

Webinar

From Vision to Reality

Date: August 18, 2023

00:00:04 --> 00:00:05: Thank you all for joining us this afternoon.

00:00:05 --> 00:00:07: My name is Jane Hutton and I work with the

00:00:07 --> 00:00:09: ULI Twilliger Center for Housing.

00:00:10 --> 00:00:12: Before we get into what I know will be an

00:00:12 --> 00:00:16: insightful presentation from the HUD Section 108 loan guarantee program,

00:00:16 --> 00:00:17: I have a few housekeeping notes.

00:00:18 --> 00:00:20: This webinar is being recorded and will be posted on

00:00:20 --> 00:00:23: you and utilize Knowledge Finder to watch On Demand.

00:00:24 --> 00:00:27: If you're not familiar with us, the Twilliger Center for

00:00:27 --> 00:00:31: Housing integrates utilize wide-ranging housing activities into a program of

00:00:31 --> 00:00:34: work with three objectives to catalyze the production of housing,

00:00:34 --> 00:00:37: provide thought leadership on the housing industry and inspire A

00:00:37 --> 00:00:39: broader commitment to housing.

00:00:39 --> 00:00:42: Our program of work includes an annual conference on all

00:00:42 --> 00:00:46: things housing and awards program, local technical assistance, research and

00:00:46 --> 00:00:46: more.

00:00:48 --> 00:00:51: The Housing Opportunity Conference is one of the nation's premier

00:00:51 --> 00:00:55: meetings of the Residential Development, lending, investing and Policy community

00:00:55 --> 00:00:59: brings together diverse mix of professionals with one common goal

00:00:59 --> 00:01:02: to expand housing opportunities in their communities.

00:01:02 --> 00:01:07: The 2024 conference will take place February 20th to 21st

00:01:07 --> 00:01:08: in Austin, TX.

00:01:08 --> 00:01:10: Early bird registration will open this fall.

00:01:11 --> 00:01:14: To get notified, you can sign up for our newsletter
00:01:14 --> 00:01:17: at this link that I'll put in the chat.
00:01:19 --> 00:01:23: The Twilliger Center also runs an annual awards program to
00:01:23 --> 00:01:29: honor innovative, innovative, and replicable developments
and local policies that
00:01:30 --> 00:01:32: create or preserve affordable housing.
00:01:33 --> 00:01:35: The 2024 applications will open in the fall, and we
00:01:35 --> 00:01:38: encourage you to submit your projects or policies that you
00:01:38 --> 00:01:40: know about to be recognized by you alive.
00:01:40 --> 00:01:44: You can find examples of previous winners and finalists on
00:01:44 --> 00:01:48: our website here, along with eligibility criteria and application
instructions.
00:01:50 --> 00:01:54: Lastly, our Attainable Housing for All campaign partners with
utilize
00:01:54 --> 00:01:57: district Councils, bringing funding and staff capacity to
support the
00:01:57 --> 00:02:00: production of more attainable housing locally.
00:02:00 --> 00:02:03: Please visit our website here to learn more about the
00:02:03 --> 00:02:06: campaign and how your community can receive funding.
00:02:06 --> 00:02:10: The link in the chat.
00:02:11 --> 00:02:12: All right.
00:02:12 --> 00:02:14: Without further ado, I'd like to to introduce our panel
00:02:14 --> 00:02:17: who will be showing you how you can leverage the
00:02:17 --> 00:02:18: Section 108 program in your work.
00:02:19 --> 00:02:22: And we're honored to have the Deputy Assistant Secretary
for
00:02:22 --> 00:02:25: Grant Programs with us to provide some introductory
remarks as
00:02:25 --> 00:02:26: Dos for grant programs.
00:02:26 --> 00:02:32: Claudia Monterosa Overseas affordable housing and
community development programs, including
00:02:32 --> 00:02:36: the Community Development Block Grant Program, the
Home Investment Partnerships
00:02:36 --> 00:02:40: Program, the Housing Trust Fund, the CDPG Disaster
Recovery Funds.
00:02:40 --> 00:02:44: In addition to departmentwide energy and environmental
policy, Das Monterosa
00:02:44 --> 00:02:48: brings decades of nonprofit and public sector experience
incorporating social
00:02:48 --> 00:02:51: justice, grassroots organizing, and equity to her work.
00:02:51 --> 00:02:52: At HUD.
00:02:53 --> 00:02:56: To present an overview of the program and answer questions
00:02:56 --> 00:02:59: from the audience, we have Paul Webster, the Director of
00:02:59 --> 00:03:03: the Financial Management Division and Hud's Office of

Community Planning
 00:03:03 --> 00:03:07: and Development, Korge Morales, the loan origination team Lead and
 00:03:07 --> 00:03:10: loan financial financing specialist at the HUD Section 108 Loan
 00:03:10 --> 00:03:14: Guarantee Assistance Program and Eric Pechaconis, a community planning and
 00:03:14 --> 00:03:18: development specialist who works with HUD Section 108 loan guarantee
 00:03:18 --> 00:03:19: program.
 00:03:19 --> 00:03:21: Das Ponderosa, I'll turn it over to you.
 00:03:21 --> 00:03:22: Thank you so much for being with us today.
 00:03:26 --> 00:03:27: Good afternoon.
 00:03:28 --> 00:03:33: Thank you so much for that introduction and hello again.
 00:03:33 --> 00:03:37: My name is Claudia Monterosa and I'm really so excited
 00:03:37 --> 00:03:40: to be here with you today to welcome you to
 00:03:40 --> 00:03:44: this overview of Hut Section 108 loan guarantee program.
 00:03:45 --> 00:03:49: I'd first like to thank and start by expressing my
 00:03:49 --> 00:03:53: gratitude to our host today for using their platform to
 00:03:53 --> 00:03:56: share how important this hot tool can be used to
 00:03:56 --> 00:04:00: support a a local a wide range of local affordable
 00:04:00 --> 00:04:03: housing and community development goals.
 00:04:03 --> 00:04:06: It is exciting to see the work of the Center
 00:04:06 --> 00:04:10: in advancing the discussion of how communities can utilize
 HOT
 00:04:10 --> 00:04:13: and other resources in advancing best practices.
 00:04:14 --> 00:04:18: In residential development in public policy across the United States,
 00:04:18 --> 00:04:22: as we know, thoughtfully laid out communities with ample safe
 safe
 00:04:22 --> 00:04:26: and affordable housing can bring us really closer to an
 00:04:26 --> 00:04:30: equitable to equitable outcomes for all community members.
 00:04:30 --> 00:04:33: And HUD is really a proud partner to be with
 00:04:33 --> 00:04:36: you as you lead these efforts to develop viable and
 00:04:36 --> 00:04:37: thriving communities.
 00:04:38 --> 00:04:42: These actually these goals are central to the Biden Harris
 00:04:42 --> 00:04:48: administration's housing supply priorities, including from
 reducing barriers to housing
 00:04:48 --> 00:04:53: like restrictive and costly land use and zoning rules
 expanding
 00:04:53 --> 00:04:58: financing for affordable, energy efficient and resilient housing
 in promoting
 00:04:58 --> 00:05:04: commercial to residential conversion opportunities,
 particularly for affordable and 0

00:05:04 --> 00:05:05: emissions housing.

