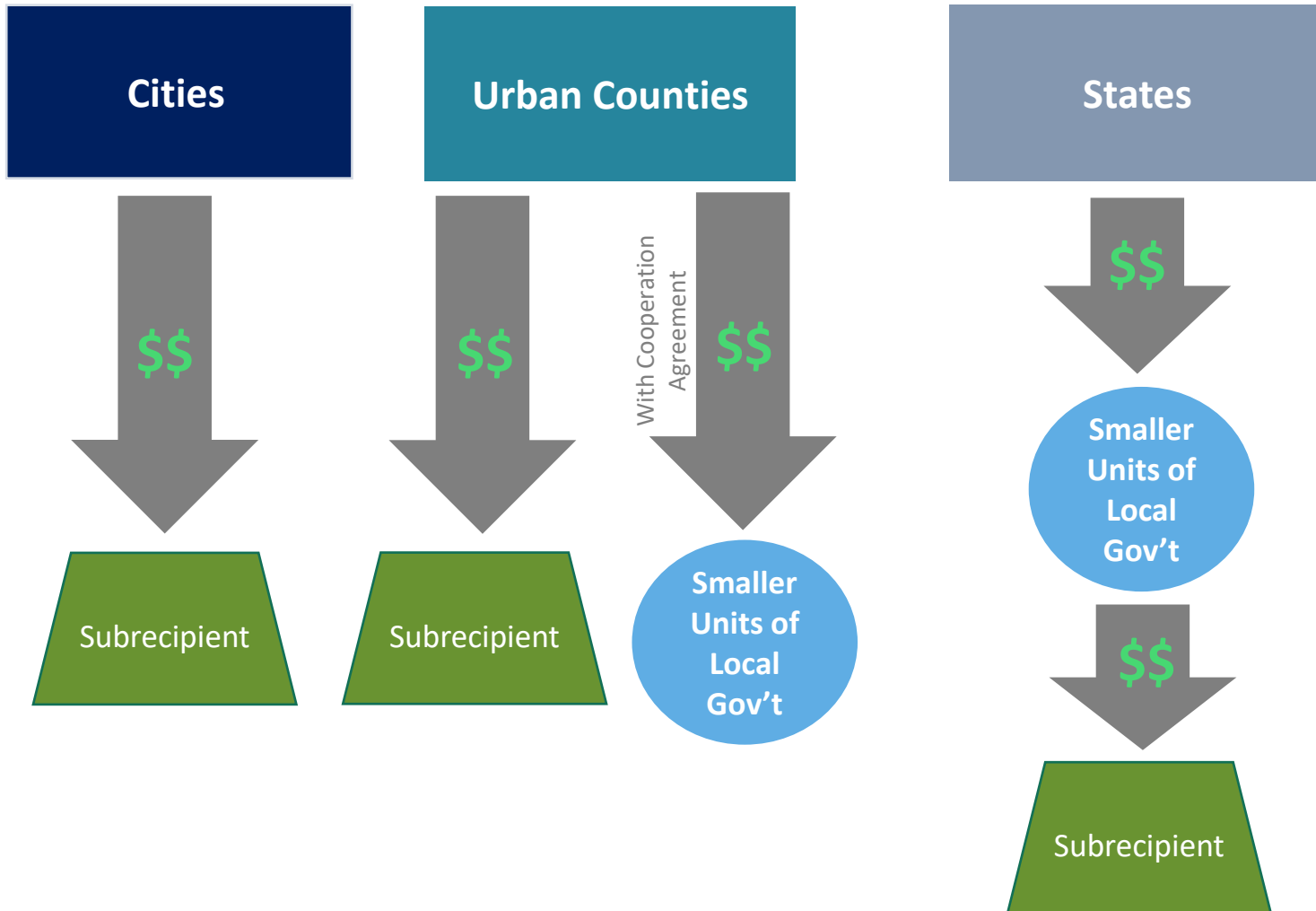
Elimination of Slum & Blight



Urgent Need

Who has access to CDBG & Section 108 funds?

Entitlement
Communities



Subrecipient entities and other partners may receive Section 108 funds directly if they are public agencies

Examples

- ✓ *economic development*
- ✓ *public housing authorities*
- ✓ *community development corporations*
- ✓ *non-profits*

* Non-entitlement communities in Hawaii and Insular Areas receive CDBG funds as well

Section 108 Borrowing Capacity

Annual CDBG Allocation		\$3,000,000
Max available borrowing capacity	x 5	= <u>\$15,000,000</u>
Outstanding 108 commitments	-	\$800,000
Outstanding 108 loan balance	-	<u>\$2,000,000</u>
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 Borrowing Capacity for Maryland

Entitlement Communities in MD	Borrowing Capacity
Annapolis	\$1.5M
Anne Arundel County	\$10.7M
Baltimore	\$95M
Baltimore County	\$21.2M
City of Bowie	\$968K
Cumberland	\$3.4M
Frederick	\$2.1M
City of Gaithersburg	\$2.3M
Hagerstown	\$4.1M
Harford County	\$5.6M
Howard County	\$6.8M
Montgomery County	\$25.1M
Prince George's County	\$25.1M
Salisbury	\$2.0M
State of Maryland	\$39.9M

These borrowing capacity calculations are based on the FY2021 CDBG grant awards as well as grantees' outstanding Section 108 guaranteed loans & commitments as of 11/10/21

Approaches to using Section 108

Project Specific:

- Application is for a specific project or projects
- Requires a high level of project detail & specificity for financial underwriting by HUD Headquarters

Loan Pool:

- Application describes type of loan pool projects to be funded along with the community's underwriting process
- Individual projects must have a Field Office determination letter to funds to be drawn



Stages for Section 108 Deployment

Preparation/ Pre-development

Implementation

Acquisition

Demolition

**Site prep &
remediation**

**Relocation
costs**

**Rehab of
Structures**


**Machinery &
equipment**

Working capital

**Infrastructure +
improvements**



**Program
Requirements**



**Financial
Requirements**



**Program
Requirements**

FINANCIAL

Repayment

Collateral

Primary Source:

Pledge of current and
future CDBG

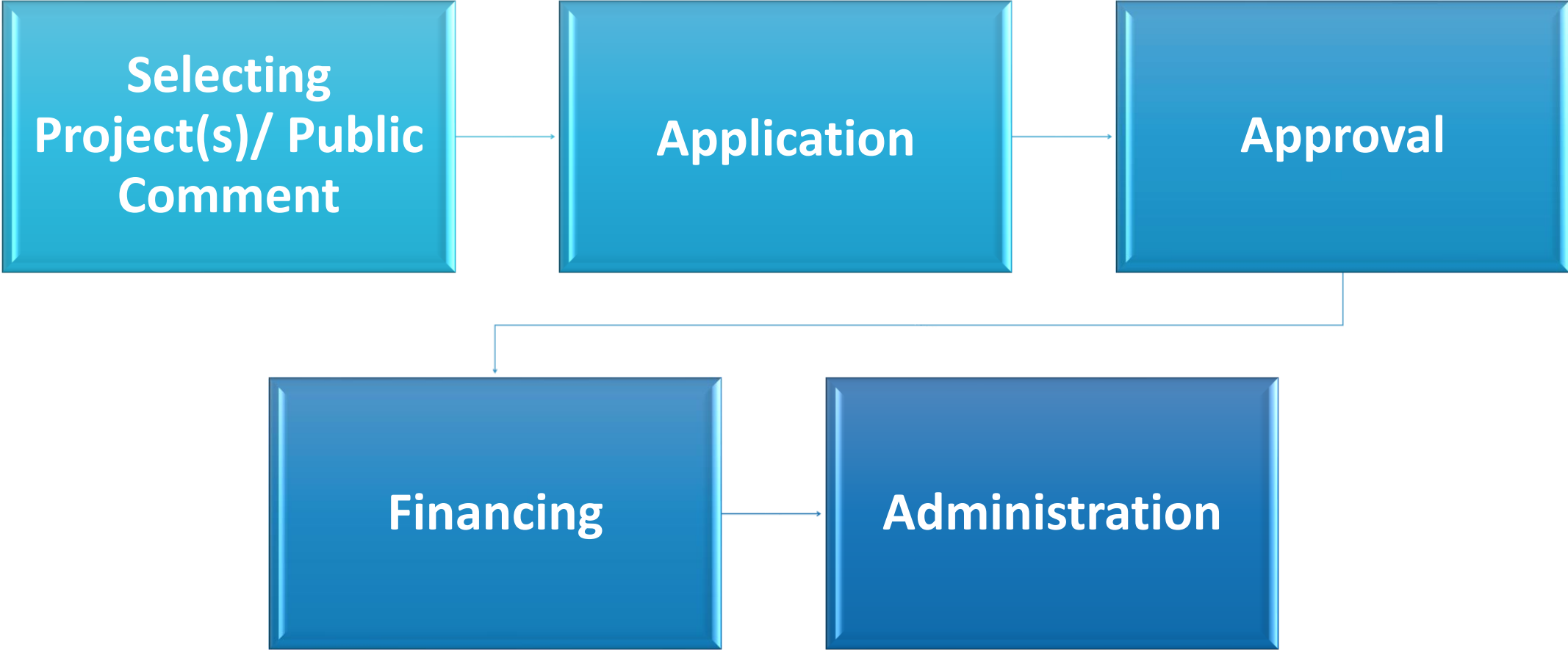
Potential Sources of
Additional Collateral:

Property lien

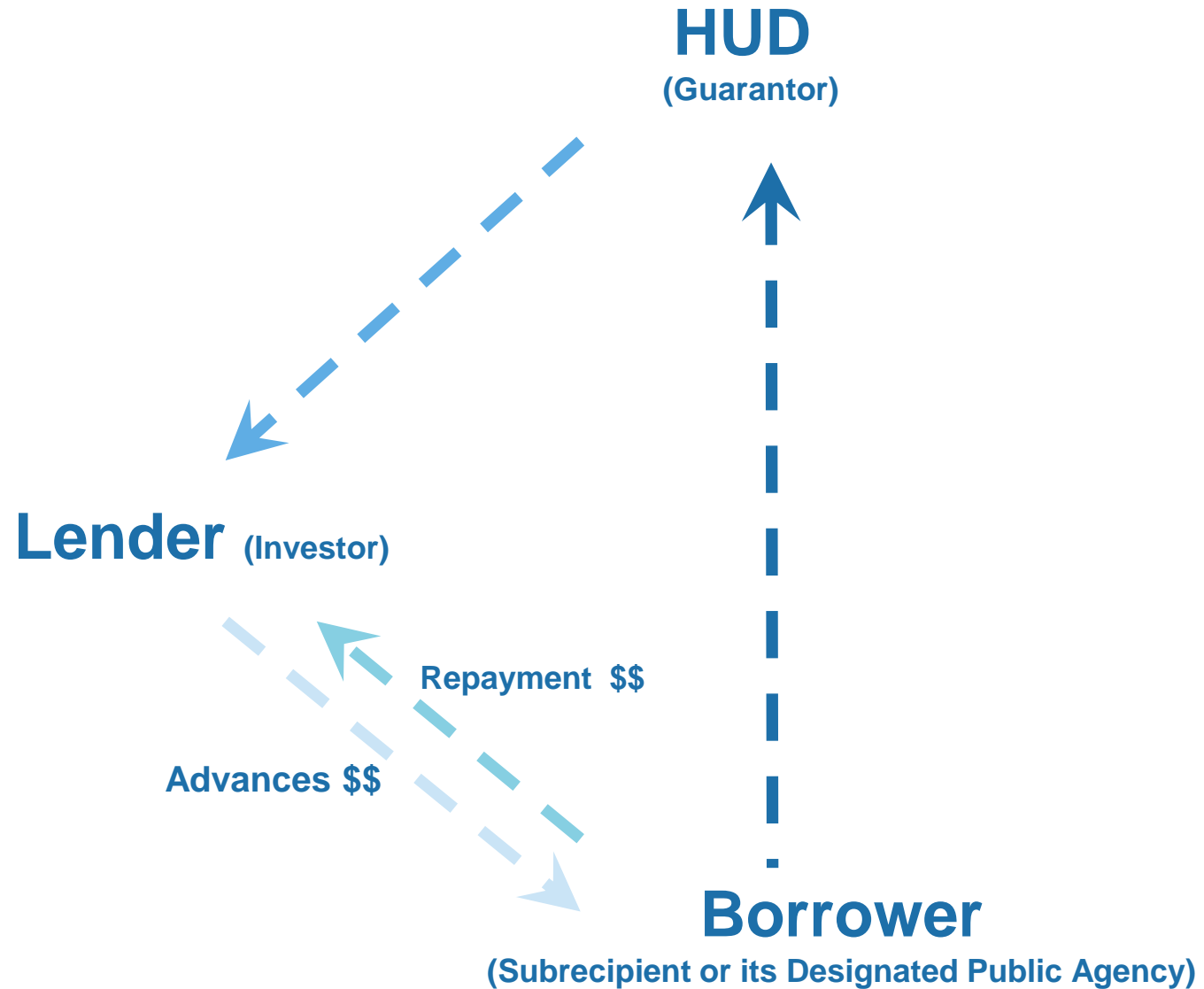
Full faith and credit

Reserves (subject to
appropriations)