00:05:06 --> 00:05:10: Before joining HUD, I served as the Chief Housing Officer

00:05:10 --> 00:05:13: for the City of Los Angeles, where I oversaw I

00:05:13 --> 00:05:17: had the privilege and honor to oversee the implementation of

00:05:17 --> 00:05:20: Measure HHH \$1.2 billion for development.

00:05:20 --> 00:05:25: Of permanent supportive housing and I also successfully

oversaw and

00:05:25 --> 00:05:30: secure over \$1.6 billion for emergency rental assistance for

COVID

00:05:30 --> 00:05:31: impacted tenants.

00:05:31 --> 00:05:35: So I know first hand the complexities and challenges faced

00:05:36 --> 00:05:40: by communities and making housing options materialize for

your residence

00:05:41 --> 00:05:41: and need.

00:05:42 --> 00:05:45: While I now oversee many grant programs to support

housing

00:05:45 --> 00:05:48: and community development, today I really want to highlight

our

00:05:48 --> 00:05:49: community development for long.

00:05:50 --> 00:05:54: Guarantee program better known as section 108.

00:05:55 --> 00:05:58: However, I have to be honest, we do have to

00:05:58 --> 00:06:02: find a better, more catchy name for this program and

00:06:02 --> 00:06:05: so we often like to refer to it as our

00:06:05 --> 00:06:07: CDBG maximizer or multiplier.

00:06:07 --> 00:06:10: So if you have any suggestions please send those along.

00:06:10 --> 00:06:13: And this is something that both Paul and and our

00:06:13 --> 00:06:17: team have have been in discussions over the last few

00:06:17 --> 00:06:17: few months.

00:06:19 --> 00:06:22: I also want to share that earlier this year, the

00:06:22 --> 00:06:26: Section 108 program, which is a component of CDBG, the

00:06:26 --> 00:06:29: CDBG program, reached an amazing milestone.

00:06:29 --> 00:06:33: We hit \$10 billion in funding approvals for community and

00:06:33 --> 00:06:38: economic development projects across the United States and

its territories.

00:06:39 --> 00:06:44: And since its inception in 1978, this program has contributed

00:06:44 --> 00:06:48: to the creation of more than 125,000 jobs, building over

00:06:48 --> 00:06:54: 240 affordable housing developments in the construction of

of more

00:06:54 --> 00:06:58: than 250 public facilities and public works projects.

00:06:59 --> 00:07:03: According to a study from HA, not only do our

00:07:03 --> 00:07:08: communities using this to leverage their city BG dollars by

00:07:08 --> 00:07:11: a factor of 5 to 1, but many also achieve

00:07:12 --> 00:07:16: A leverage of an additional nearly \$5 in funding for

00:07:16 --> 00:07:20: every \$1.00 of Section 108 financing secure.
00:07:20 --> 00:07:25: This leveraging really enables communities to undertake larger scale projects
00:07:25 --> 00:07:27: that can transform entire neighborhoods.
00:07:28 --> 00:07:32: Section 108, as you know you will find out today,
00:07:32 --> 00:07:35: is a versatile tool used for a wide, wide variety
00:07:35 --> 00:07:38: of projects that meet your most pressing needs.
00:07:38 --> 00:07:43: Communities have successfully leveraged Section 108 funds to improve resilience
00:07:43 --> 00:07:47: and address the impacts of climate change through innovative projects
00:07:47 --> 00:07:51: from flood control measures, installation of solar panels for residential
00:07:51 --> 00:07:54: instructions and neighborhood facilities.
00:07:54 --> 00:07:58: HUD has a really long history providing much needed financing
00:07:58 --> 00:08:00: to benefit low and moderate income communities.
00:08:01 --> 00:08:04: And HUD continues to play and will want to continue
00:08:04 --> 00:08:08: to play a pivotal role in facilitating low cost and
00:08:08 --> 00:08:12: flexible financing from private capital markets to the main streets
00:08:12 --> 00:08:15: of over 600 communities when private.
00:08:16 --> 00:08:19: When private sector investors on Wall Street are unwilling to
00:08:20 --> 00:08:24: bear the risk of providing financing for longterm community and
00:08:24 --> 00:08:27: economic development projects, HUD really steps in.
00:08:27 --> 00:08:30: What is Loan Guarantee Program?
00:08:30 --> 00:08:33: HUD provides the full faith and credit of the United
00:08:33 --> 00:08:38: States government to support critical economic and community development projects
00:08:38 --> 00:08:39: across America.
00:08:40 --> 00:08:43: Our team has also been working closely with communities to
00:08:43 --> 00:08:48: support their efforts to layer multiple funding streams and resources,
00:08:48 --> 00:08:51: such as the Low Income Housing Tax Credit with Section
00:08:51 --> 00:08:51: 108 loans.
00:08:52 --> 00:08:56: And this type of support is the cornerstone of achieving
00:08:56 --> 00:09:01: Hut's mission to strong, sustainable, inclusive and quality affordable homes
00:09:01 --> 00:09:04: for all in achieving those goals.
00:09:04 --> 00:09:08: And so today's webinar is an opportunity to explain.
00:09:09 --> 00:09:12: To to further dig into the mechanics of the Section
00:09:12 --> 00:09:16: 108 program and learn how your community can tap into
00:09:16 --> 00:09:20: this really amazing critical source that's available to over

00:09:20 --> 00:09:22: jurisdictions across the nation.

00:09:22 --> 00:09:25: So today you will hear from our fantastic team at

00:09:26 --> 00:09:29: HOT and how to expect and how to effectively use

00:09:29 --> 00:09:33: this community development tool and our teams are always ready

00:09:33 --> 00:09:35: and available to meet with you.

00:09:36 --> 00:09:36: Our community.

00:09:37 --> 00:09:40: For any questions on how to access this rich resource,

00:09:40 --> 00:09:43: even if you want to have a brainstorming session, please

00:09:43 --> 00:09:45: feel free to reach out to us.

00:09:45 --> 00:09:48: This is part of his commitment to you, our communities,

00:09:48 --> 00:09:51: and our our our our partners across the nation.

00:09:51 --> 00:09:53: So as you embark.

00:09:53 --> 00:09:57: On your residential development projects, I encourage you to engage

00:09:57 --> 00:10:01: residents and your local governments to recognize POD as your

00:10:01 --> 00:10:05: partner from vision to implementation for the communities that you

00:10:05 --> 00:10:06: all serve.

00:10:06 --> 00:10:09: I really look forward to collaborating on any new future

00:10:09 --> 00:10:13: opportunities to support your innovative projects in the near future.

00:10:14 --> 00:10:17: And I really thank you for having us today and

00:10:17 --> 00:10:21: I'll pass it on to our excellent Section 1 of

00:10:21 --> 00:10:23: 18 starting with Paul so.

00:10:23 --> 00:10:25: Thank you and have a great webinar.

00:10:26 --> 00:10:27: Thank you Claudia.

00:10:29 --> 00:10:34: My name is Paul Webster and I have been with

00:10:34 --> 00:10:40: HUD for a very long time, working mostly on the

00:10:40 --> 00:10:47: CDBG program and section 108 since I've been with with

00:10:47 --> 00:10:51: HUD, so we're going to provide.

00:10:53 --> 00:10:59: A presentation today and then we will be happy to

00:10:59 --> 00:11:04: answer any questions that you might have.

00:11:05 --> 00:11:09: If you also will provide links for you if you

00:11:09 --> 00:11:13: want to send questions back to us if you didn't

00:11:13 --> 00:11:17: think of today or you wanna think about it a

00:11:17 --> 00:11:18: little bit more.

00:11:19 --> 00:11:22: So today, we're going to be exploring the Section 108

00:11:22 --> 00:11:24: loan guarantee program.

00:11:26 --> 00:11:30: This program is, as Claudia mentioned, a part of the

00:11:30 --> 00:11:36: CDBG or Community Development Block Grant family of

programs.

00:11:37 --> 00:11:41: It has been active since 1978.

00:11:41 --> 00:11:45: Since that time, we've had over 202,000 approvals.

00:11:46 --> 00:11:51: As Claudia mentioned, we've reached our \$10 billion milestone in

00:11:51 --> 00:11:52: commitments.

00:11:53 --> 00:12:02: We've actually assisted 630 communities since we initiated the program.

00:12:04 --> 00:12:09: Hazleton, PA Factoid was our first approval.

00:12:10 --> 00:12:13: Springfield, MA was our two thousandth approval.

00:12:15 --> 00:12:18: We actually have more than 225,000 jobs.

00:12:19 --> 00:12:24: We need to change our infographic here and we've and

00:12:24 --> 00:12:32: we've assisted many public works projects, infrastructure projects, housing projects

00:12:32 --> 00:12:33: over over the years.

00:12:35 --> 00:12:40: Finally, a study that was done by the Urban Institute

00:12:40 --> 00:12:43: indicated that on average, our.

00:12:44 --> 00:12:50: The projects that we assist generate an additional for \$4.62

00:12:50 --> 00:12:53: for every one dollar Section 108 funding.

00:12:55 --> 00:12:55: Next slide.

00:12:57 --> 00:13:02: So in addition to me, we have Jorge Morales, who

00:13:02 --> 00:13:08: is our lead loan financing specialist for Section 108, Eric

00:13:08 --> 00:13:14: Pechaconis, who is one of our senior loan officers.

00:13:17 --> 00:13:17: Next slide.

00:13:18 --> 00:13:23: So today's topics include the Section 108 program.

00:13:23 --> 00:13:29: As we've been mentioning, we'll talk about the programmatic and

00:13:29 --> 00:13:35: financial requirements that apply to this program, talk about the

00:13:35 --> 00:13:41: processes that are involved from application to the actual funding

00:13:41 --> 00:13:43: of guaranteed loans.

00:13:44 --> 00:13:48: And we'll also be talking about approaches that can be

00:13:48 --> 00:13:53: used to Section 108 financing and the projects that we

00:13:53 --> 00:13:54: that we undertake.

00:13:55 --> 00:14:01: And we'll be providing some Section 108 project examples that

00:14:01 --> 00:14:07: you might get an idea or an inspiration from Next

00:14:07 --> 00:14:07: slide.

00:14:12 --> 00:14:15: Keep in mind that this is a loan guarantee program.

00:14:16 --> 00:14:22: We don't provide grants, so however, it is administered in

00:14:23 --> 00:14:29: tandem with the CDBG program and we employ the programmatic

00:14:30 --> 00:14:38: framework of CDBG that includes the basic eligibility

requirements for
00:14:38 --> 00:14:40: the program and we.
00:14:41 --> 00:14:48: Offer a non non competitive means of accessing relatively
low
00:14:48 --> 00:14:53: interest rates at very flexible terms.
00:14:53 --> 00:14:56: I would say that the hallmark of the program is
00:14:56 --> 00:15:00: its flexibility, both in terms of what can be done
00:15:00 --> 00:15:04: with the guaranteed loans or what can be financed and
00:15:04 --> 00:15:09: also the flexibility associated with the terms that we offer
00:15:09 --> 00:15:10: borrowers.
00:15:11 --> 00:15:15: We also as a final matter have a dedicated staff
00:15:15 --> 00:15:21: who are willing to provide one-on-one technical assistance,
the CDBG
00:15:21 --> 00:15:26: grantees and anyone actually who might be interested in
utilizing
00:15:26 --> 00:15:28: the Section 108 program.
00:15:29 --> 00:15:31: So with that, I'm going to turn the presentation over
00:15:31 --> 00:15:32: to Eric Pechaconis.
00:15:33 --> 00:15:34: Thank you, Eric.
00:15:35 --> 00:15:35: Thanks, Paul.
00:15:36 --> 00:15:38: So just with section 108 we have some.
00:15:39 --> 00:15:41: Different times when it can actually be deployed.
00:15:41 --> 00:15:45: So it's often used for the pre development phase and
00:15:45 --> 00:15:48: development phases for a project should know that we can't
00:15:48 --> 00:15:52: fund services, but we do fund capital projects, yeah.
00:15:52 --> 00:15:57: So acquisition, demolition, you know, machinery, equipment,
working capital, you
00:15:57 --> 00:16:00: know those are all eligible uses under Section 108.
00:16:01 --> 00:16:04: So there's different types of projects that you know for
00:16:04 --> 00:16:07: Section 108 that we often see it's divided in economic
00:16:07 --> 00:16:10: development, housing, public facilities and infrastructure.
00:16:10 --> 00:16:13: But within those there's lots of different things that you
00:16:13 --> 00:16:13: can do.
00:16:13 --> 00:16:16: So like with housing, you know, we often see adaptive
00:16:16 --> 00:16:19: reuse or supporting of new construction of housing or you
00:16:20 --> 00:16:23: know in the case of infrastructure, we and housing, we
00:16:23 --> 00:16:26: often see infrastructure to support the new construction of
housing.
00:16:27 --> 00:16:30: Or, you know, public facility for, you know, a new
00:16:30 --> 00:16:32: neighborhood or park upgrades.
00:16:34 --> 00:16:38: So with that you know it's as Paul said it
00:16:38 --> 00:16:38: is.
00:16:39 --> 00:16:42: It provides loan guarantees and not grants, but it uses

00:16:42 --> 00:16:44: the framework of the CDBG program.

00:16:44 --> 00:16:47: So if you're familiar with the CDBG program, it's section

00:16:48 --> 00:16:50: 108 isn't that much different than that.

00:16:51 --> 00:16:54: So when we also provide you know one-on-one technical assistance

00:16:54 --> 00:16:56: and then there's flexible terms and rates.

00:16:56 --> 00:16:59: So the terms we can do up to 20 years

00:16:59 --> 00:17:01: and the rates are going to be the three month

00:17:01 --> 00:17:04: treasury auction rate plus 35 basis points.

00:17:05 --> 00:17:08: So as was mentioned previously, Section 108 is part of

00:17:08 --> 00:17:12: the Community Development Block Grant program, which is you know,

00:17:12 --> 00:17:16: an annual formula grant to states, cities and counties around

00:17:16 --> 00:17:16: the country.

00:17:17 --> 00:17:17: You know, and it's.

00:17:18 --> 00:17:20: Develop viable communities.

00:17:20 --> 00:17:25: We are providing decent housing, suitable living environment, expanding economic

00:17:25 --> 00:17:26: opportunities.

00:17:26 --> 00:17:29: So the key for our program is it's going to

00:17:29 --> 00:17:33: be principally benefiting low and moderate income individuals.

00:17:34 --> 00:17:39: So with the CDBG we have three national objectives which

00:17:39 --> 00:17:42: are benefiting low and moderate income.

00:17:42 --> 00:17:45: Persons which can be done on an area basis or

00:17:45 --> 00:17:45: through housing.