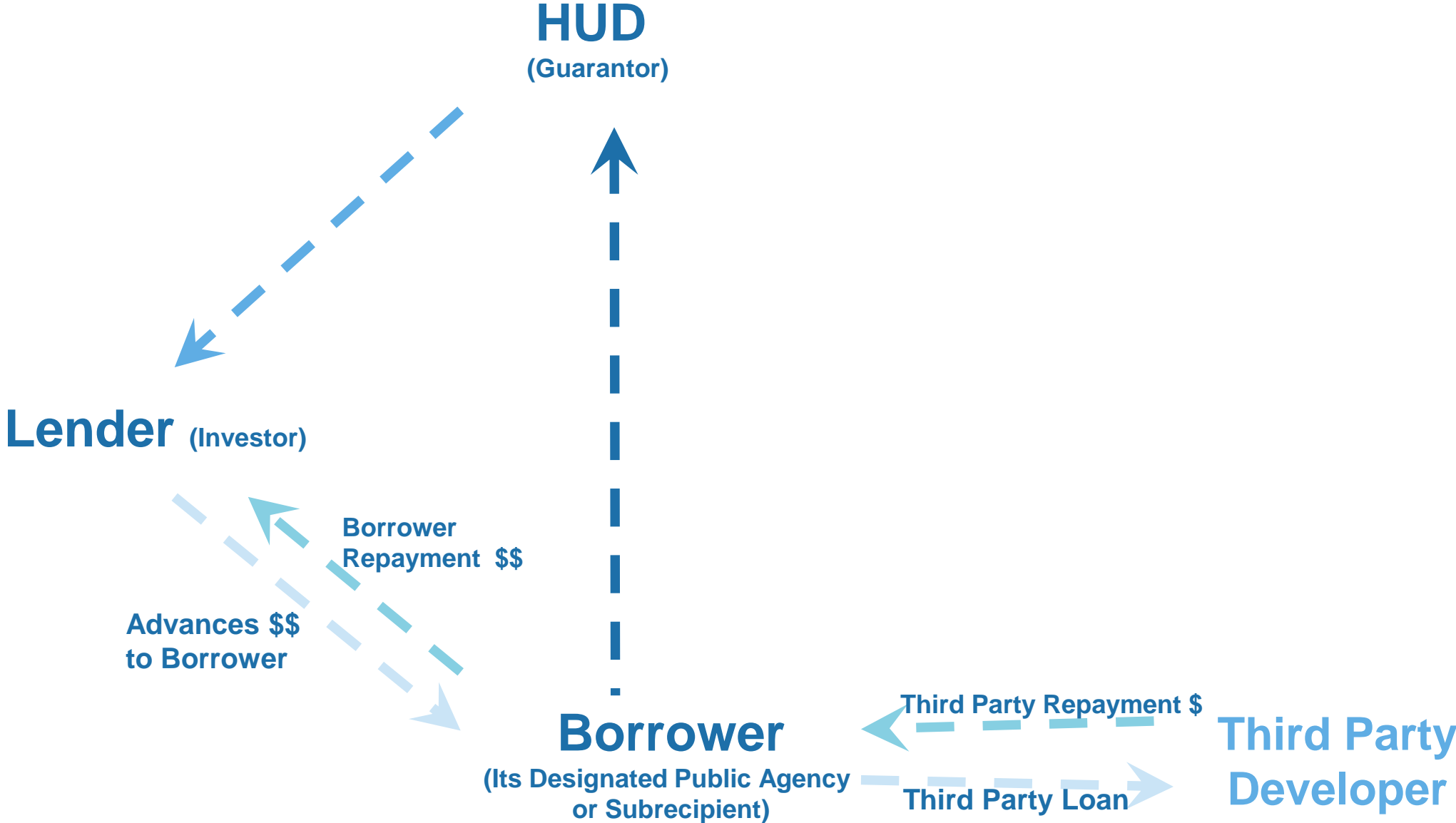
Section 108 Process



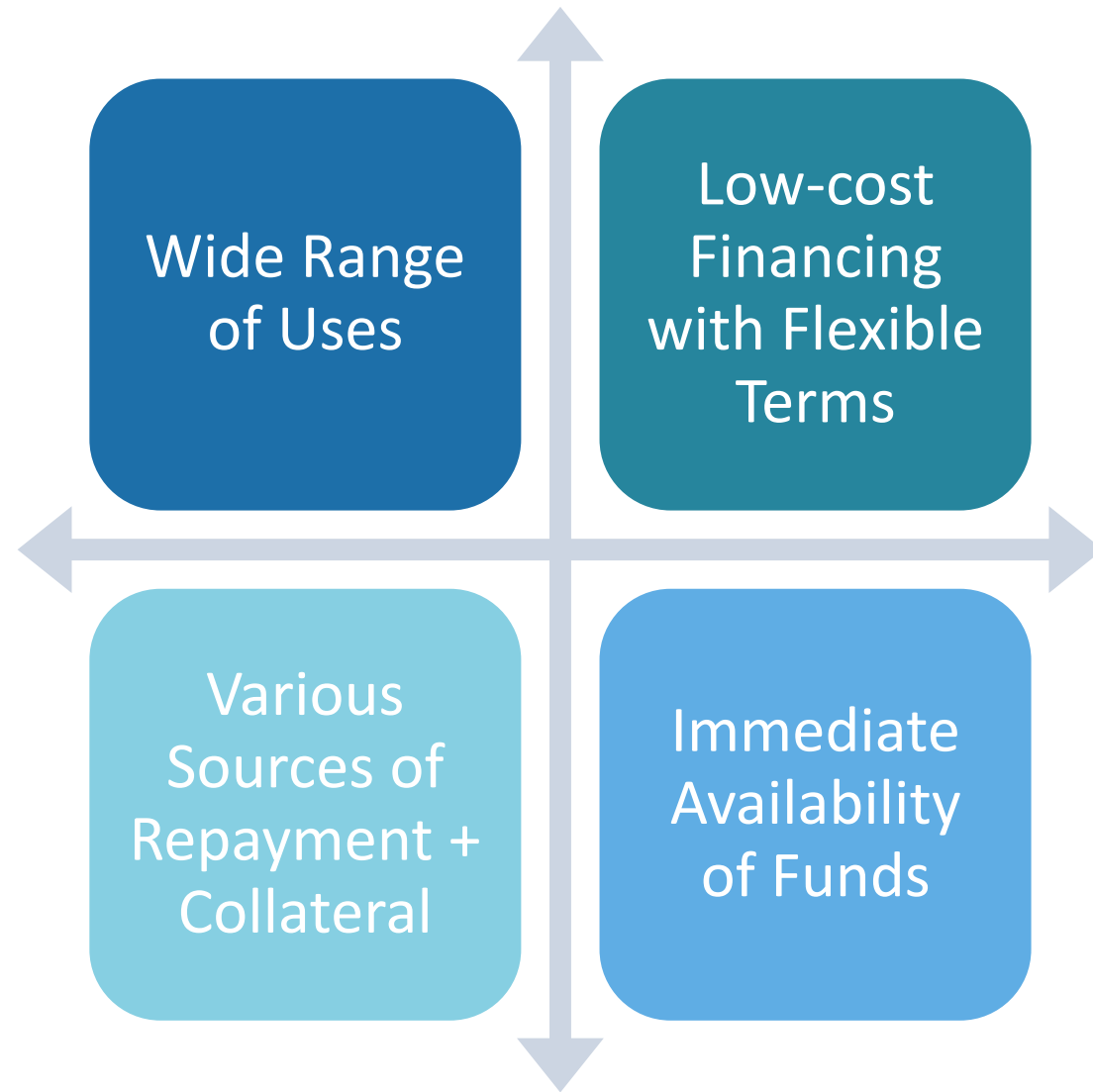
Flow of Funds: Project by the Applicant

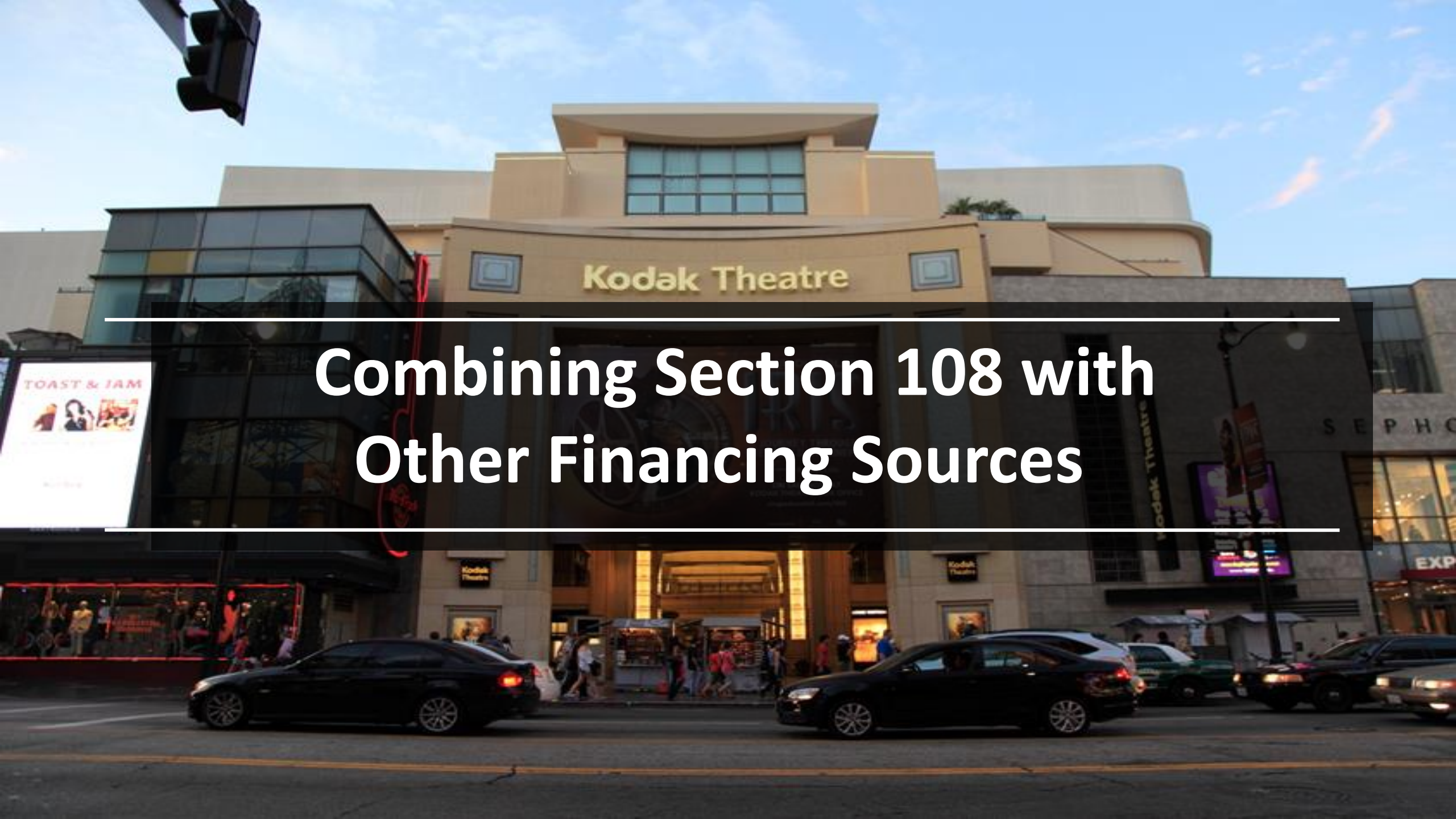


Flow of Funds: Project with a Third Party Developer/Borrower



Why is Section 108 an attractive financing tool?



A photograph of the Kodak Theatre building at dusk. The building is a large, multi-story structure with a prominent entrance. The name "Kodak Theatre" is illuminated in gold letters above the entrance. To the left, there is a large glass facade and a billboard for "TOAST & JAM". To the right, there is a "SEPHORA" store. The sky is a mix of blue and orange, indicating sunset. In the foreground, there are several cars on a city street, including a black sedan and a green taxi. A traffic light is visible in the upper left corner.

Kodak Theatre

Combining Section 108 with Other Financing Sources

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



STANDALONE



LAYERED



GAP

Combining Section 108 with Other Federal Financing



➤ New Market Tax Credits



➤ EDA Public Works & Economic Adjustment Assistance



➤ Historic Tax Credits



➤ 7(a) Loans
➤ 504 Loans



➤ BUILD Grants
➤ TIFIA



➤ Low-Income Housing Tax Credits
➤ Opportunity Zones



➤ Revolving Loan Funds
➤ Brownfields Remediation Financing
➤ WIFIA



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 Checklist [Link](#)
- Single certifications document [Link](#)
- Section 108 Application & Finance Process Infographic [Link](#)
- Project profiles for all applications approved in recent fiscal years [Link](#)
- [Join our mailing list to get email updates! Link](#)



Many other resources are available on HUD.gov and HUDexchange.info

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

Conceptualization

- Walk-through eligibility requirements
- Offer suggestions and share examples of similar projects

Application Preparation

- Provide Joint Technical Assistance with Field Offices
- Identify appropriate sequencing and deal structure

Application Process

- Help to clarify outstanding issues related to underwriting
- Share guidance and best practices on documentation

Financing Phase

- Identify additional collateral
- Advise on loan proceeds and disbursements

Implementation

- Ongoing guidance on compliance and reporting
- Dynamic ability to amend project terms to meet borrower's needs

FMD is willing to provide 1-on-1 Technical Assistance during any project cycle stage for interested applicants.