00:17:45 --> 00:17:48: So like 51% of the units have to assist them

00:17:48 --> 00:17:51: or you know, and then there's also elimination of slum

00:17:52 --> 00:17:53: and blight urgent need.

00:17:53 --> 00:17:56: But those last two, we don't see that frequently.

00:17:58 --> 00:18:00: So who is eligible for section 108?

00:18:00 --> 00:18:05: So CDBG entitlement communities, which are typically cities of over

00:18:05 --> 00:18:09: 50,000 and urban counties of over 2000 people, are the

00:18:09 --> 00:18:11: ones we most frequently sees.

00:18:12 --> 00:18:14: States and small cities are also eligible.

00:18:14 --> 00:18:17: In this case the state would be serving as a

00:18:18 --> 00:18:23: passthrough entity to smaller communities that can't access CDBG funds

00:18:23 --> 00:18:27: directly from HUD and then also sub recipients can use

00:18:27 --> 00:18:30: a section 108 but that would be from you know

00:18:30 --> 00:18:34: an entitlement community or a state or small city.

00:18:35 --> 00:18:39: And then there's also designated public agencies, which can

also

00:18:39 --> 00:18:42: be a borrower for Section 108 funds and those are
00:18:42 --> 00:18:44: typically like public housing authorities.
00:18:46 --> 00:18:50: So with section 108, the borrowing capacity for each
borrower
00:18:50 --> 00:18:55: is determined by their annual CDBG allocation and then we
00:18:55 --> 00:18:56: multiply that out by 5.
00:18:56 --> 00:19:00: Then we subtract any outstanding 108 commitments and.
00:19:00 --> 00:19:03: Loan balances and that gives the borrowing capacity of your
00:19:03 --> 00:19:04: community.
00:19:04 --> 00:19:07: And we have a link on our website that gives
00:19:07 --> 00:19:10: the current borrowing capacity of all, you know 1200 plus
00:19:10 --> 00:19:11: communities in states.
00:19:13 --> 00:19:15: So it's section 108.
00:19:15 --> 00:19:18: There's going to be the program requirements which are the
00:19:18 --> 00:19:19: similar to the CDBG.
00:19:19 --> 00:19:23: Then there's going to be the financial requirements, which
are
00:19:23 --> 00:19:26: something that is going to be more unique to Section
00:19:26 --> 00:19:26: 1 away.
00:19:27 --> 00:19:30: So the programmatic requirements, there's going to be a list
00:19:30 --> 00:19:34: of eligible activities which are slightly different than CDBG
ones,
00:19:34 --> 00:19:37: but pretty much they're going to be the same, except
00:19:38 --> 00:19:39: we cannot fund services.
00:19:40 --> 00:19:42: And in national objectives, it's going to be the ones
00:19:42 --> 00:19:44: I mentioned previously.
00:19:44 --> 00:19:48: Then there's a something called the public benefit standard,
which
00:19:48 --> 00:19:52: is for economic development projects, which basically just
means for
00:19:52 --> 00:19:56: economic development projects for each \$50,000 of CDBG
funds used
00:19:56 --> 00:19:58: or 108 funds you have to create one job.
00:19:59 --> 00:20:03: Then there's going to be several standard crosscutter
requirements such
00:20:03 --> 00:20:07: as like the environmental review, Davis Bacon and Fair
Housing
00:20:07 --> 00:20:09: and then Baba, which is our new one.
00:20:11 --> 00:20:14: So the financial requirements then we need to have a
00:20:14 --> 00:20:17: source of repayment identified and that's often going to be
00:20:17 --> 00:20:20: you know, CDBG funds or it can be thirdparty loan
00:20:20 --> 00:20:21: proceeds.
00:20:21 --> 00:20:23: You know, we can also be more creative and like

00:20:23 --> 00:20:27: we can accept parking revenue or tax increment financing revenue.

00:20:27 --> 00:20:29: If you have an idea or a source of revenue

00:20:29 --> 00:20:31: for a project, just let me you know, let us

00:20:31 --> 00:20:33: know and we'll discuss it.

00:20:33 --> 00:20:34: But we're pretty open ideas.

00:20:35 --> 00:20:38: And then you know, similarly there's going to be collateral.

00:20:38 --> 00:20:42: The primary source of collateral is going to be the

00:20:42 --> 00:20:45: community's present and future CDBG funds.

00:20:45 --> 00:20:48: But in addition to that, you know, in the event

00:20:48 --> 00:20:51: that the CDBG program no longer exists, you know, we

00:20:51 --> 00:20:55: also need to have another source of collateral identified that

00:20:55 --> 00:20:57: it's often going to be a case of like a

00:20:57 --> 00:21:00: a lien on real property or full faith and credit

00:21:00 --> 00:21:02: pledge or debt service reserves.

00:21:02 --> 00:21:05: And again, you know, if you have another idea what

00:21:05 --> 00:21:07: could serve as collateral, just let us know.

00:21:07 --> 00:21:08: We're pretty flexible on that.

00:21:09 --> 00:21:13: So our process for getting, you know, the to get

00:21:13 --> 00:21:18: this financing is basically we have it divided into 4

00:21:18 --> 00:21:19: stages.

00:21:19 --> 00:21:22: There's the application stage where we work with you in

00:21:22 --> 00:21:25: the field office, you know and try to get you

00:21:25 --> 00:21:29: have application and once the application is approved we

00:21:29 --> 00:21:31: HUD

00:21:31 --> 00:21:33: offers an offer of commitment.

00:21:33 --> 00:21:35: So there's no obligation on the community.

00:21:36 --> 00:21:39: It's just saying you know if you go through the

00:21:39 --> 00:21:39: financing stage, you know HUD will guarantee funds to your

00:21:40 --> 00:21:43: community.

00:21:43 --> 00:21:46: Then the financing stage is where we work through you

00:21:46 --> 00:21:49: know the loan documents and security documents and then

00:21:49 --> 00:21:52: once

00:21:52 --> 00:21:55: those are you know signed we can finance the project

00:21:55 --> 00:21:57: and you know that's where the construction of the project

00:21:57 --> 00:21:59: and we'll begin Then you know we also have the

00:22:02 --> 00:22:03: management and servicing components.

00:22:03 --> 00:22:06: So we will be with you the entire length of

00:22:06 --> 00:22:09: the loan, you know which is said earlier go up

00:22:09 --> 00:22:11: to 20 years.

00:22:11 --> 00:22:12: And then with that, I want to pass it over

00:22:12 --> 00:22:15: to Jorge Morales and you can talk financing strategies.

00:22:15 --> 00:22:18: Thank you so much, Eric.

00:22:13 --> 00:22:17: In terms of the financing strategy, as you can see,

00:22:17 --> 00:22:21: Section 108 can be used as a standalone strategy.

00:22:21 --> 00:22:27: As a combined with other sources of financing and but

00:22:27 --> 00:22:32: we are mainly, not mainly but we are an excellent

00:22:32 --> 00:22:36: tool as a gap filler we will we could be

00:22:36 --> 00:22:41: one of those final straws that really is needed to

00:22:41 --> 00:22:44: complete a project so.

00:22:44 --> 00:22:49: And once again like Paul mentioned at the beginning, the

00:22:49 --> 00:22:53: whole mark of our program is indeed the flexibility that

00:22:53 --> 00:22:56: allow us to be excellent gut feelers.

00:22:56 --> 00:22:57: Next slide.

00:22:58 --> 00:23:03: And this is an example of the different type of

00:23:03 --> 00:23:07: sources that we go well with we have.

00:23:08 --> 00:23:12: We go very well with the new market tax credit

00:23:12 --> 00:23:18: from the CD, iPhone and treasury with historic tax credits,

00:23:18 --> 00:23:19: excellent.

00:23:19 --> 00:23:23: We love those all the tax credit including the low

00:23:23 --> 00:23:28: income housing tax credit since they bring so much equity

00:23:28 --> 00:23:31: to a project and the risk is lower due to

00:23:31 --> 00:23:34: the compliance issue of each of this.

00:23:35 --> 00:23:41: Programs also we go well with the Small Business

00:23:41 --> 00:23:45: Administration

00:23:45 --> 00:23:46: and all other federal credit agencies.

00:23:46 --> 00:23:47: Next slide.

00:23:47 --> 00:23:52: And this is an example of the financing process as

00:23:52 --> 00:23:56: you can see and you'll see in this example you

00:23:56 --> 00:24:00: see the borrower, the eligible borrower who.

00:24:01 --> 00:24:05: Submit, issue a note & a contract with HUD.

00:24:05 --> 00:24:12: HUD then issue a guarantee and then is submit that

00:24:12 --> 00:24:15: guarantee to a fiscal agent.

00:24:15 --> 00:24:19: In this case the fiscal agent is the Bank of

00:24:19 --> 00:24:23: New York Mellon who works as fiscal agent and trust

00:24:23 --> 00:24:26: agent for the lender and HUD.

00:24:26 --> 00:24:27: HUD is not a lender.

00:24:27 --> 00:24:30: What we provide is a guarantee.

00:24:30 --> 00:24:34: And and this is one of the reasons we mentioned

00:24:34 --> 00:24:40: that we the section 108 assets application on enrolling basis

00:24:40 --> 00:24:44: because the funds of the 108 comes straight from the

00:24:44 --> 00:24:50: capital markets, There's not appropriated funds involved at

00:24:51 --> 00:24:56: all.

00:24:51 --> 00:24:56: So and and it is all money is always available.

00:24:56 --> 00:24:58: That is the bottom line.

00:24:59 --> 00:25:03: And then you can see there's another how the fiscal

00:25:03 --> 00:25:07: agent sends the money directly to the borrower.
00:25:08 --> 00:25:12: So once again, the money comes from the private sector
00:25:12 --> 00:25:13: to the public sector.
00:25:14 --> 00:25:18: And then in case in this example that the borrower
00:25:18 --> 00:25:21: has chosen to relend the money to a third party,
00:25:21 --> 00:25:25: let's say a developer that is doing a light tech
00:25:25 --> 00:25:27: project or a mixed-use project.
00:25:27 --> 00:25:31: So the money flows down to the third party.
00:25:31 --> 00:25:34: Then the same way as you can see, the arrows
00:25:34 --> 00:25:38: going back as the third party replace the loan to
00:25:38 --> 00:25:42: the borrower and the borrowers replace the loan to the
00:25:42 --> 00:25:43: fiscal election notice.
00:25:44 --> 00:25:47: That a HUD never sees the money, we only manage
00:25:47 --> 00:25:48: the process.
00:25:51 --> 00:25:52: Next slide please.
00:25:53 --> 00:25:57: There's different approaches to the section 108.
00:25:58 --> 00:26:00: The first one is the project specific.
00:26:01 --> 00:26:05: When you submit an application with the with the applicant,
00:26:05 --> 00:26:08: the potential applicants submit an application.
00:26:09 --> 00:26:09: It can do it.
00:26:10 --> 00:26:15: In these two ways, the first one is the project
00:26:15 --> 00:26:23: specific which requires application contains specific, very
00:26:23 --> 00:26:29: detailed information about
00:26:29 --> 00:26:31: the project in terms of the program requirements, in terms
00:26:33 --> 00:26:37: of the financial aspect of.
00:26:37 --> 00:26:42: The, the deal it requires that very high level once
00:26:43 --> 00:26:45: again a project, the tenant specificity because we here HUD
00:26:45 --> 00:26:48: we we do the underwriting.
00:26:48 --> 00:26:54: So we do the underwriting in two terms in terms
00:26:54 --> 00:26:58: of program requirements and in terms of the financial
00:26:58 --> 00:27:02: requirements.
00:27:02 --> 00:27:06: So once again, a project specific approach it will take
00:27:06 --> 00:27:10: 1-2 or three projects, doesn't necessarily has to be 1.
00:27:11 --> 00:27:14: It has, it could have multiple projects but are limited
00:27:14 --> 00:27:18: to to those projects versus the next one slide.
00:27:18 --> 00:27:23: This is the second approach which which is the loan
00:27:23 --> 00:27:27: fund and in this approach the community or the applicants
00:27:27 --> 00:27:30: submit the application which describe the type of projects to
00:27:31 --> 00:27:35: be funded, not necessarily the the the project that will
00:27:35 --> 00:27:38: be funded at that particular time and then.
But mainly it will send the information and this is
what we review and that is the communities on the

00:27:38 --> 00:27:39: writing process.

00:27:40 --> 00:27:43: That is what we will be reviewing very closely to

00:27:43 --> 00:27:47: ensure that the riskiness of the note of of the

00:27:47 --> 00:27:50: deal is acceptable to hard for a guarantee.

00:27:51 --> 00:27:54: So we we, we go and we compare what they

00:27:54 --> 00:27:55: have submitted.

00:27:56 --> 00:28:00: We have we we provide a guidance in on our

00:28:00 --> 00:28:06: website and you'll see later on on on underwriting guidelines

00:28:06 --> 00:28:11: that really aligns those two Huds and the the locality

00:28:12 --> 00:28:17: or or borrower underwriting guidelines to make it a constant

00:28:17 --> 00:28:19: or conformance.

00:28:20 --> 00:28:25: Underwriting and risk is riskiness and then so individual

00:28:25 --> 00:28:28: projects

00:28:28 --> 00:28:32: later on will have to go through the field office

00:28:32 --> 00:28:35: and that's where the field office in this case will

00:28:35 --> 00:28:41: that will review their eligibility determination.

00:28:41 --> 00:28:46: That includes if the activity is eligible under our regulation,

00:28:46 --> 00:28:49: if they're meeting the national objective or if it's an

00:28:49 --> 00:28:53: economic development project.

00:28:57 --> 00:29:00: If it meets the Poly benefit standards, next slide.

00:29:00 --> 00:29:01: So now let's take a look at some of the

00:29:01 --> 00:29:05: examples.

00:29:05 --> 00:29:09: By the way, we have on our website.

00:29:10 --> 00:29:13: We have project examples from way, way back.

00:29:13 --> 00:29:16: So you can take a look go to that site

00:29:16 --> 00:29:21: and then take a look at all We have a

00:29:22 --> 00:29:26: more more information of the description of of multiple

00:29:26 --> 00:29:30: examples

00:29:30 --> 00:29:33: because there's no sense to reinvent the wheel, right.

00:29:33 --> 00:29:34: So the first one that might be applicable and of

00:29:35 --> 00:29:39: of interest to you is the Affordable Housing Rehab Loan

00:29:39 --> 00:29:43: Fund example.

00:29:43 --> 00:29:47: From Washington DC and once again when you talked about

00:29:48 --> 00:29:51: loan fund, remember you have the capacity to actually direct

00:29:51 --> 00:29:55: your resources in certain way and in certain places.