For More Information

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





Strategic Demolition Fund: Revitalization Through Gray and Brownfield Redevelopment

Olivia Ceccarelli-McGonigal, AICP
Nicholas Mayr

Maryland Department of Housing and Community Development

DIVISION OF NEIGHBORHOOD REVITALIZATION

- Work with local partners to bring new investment and vitality to Maryland's core communities.
- Offer a broad range of loan, grant and technical assistance programs to help:
 - Local governments
 - Non-profit organizations



Strategic Demolition Fund

The Strategic Demolition and Smart Growth Impact Project Fund (SDF) provides grants and loans to counties, municipalities, and nonprofit organizations to subsidize predevelopment activity that will facilitate housing and revitalization projects, including environmental remediation.

- Advances Smart Growth principles by directing incentives into Sustainable Community Areas.
- Specifically targets grayfields and brownfields, to make redevelopment of these areas more competitive with greenfields and attractive to developers.

Project C.O.R.E. – Creating Opportunities for Renewal and Enterprise – is a targeted initiative through the SDF program that aims to eliminate blight in Baltimore City and make the way for new green space, new affordable and mixed use housing, and new and greater opportunities for businesses to innovate and grow.



Eligible Uses of Funding

Funds from the Strategic Demolition Fund program can be used for, but are not limited to, the following pre-development activities:

- Demolition of derelict non-contributing structures.
- Site acquisition and assembly to create redevelopment-sized parcels for solicitation or planned development.
- Site development including infrastructure improvements and environmental remediation.
- Construction-level architectural and engineering designs.
- Stabilization of buildings to stay further deterioration and prepare properties for rehabilitation and reuse.



Strategic Demolition Fund

On average, SDF Statewide and SDF Project C.O.R.E. award \$350,000 to \$500,000 towards eligible pre-development work.

FY23 SRP APPROPRIATIONS

Program	Capital Funds	Operating Funds
Strategic Demolition Fund <i>Statewide</i>	\$9 million	N/A
Strategic Demolition Fund Project C.O.R.E	\$21 million	N/A

SUSTAINABLE COMMUNITIES

Is Your Project in a Sustainable Community or Other Incentive Area?

NEIGHBORHOOD REVITALIZATION MAPPER (PUBLIC)

<https://portal.dhcd.state.md.us/GIS/revitalize/index.html>

The screenshot displays the 'Maryland Incentive Zones' web application. The interface includes a search bar at the top with the text 'Search by Address' and a magnifying glass icon. Below the search bar is a map of Baltimore, Maryland, showing various streets and landmarks. A red diamond marker is placed on the map at the location of 2 N CHARLES ST. To the left of the map is a results panel titled 'Incentive Zones Lookup' with two tabs: 'Input' and 'Results'. The 'Results' tab is active, showing the following information:

Incentive Zones Lookup	
Input	Results
Selected Location: 2 N CHARLES ST, BALTIMORE, MD, 21201	
Sustainable Communities	Name: City of Baltimore
Enterprise Zones	Name: Baltimore City
Priority Funding Areas	Meets State Criteria: YES
Qualified Census Tracts	Qualified Census Tract: YES
Targeted Areas	Targeted Area: YES
Communities of Opportunity	Community of Opportunity: In a Community of Opportunity
Municipal Boundaries	Municipality Name: BALTIMORE CITY

The map shows a grid of streets in Baltimore, with a red diamond marker indicating the location of 2 N CHARLES ST. The map is overlaid with a semi-transparent orange color. The results panel is on the left side of the screen, and the map is on the right side. The browser address bar at the top shows the URL: [www.dhcd.state.md.us/GIS/revitalize/index.html](https://portal.dhcd.state.md.us/GIS/revitalize/index.html). The browser title is 'Maryland Incentive Zones' and the page header is 'MD Department of Housing & Community Development'. The map is powered by Esri and includes a scale bar at the bottom left showing 600 feet and coordinates 39.290 -76.605 Degrees.

The City of Aberdeen Aberdeen High School

FY17 - SDF Statewide

Project Description: Environmental remediation and predevelopment of the former Aberdeen High School Site.

Award Amount: \$100,000

Impact: The property was successfully sold to private developer who is redeveloping part of the property for medical offices. Construction is slated to occur over multiple phases with an anticipated leverage of \$5 million.



DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT

Kenneth C. Holt, Secretary
Owen McEvoy, Deputy Secretary

Mary Harvin Transformation Center CDC Mary Harvin Health and Wellness Center

FY18 - Project C.O.R.E.

Project Description: Acquisition, demolition and environmental remediation of the former Bugle Laundry Factory building.

Award Amount: \$600,000

Impact: Address the impact of the vacant Bugle Laundry Factory building on the surrounding Broadway East community. The project included remediation work through the Volunteer Cleanup Program with MDE. The site is planned for redevelopment as a health and wellness center.



East Baltimore Development Inc. Eager Street Town Homes Site Preparation Project

FY17 - Project C.O.R.E.

Project Description: Site preparation and infrastructure work on Eager Street in the East Baltimore Development Inc. redevelopment area.

Award Amount: \$500,000

Impact: Creation of 45 new for-sale town homes. Grant funds supported the costs of the voluntary cleanup program work on site, including additional site testing, removal of contaminated soil, clean fill for certain areas within the site, and other associated costs.



Park Heights Renaissance Cold Spring Lane Acquisition and Demolition Project

FY21 - Project C.O.R.E.