00:29:55 --> 00:29:59: And one of the examples that we have for loan

00:29:59 --> 00:30:03: funds that I failed to mention before as as to

00:30:03 --> 00:30:08: the specificity that you can achieve with with this loan

00:30:08 --> 00:30:13: fund which is one of the approaches to to 108.

00:30:13 --> 00:30:17: The city of Brockton submitted an application for a loan

00:30:17 --> 00:30:21: phone, but this loan phone was directed toward their

00:30:21 --> 00:30:25: downtown

00:30:25 --> 00:30:29: area and toward their restaurant infrastructure.

00:30:18 --> 00:30:21: So you can see how detail you can get and
00:30:21 --> 00:30:24: how directed you can get with your loan funds.
00:30:24 --> 00:30:29: In this case, Washington DC directed it approach.
00:30:30 --> 00:30:34: They're 108 toward the affordable housing and rehab.
00:30:34 --> 00:30:39: They wanted to conserve the district's affordable housing and they
00:30:39 --> 00:30:41: implemented this loan fund.
00:30:41 --> 00:30:46: They they got a commitment of 38 point \$1,000,000 they
00:30:46 --> 00:30:47: were using.
00:30:48 --> 00:30:52: They're using \$15.4 million and once again they go was
00:30:52 --> 00:30:56: to provide thirdparty loans for for the preservation of of
00:30:57 --> 00:30:58: the affordable housing.
00:30:59 --> 00:31:05: And they proposed the type of multiple multifamily
00:31:05 --> 00:31:12: preservation project through acquisition, substantial rehabilitation and then they
00:31:12 --> 00:31:17: also included acquisition or rehabilitation of limited equity cooperatives.
00:31:18 --> 00:31:23: The funny thing on this project they thought to have
00:31:23 --> 00:31:26: this available for different loans.
00:31:27 --> 00:31:33: But instead it turns into A1 single loan, they originated
00:31:33 --> 00:31:37: one and they took the whole amount but they are
00:31:37 --> 00:31:43: preserving 394 housing unit, affordable housing unit.
00:31:44 --> 00:31:47: So as you can see once again to highlight the
00:31:47 --> 00:31:51: flexibility of the 108 and that was a that's a
00:31:51 --> 00:31:52: great project.
00:31:52 --> 00:31:53: They closed.
00:31:53 --> 00:31:54: They closed on it.
00:31:55 --> 00:31:56: Not too long ago.
00:31:56 --> 00:31:58: I'm talking about maybe three or four weeks ago.
00:32:00 --> 00:32:05: Next slide or this is this is once again this
00:32:05 --> 00:32:11: is what they their the financial structure submitted for us.
00:32:11 --> 00:32:16: They use only section 108, the 38.8 and the main
00:32:16 --> 00:32:21: use was affordable housing and they use the loan proceed.
00:32:22 --> 00:32:25: As a Section 108 financing fee.
00:32:25 --> 00:32:28: So that's what you see, that's how it is a
00:32:28 --> 00:32:29: detail.
00:32:30 --> 00:32:36: Next slide, this is another interesting project.
00:32:36 --> 00:32:41: This is from Boulder, Co and that this involve a
00:32:41 --> 00:32:45: community based development organization.
00:32:47 --> 00:32:49: This is the counterpart of.
00:32:50 --> 00:32:55: The section the shadow in the home program, right.
00:32:56 --> 00:32:59: It almost has the same characteristic.
00:32:59 --> 00:33:04: Actually, if the unit the entity is a shadow under

00:33:04 --> 00:33:11: the home is easily qualifiable as a community based development

00:33:11 --> 00:33:17: organization, the CBDO in this case this CBDO proposed through

00:33:18 --> 00:33:19: the boulder.

00:33:20 --> 00:33:21: The City of Boulder proposed it.

00:33:21 --> 00:33:26: They use the section 108 for a modular housing manufacturing

00:33:26 --> 00:33:30: facility and and with the goal to increase the cities

00:33:30 --> 00:33:34: and regions production capacity of affordable homes.

00:33:34 --> 00:33:39: So the the CBDO it is a flat irons habitat

00:33:39 --> 00:33:44: which is part of the Habitat for Humanity.

00:33:46 --> 00:33:51: They they are constructing A modular house in manufacturing facility

00:33:51 --> 00:33:55: in addition to the house the affordable housing.

00:33:55 --> 00:33:59: They are providing workforce training and for the students in

00:34:00 --> 00:34:02: the Boulder Valley School District.

00:34:02 --> 00:34:05: So it is a very interesting project.

00:34:05 --> 00:34:09: I know they're having some issues in terms of some

00:34:09 --> 00:34:12: environmental but everything is is good.

00:34:12 --> 00:34:15: It just of course, an EMV type of thing.

00:34:16 --> 00:34:19: For this project let us see the the structure the

00:34:19 --> 00:34:21: the financial structure.

00:34:22 --> 00:34:26: As you can see the 108 was for \$4 million.

00:34:26 --> 00:34:30: They use CDBG funds in addition to city funds and

00:34:30 --> 00:34:33: you can you see the type of uses, the site

00:34:33 --> 00:34:40: works, construction and customization of buildings, this professional, fees of

00:34:40 --> 00:34:43: cost, and once again the section 108 fee.

00:34:44 --> 00:34:50: So the title project in this case was 4.1 almost

00:34:50 --> 00:34:51: \$4.2 million.

00:34:53 --> 00:34:56: This one is going to be interesting for you guys

00:34:56 --> 00:34:58: and this is as you will know.

00:34:58 --> 00:35:00: Let me make a quick introduction.

00:35:01 --> 00:35:08: There's a there's a prohibition on using section 108 and

00:35:08 --> 00:35:13: CDBG on new construction of housing.

00:35:14 --> 00:35:20: However, there's no restriction on supporting new construction.

00:35:20 --> 00:35:26: The issue is money funds CDBG or section 108 cannot

00:35:26 --> 00:35:32: go directly into the construction of new housing, but in

00:35:32 --> 00:35:38: this case, and this is a good example from Hartley

00:35:38 --> 00:35:38: Rich.

00:35:40 --> 00:35:43: Project in High Point NC.

00:35:43 --> 00:35:47: These guys have mastered this approach.

00:35:48 --> 00:35:52: They leverages this section 108 so much.

00:35:53 --> 00:35:56: They have done this four times already.

00:35:56 --> 00:35:58: This is the I believe this is one of the

00:35:58 --> 00:35:59: last ones.

00:35:59 --> 00:36:03: But they have replicated this approach four times, and what

00:36:03 --> 00:36:05: entails is they divided in two phases.

00:36:06 --> 00:36:10: The first place the borrower requested section one on a

00:36:11 --> 00:36:15: funds for site acquisition and improvement, right.

00:36:15 --> 00:36:18: That is the activity that is the eligible activity.

00:36:19 --> 00:36:26: Once they complete the acquisition and the improvement then they

00:36:26 --> 00:36:32: will they they convey this improved land to the developer

00:36:32 --> 00:36:35: for for a light tech project.

00:36:37 --> 00:36:41: So it is interesting because there's a coordination that is

00:36:41 --> 00:36:43: that is has to take place.

00:36:43 --> 00:36:48: For example, when in during phase one, the acquire land

00:36:48 --> 00:36:52: has to be, it is used as security.

00:36:52 --> 00:36:56: So there's a lien on that property, but then after

00:36:56 --> 00:37:00: they completed that property and before is is conveyed to.

00:37:01 --> 00:37:06: The developer and the in exchange for an amount for

00:37:06 --> 00:37:10: a note which equals the amount of of the section

00:37:10 --> 00:37:13: 108 obtained by the city.

00:37:13 --> 00:37:17: So you see now now we HUD releases the lien.

00:37:17 --> 00:37:22: Now the developer put a lien on the property in

00:37:22 --> 00:37:26: favor of the city, who in terms assign that to

00:37:26 --> 00:37:29: HUD, making the section 108.

00:37:30 --> 00:37:34: Secure I mean this is that they this is they.

00:37:34 --> 00:37:39: They have mastered what what what I'm meaning is master

00:37:39 --> 00:37:43: because he has these peculiarities but once done it is

00:37:43 --> 00:37:44: beautiful.

00:37:44 --> 00:37:50: They have done once again for projects light tech projects

00:37:50 --> 00:37:53: with with this approach.

00:37:56 --> 00:37:56: Next slide please.

00:37:58 --> 00:38:00: So this is the, this is the sample and This

00:38:00 --> 00:38:03: is why we love the light tech projects.

00:38:03 --> 00:38:06: If you can see there's a section of the sources,

00:38:06 --> 00:38:10: the section 108 guarantee for phase one for acquisition and

00:38:10 --> 00:38:11: site improvements.

00:38:12 --> 00:38:16: And then on during phase two, you see the sources

00:38:16 --> 00:38:22: private loan, there's a private loan, there's a North Carolina

00:38:22 --> 00:38:26: rental production program loan, then you see.

00:38:27 --> 00:38:31: The note issued by the borrower for for not the
00:38:31 --> 00:38:36: note issue by the developer to the borrower for the
00:38:36 --> 00:38:41: site and then the federal light take take a look
00:38:41 --> 00:38:45: at that at that at all that equity \$6.7 million
00:38:45 --> 00:38:50: and that is the that is absolutely outstanding and see
00:38:50 --> 00:38:54: at the see see the uses now doing phase two
00:38:55 --> 00:38:56: there's no more.
00:38:57 --> 00:39:02: Section 108, right, You don't see it anywhere because it's
00:39:02 --> 00:39:05: always done during phase one.
00:39:08 --> 00:39:08: All right.
00:39:08 --> 00:39:14: Next slide, this is another excellent project that was a
00:39:14 --> 00:39:18: loan officer for this mixed-use development.
00:39:19 --> 00:39:25: Project we are section 108 is excellent doing mixed-use
00:39:25 --> 00:39:25: development
00:39:25 --> 00:39:25: projects.
00:39:26 --> 00:39:31: This mixed-use could be could be commercial, have a
00:39:31 --> 00:39:36: commercial
00:39:36 --> 00:39:40: component with rehabilitation on top of it for example, or
00:39:40 --> 00:39:45: new construction on top of it, always keeping in mind
00:39:45 --> 00:39:46: that no money can touch the new construction, however the
00:39:46 --> 00:39:50: phones can.
00:39:50 --> 00:39:54: Can be used for rehabilitation on a mixed-use project, so
00:39:54 --> 00:39:56: it could go into the into the commercial component and
00:39:56 --> 00:40:03: to the housing component.
00:40:03 --> 00:40:09: Also can can be bring together the public public buildings
00:40:09 --> 00:40:11: or public facilities on top of commercial and on top
00:40:11 --> 00:40:12: of housing.
00:40:12 --> 00:40:15: So there's many ways to do it.
00:40:15 --> 00:40:22: In this case they they use.
00:40:22 --> 00:40:27: The for the Northside Commons in Spartanburg, SC, they
00:40:27 --> 00:40:34: requested
00:40:34 --> 00:40:35: \$3,000,000 for new construction and it was a collaboration
00:40:35 --> 00:40:40: between
00:40:40 --> 00:40:44: the public, private, civic and educational, educational and
00:40:44 --> 00:40:50: including philanthropic
00:40:50 --> 00:40:55: institutions.
00:40:55 --> 00:41:01: And there was a component in this project that was
00:41:01 --> 00:41:05: new market tax that used new market tax credit.
00:41:05 --> 00:41:10: They they use the \$3,000,000 what is to finance the
00:41:10 --> 00:41:15: portion of the medical clinic and and office space.
00:41:15 --> 00:41:20: And you see here's the the financial financial structure, you
00:41:20 --> 00:41:25: see the new market tax credit at \$3.7 million, you
00:41:25 --> 00:41:30: see the private bank private loan, you see the section

00:41:10 --> 00:41:13: 108 there with \$3,000,000.

00:41:13 --> 00:41:18: Then this is the the college that we're supporting this

00:41:18 --> 00:41:22: \$800,000 and there's another loan there.

00:41:22 --> 00:41:27: You see the cost for acquisition see the construction, the

00:41:27 --> 00:41:32: some of the soft costs including the Section 108 fee

00:41:32 --> 00:41:34: beautiful beautiful project.

00:41:36 --> 00:41:43: Next this is another interesting and and show the versatility

00:41:43 --> 00:41:46: of the Section 108 project.

00:41:47 --> 00:41:51: In this case the the city was Merced in California.

00:41:52 --> 00:41:56: They they have an approval they under submitted the application

00:41:56 --> 00:42:00: and they they it got approved for the this apartment

00:42:00 --> 00:42:01: and public facility.

00:42:01 --> 00:42:05: So the the section 108 funds was going to to

00:42:05 --> 00:42:10: be used to construct to build Community Center which is

00:42:10 --> 00:42:15: the component activity of the new affordable housing project.

00:42:15 --> 00:42:20: Once again that the money went to the community or

00:42:20 --> 00:42:25: or was going to go to the Community Center and

00:42:25 --> 00:42:31: not to the foldable housing development even though he was

00:42:31 --> 00:42:36: supporting that but but he was for the Community Center

00:42:36 --> 00:42:39: that included solar, solar panels.

00:42:40 --> 00:42:44: So the issue with they requested next slide and as

00:42:45 --> 00:42:49: you can see they were for for this specific part,

00:42:49 --> 00:42:55: they were using \$2,000,000 for the Community Center that included

00:42:56 --> 00:43:00: the the public space we call it and that will

00:43:00 --> 00:43:05: be for the solar panel \$1.9 million + 43,000 dollars

00:43:05 --> 00:43:07: for the loan fee.

00:43:07 --> 00:43:12: However they did not go through, they obtained approval and

00:43:12 --> 00:43:14: the commitment from HUD.

00:43:15 --> 00:43:22: However they found found other sources of funds and and

00:43:23 --> 00:43:29: I believe that was grant and grant money right.

00:43:29 --> 00:43:34: So there's nothing better than the 0 cost money, right.

00:43:35 --> 00:43:38: But the next best thing is cheap money and that's

00:43:38 --> 00:43:41: where we we we are there with the cheap capital.

00:43:42 --> 00:43:46: And then the this is an example of how Section

00:43:46 --> 00:43:51: 108 can be used in in demolition or remediation of

00:43:51 --> 00:43:57: flood controls specifically nowadays with the climate change effect that

00:43:57 --> 00:44:02: that we're having and we're trying to build a more

00:44:02 --> 00:44:08: resilient, more resilient communities and and infrastructure.