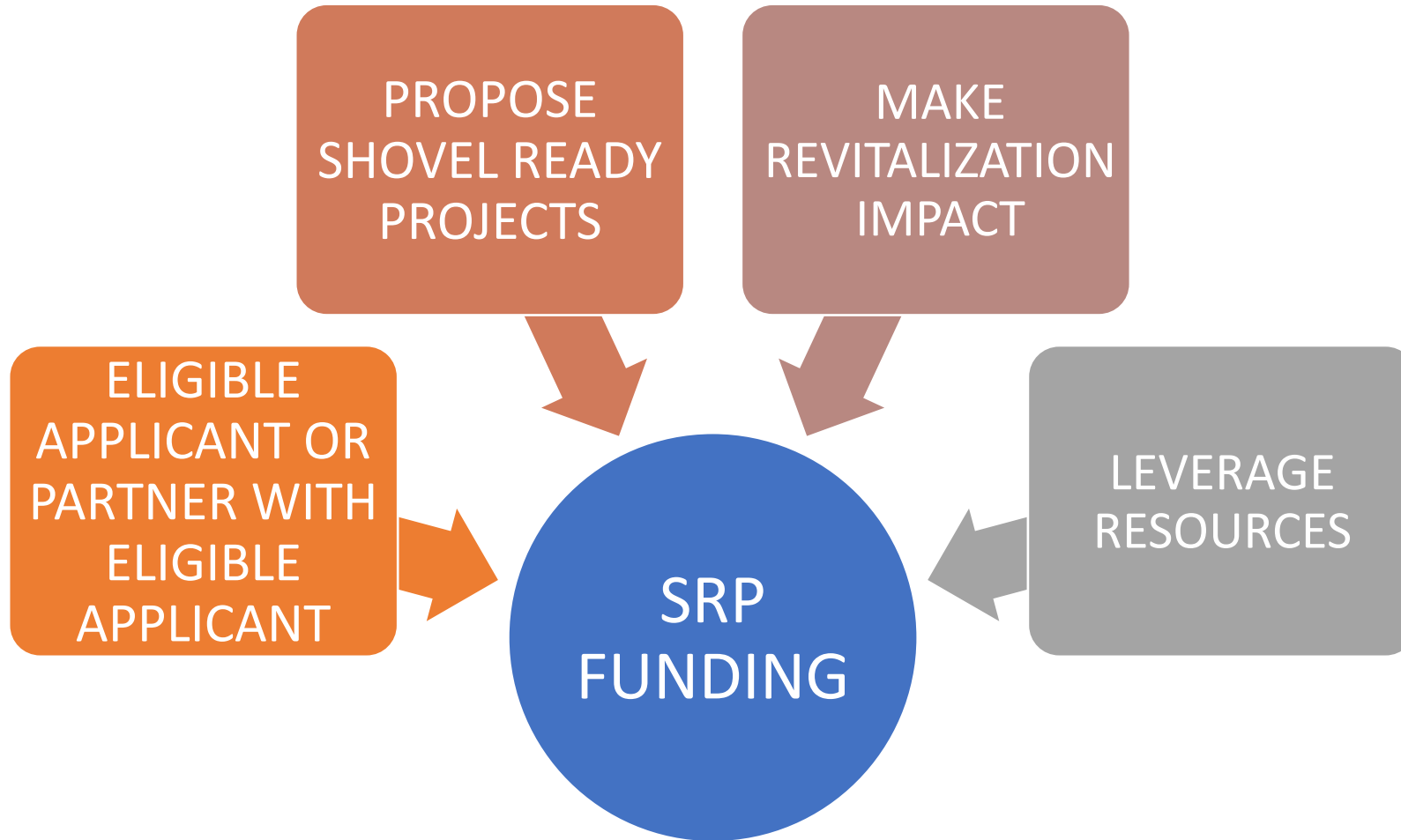
Project Description: Acquisition and demolition of a former industrial vault business.

Award Amount: \$250,000

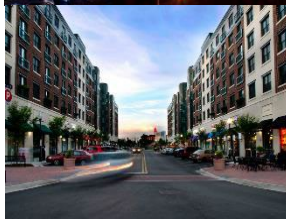
Impact: Redevelop former industrial property adjacent to the Cold Spring metro station as a mixed use community with 163 affordable multifamily apartment units adjacent to transit.



HOW TO ACCESS STATE REVITALIZATION PROGRAM (SRP) RESOURCES



BROWNFIELD DEVELOPMENT: REVITALIZATION AND REDEVELOPMENT
ADVANCING LOCAL PROJECTS THROUGH TOOLS AND PROGRAMS



McHenry Row
19 Acres

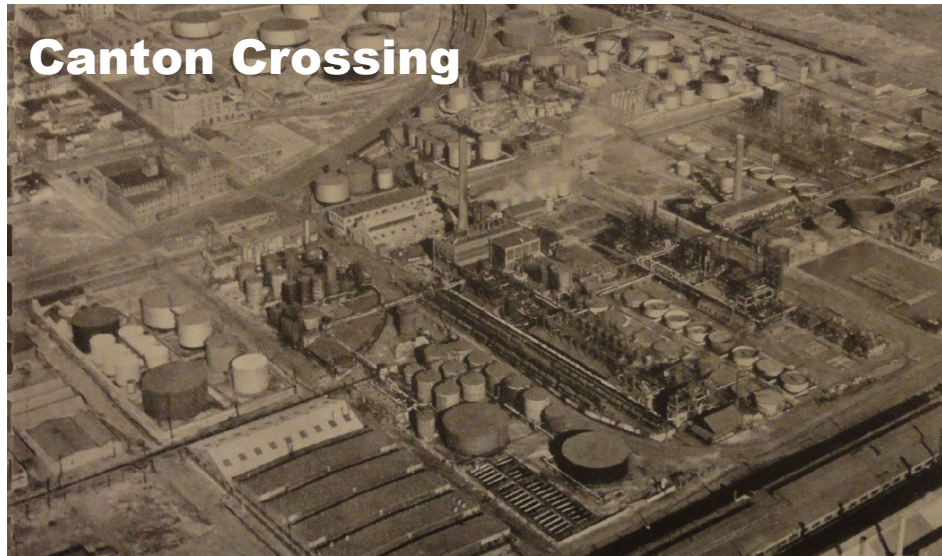
Canton Crossing
30 Acres

Collective at Canton
21 Acres

BROWNFIELD DEVELOPMENT: A DEVELOPER'S PERSPECTIVE

WHY REDEVELOP BROWNFIELD PROPERTIES?

- OPPORTUNITY: BALTIMORE IN A POST-INDUSTRIAL WORLD
- IMPACT: SPARK ECONOMIC GROWTH
- REWARDING: BOTH PROFITABLE AND IMPORTANT FOR THE COMMUNITY



BROWNFIELD DEVELOPMENT: TOOLS AND PROGRAMS

QUANTIFYING AND MITIGATING RISK:

- Contamination liability
- Remediation cost risk
 - Site environmental assessment costs
 - Remedial action costs

TOOLS AND PROGRAMS TO FACILITATE BROWNFIELD REDEVELOPMENT AND MITIGATE RISK

VOLUNTARY CLEANUP PROGRAM (VCP)

- Created in 1997
- State oversight for the voluntary clean up of properties to ensure compliance with existing environmental regulations
- Established program with a clearly defined pathway for remediation completion
- Inculpable Person Status/Liability Protection- protection from liability for existing contamination
- Lender Liability Protection

ADVANTAGE MARYLAND (ALSO KNOWN AS MEDAAF)

- Funding provided in the form grants, loans and investments to support economic development initiatives
 - Covers Brownfield properties
 - Economic incentives in the form of funding for:
 - Environmental Site Assessments
 - Remediation
- Must be located within Priority Funding Areas

BROWNFIELD REVITALIZATION INCENTIVE PROGRAM (BRIP)

- Real property tax credit
- Credit varies in term and % based upon location and costs

BROWNFIELD DEVELOPMENT- CANTON CROSSING: TOOLS AND PROGRAMS



BROWNFIELD DEVELOPMENT- CANTON CROSSING: TOOLS AND PROGRAMS



Site Facts:

Location:	Baltimore, MD- Canton Neighborhood
Previous Owner:	Exxon Mobil
Land Area:	130 Acres
Subject Property:	~30 Acres
Development Program:	Retail

Operating History:

- **1865:** Began operations as one of the nations 1st refineries producing petroleum products
- **1965:** Converted to a terminal for storing and distributing bulk petroleum products
- **1984:** storage terminal storage operations ceased
- **1985:** Exxon began dismantling the operations
- **1997:** MDE and Exxon entered into a Consent Decree to provide a roadmap for remediation
- **2007:** MDE and Exxon entered into an updated agreement and continued to address petroleum contamination
- **2007 to 2011:** Exxon continued remediation under the Consent Decree, obtaining No Further Action on a parcel by parcel basis.

BROWNFIELD DEVELOPMENT: VOLUNTARY CLEANUP PROGRAM



VOLUNTARY CLEANUP PROGRAM BENEFITS:

Process:

- State oversight to ensure remediation regulatory compliance
- Clear and concise regulatory pathway for remediation
 - Maryland is lucky to have an established program that provides developers a clearly defined process that helps to quantify and mitigate risk.
- Comfort for:
 - Community and surrounding stakeholders regarding regulatory oversight
 - Perspective tenants of the property.
 - Lender- regarding pathway to remediate and regulatory compliance

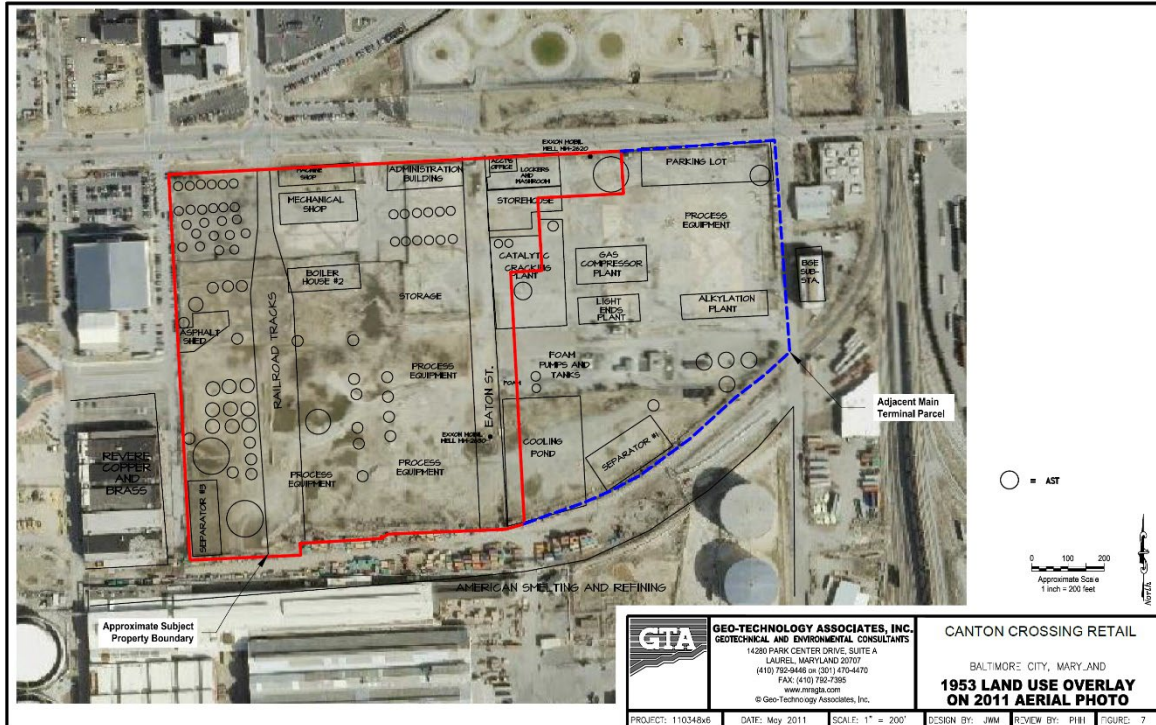
Protections:

- IP Status
- Lender liability projection

Financial incentives:

- Participation required to receive financial incentives in the form of grants, loans and/or real property tax credits.

BROWNFIELD DEVELOPMENT- CANTON CROSSING: ADVANTAGE MARYLAND (MEDAAF)



ADVANTAGE MARYLAND (MEDAAF)

Assessment Grant: **\$50,000**

Phase I and Phase II Environmental Site Assessment
Lesser of \$50,000 or 50% of eligible costs

Requirement to:

- Enter into the VCP Program

Offset costs associated with a more robust environmental site assessment

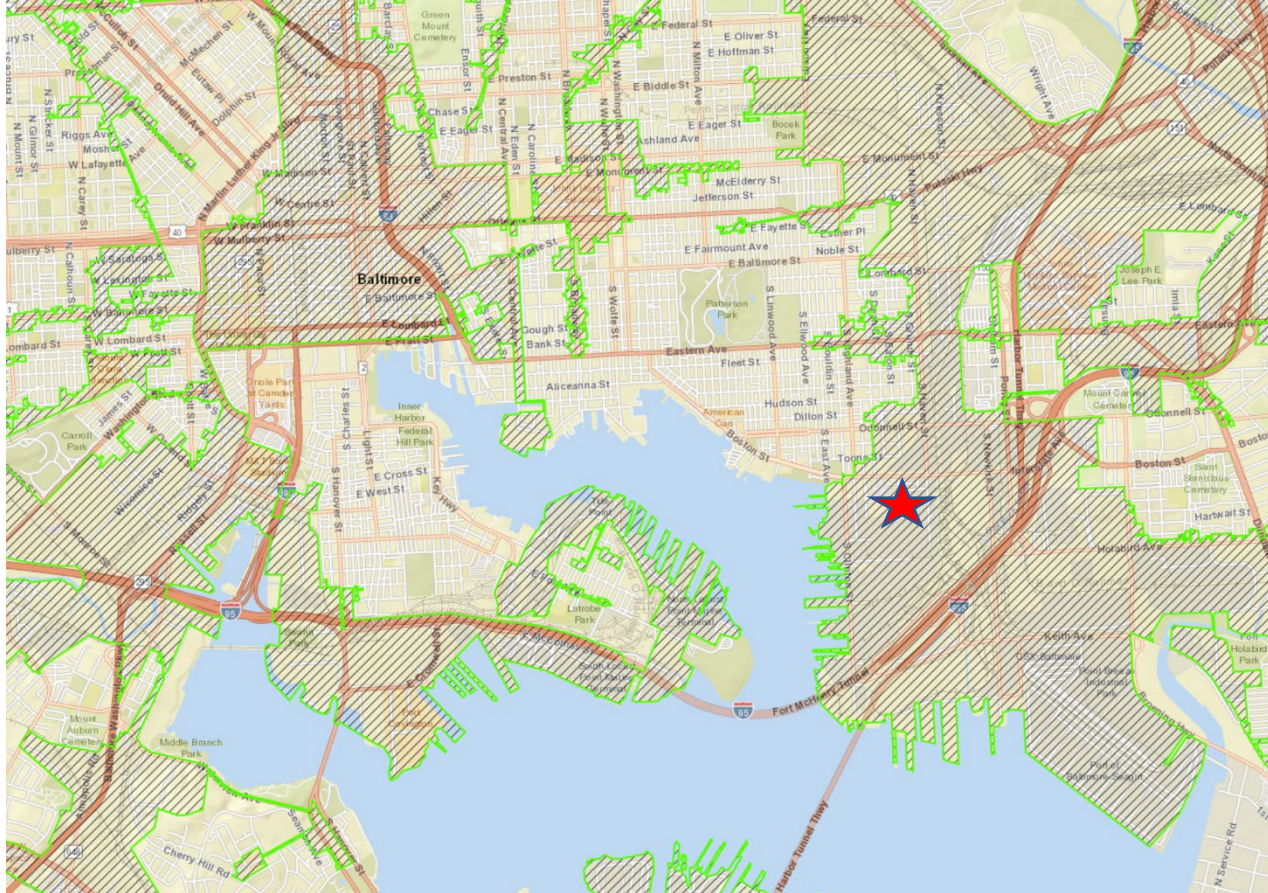
Remediation Grant: **\$800,000**

Environmental Remediation costs
Lesser of \$800,000 or 25% of eligible Remediation costs

Requirement to:

- Have been previously accepted into the VCP
- Complete remediation as defined in the RAP
 - Contaminated soil removal
 - Subslab vapor mitigation in each building
 - Environmental cap
 - Hardscape
 - Softscape
- Obtain a COC

BROWNFIELD DEVELOPMENT- CANTON CROSSING: BROWNFIELD REVITALIZATION INCENTIVE PROGRAM (BRIP)



Map of Baltimore City Enterprise Zones

BROWNFIELD REVITALIZATION INCENTIVE PROGRAM (BRIP)

BRIP TAX CREDIT:

Credit Term: 5 Years (baseline)
10 Years (within an Enterprise Zone)

Credit Amount: 50% (remediation cost below 250k)
70% (remediation costs exceeding 250k)

Credit Application: Applied against increase in assessed value

Credit Requirements: VCP Completion
MDE NFRD/COC Issued

Canton Project: Located in an Enterprise Zone
10 Year Term
Remediation costs exceeding 250,000
70% Credit
Additional incentive: Enterprise Zone Tax Credit

BROWNFIELD DEVELOPMENT- CANTON CROSSING: BROWNFIELD REVITALIZATION INCENTIVE PROGRAM (BRIP)

Less than \$250,000 in Improvements and Not within State-Designated Enterprise Zone

Column	Assessment Before Improvement (1)	Assessment After Improvement (2)	Improvement Value (3)	Amount Eligible for Credit (4)	City Tax Rate * (5)	Credit Amount (6)
Calculation			(2) - (1)	(3) * 50%		(4) * (5)
Year 1	\$500,000	\$650,000	\$150,000	\$75,000	2.288	\$1,716.00
Year 2	\$500,000	\$650,000	\$150,000	\$75,000	2.288	\$1,716.00
Year 3	\$500,000	\$650,000	\$150,000	\$75,000	2.288	\$1,716.00
Year 4	\$500,000	\$650,000	\$150,000	\$75,000	2.288	\$1,716.00
Year 5	\$500,000	\$650,000	\$150,000	\$75,000	2.288	\$1,716.00

* Assumes no tax rate change during the five year credit period.

Greater than \$250,000 in Improvements Within a State-Designated Enterprise Zone, Not Focus Zone

Column	Assessment Before Improvement (1)	Assessment After Improvement (2)	Improvement Value (3)	EZ Credit % Calculated First (4)	Amount Eligible for EZ Credit (5)	City Tax Rate * (6)	Credit Amount for EZ (7)	Amount Eligible for Brownfield Credit (8)	Credit Amount for Brownfield Credit (9)
Calculation			(2) - (1)		(3) * (4)		(5) * (6)	((3) - (5)) * 70%	(8) * (6)
Year 1	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$6,912.00	\$42,000	\$960.96
Year 2	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$6,912.00	\$42,000	\$960.96
Year 3	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$6,912.00	\$42,000	\$960.96
Year 4	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$6,912.00	\$42,000	\$960.96
Year 5	\$500,000	\$800,000	\$300,000	80%	\$240,000	2.288	\$6,912.20	\$42,000	\$960.96
Year 6	\$500,000	\$800,000	\$300,000	70%	\$210,000	2.288	\$4,804.80	\$63,000	\$1,441.44
Year 7	\$500,000	\$800,000	\$300,000	60%	\$180,000	2.288	\$4,118.40	\$84,000	\$1,921.92
Year 8	\$500,000	\$800,000	\$300,000	50%	\$150,000	2.288	\$3,432.00	\$105,000	\$2,402.40
Year 9	\$500,000	\$800,000	\$300,000	40%	\$120,000	2.288	\$2,745.60	\$126,000	\$2,882.88
Year 10	\$500,000	\$800,000	\$300,000	30%	\$90,000	2.288	\$2,059.20	\$147,000	\$3,363.36

* Assumes no tax rate change during the five year credit period.

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