00:44:08 --> 00:44:13: So in this case Meriden CT requested \$1.5 million for

00:44:13 --> 00:44:15: demolition and flow control.

00:44:15 --> 00:44:21: The demolition was involved abandoned structures and then the city

00:44:21 --> 00:44:28: created the flow control infrastructure to prevent future flooding.

00:44:28 --> 00:44:34: So the addition the, the collateral that they provided was

00:44:35 --> 00:44:38: full paid and credit of the city.

00:44:39 --> 00:44:42: So awesome job.

00:44:43 --> 00:44:48: Next slide and you can see this is their financial

00:44:48 --> 00:44:53: structure where they they show the \$1.5 million of the

00:44:53 --> 00:45:00: loan guarantee together with a Department of Environmental Protection grant,

00:45:01 --> 00:45:03: I believe it was \$1 million.

00:45:04 --> 00:45:10: The CD is 80,000 and EPA federal funds of \$2.3

00:45:10 --> 00:45:11: million.

00:45:11 --> 00:45:15: And once again this is a good example of how

00:45:15 --> 00:45:20: Section 108 fits very well with different objective and different

00:45:20 --> 00:45:24: sources and the uses of course they use for the

00:45:24 --> 00:45:30: the public facility and improvement that includes an environmental assessment

00:45:30 --> 00:45:31: and cleanup.

00:45:34 --> 00:45:34: All right.

00:45:34 --> 00:45:40: So what I mentioned to you about these sources that

00:45:40 --> 00:45:45: we have available for for you the QRC is there

00:45:45 --> 00:45:50: just this will be available to you in you In

00:45:50 --> 00:45:57: the hot.gov and hot exchange we provide the borrowing capacity

00:45:57 --> 00:46:01: or authority for our eligible applicants.

00:46:03 --> 00:46:08: So if you are thinking about developing a project, our

00:46:08 --> 00:46:15: suggestion is go here, see the the closest community entitlement

00:46:15 --> 00:46:19: or not and then reach out to that community and

00:46:19 --> 00:46:22: and query about the section 108.

00:46:23 --> 00:46:27: There's an application tool that we provide in order to

00:46:27 --> 00:46:30: put together an application is not a form, it is

00:46:30 --> 00:46:30: a tool.

00:46:30 --> 00:46:34: It's more of a completion checklist.

00:46:34 --> 00:46:37: It will ask you the questions that you need to

00:46:37 --> 00:46:41: to ensure that are contained in your application.

00:46:41 --> 00:46:46: There's also, as I explained before the application, there are

00:46:47 --> 00:46:51: two components that needs to be that have to take

00:46:51 --> 00:46:55: place and that is the citizen participation that has to

00:46:56 --> 00:47:01: happen before the the application is submitted to HUD inclusive

00:47:01 --> 00:47:07: including City Council resolution to to that authorizes the application

00:47:07 --> 00:47:08: to HUD.

00:47:08 --> 00:47:13: Also there's a single certification document that it is there

00:47:13 --> 00:47:14: for our borrowers.

00:47:15 --> 00:47:20: Certifications are all over the place in our regulation and

00:47:20 --> 00:47:23: we have taken the time and the work to kind

00:47:23 --> 00:47:29: of concentrate or distill all the certifications that are required.

00:47:29 --> 00:47:34: And when you use this format, give us assurances that

00:47:34 --> 00:47:40: you are actually doing all the certifications that are required.

00:47:41 --> 00:47:45: Then there's a that you will see an infographic with

00:47:45 --> 00:47:47: application process.

00:47:47 --> 00:47:55: You will have idealize process for the application and the

00:47:55 --> 00:47:56: finance.

00:47:57 --> 00:48:00: Because one of the question is how long does it

00:48:00 --> 00:48:03: take for for an application to be approved?

00:48:04 --> 00:48:06: Well, it just all depends right?

00:48:06 --> 00:48:09: Just depend on on if you start from from the

00:48:09 --> 00:48:12: time from brainstorming or from the time that you submit

00:48:13 --> 00:48:13: the application.

00:48:13 --> 00:48:16: But if you submit the application to us and and

00:48:16 --> 00:48:18: it's a complete application.

00:48:18 --> 00:48:22: I would say it wouldn't take us more than 30

00:48:22 --> 00:48:24: days to get you an approval.

00:48:24 --> 00:48:28: Because if you provide the the the program requirements, if

00:48:28 --> 00:48:33: you provide the financial requirements and and information that allow

00:48:33 --> 00:48:37: us to assess the risk or or the underwriting of

00:48:37 --> 00:48:39: this wouldn't take wouldn't take long.

00:48:40 --> 00:48:45: But it the issue becomes when units units of communities

00:48:45 --> 00:48:51: submit their application and those applications are faulty or they

00:48:51 --> 00:48:54: don't have enough information.

00:48:54 --> 00:48:57: And by the way, we encourage the the communities to

00:48:58 --> 00:49:02: engage with heart with us even from the brainstorming stage.

00:49:02 --> 00:49:06: We will help help help the communities put together the

00:49:06 --> 00:49:07: application.

00:49:07 --> 00:49:12: We review draft application, finding any issues with the

00:49:12 --> 00:49:14: application

00:49:12 --> 00:49:14: so they can correct it.

00:49:14 --> 00:49:18: So by the time that they submit an official application

00:49:18 --> 00:49:21: that that application wouldn't take no time at all to

00:49:21 --> 00:49:23: get a commitment.

00:49:23 --> 00:49:28: And like I mentioned before, there's also project profiles for
00:49:28 --> 00:49:33: all applications improved in recent recent fiscal years.
00:49:33 --> 00:49:37: So this is a great, great slide because he has
00:49:37 --> 00:49:39: all the information there.
00:49:40 --> 00:49:49: Next slide, once again we are available at any time.
00:49:49 --> 00:49:53: We pride ourselves to provide the, we don't like to
00:49:54 --> 00:49:59: to call it technical assistance because technical assistant in
our
00:49:59 --> 00:50:04: business means that may you have to pay, may may
00:50:04 --> 00:50:06: you may have to pay.
00:50:06 --> 00:50:11: So we call it targeted support or directed support, direct
00:50:11 --> 00:50:18: assistance to allow from visioning to completion the
successful implementation
00:50:18 --> 00:50:21: of the Section 108 program.
00:50:23 --> 00:50:28: And with this, you see our emails and I'll give
00:50:28 --> 00:50:31: it back to Paul if he's here.
00:50:31 --> 00:50:32: Paul, back to you.
00:50:37 --> 00:50:38: Thank you, Jorge.
00:50:39 --> 00:50:44: So you can see that that Section 108 is a
00:50:44 --> 00:50:47: multifaceted program.
00:50:49 --> 00:50:54: We can finance a wide range of projects.
00:50:56 --> 00:51:00: We can provide and do have in place a financing
00:51:00 --> 00:51:05: mechanism so that you don't have to go out and
00:51:05 --> 00:51:07: search for your own lender.
00:51:09 --> 00:51:16: Because of the full faith and credit guarantee of high
00:51:16 --> 00:51:21: the the loans are at a rate that is similar
00:51:21 --> 00:51:27: to the the rate charged on Treasury obligations.
00:51:27 --> 00:51:32: But there is a spread, as with any government guaranteed
00:51:32 --> 00:51:37: obligation to reflect the somewhat reduced liquidity of the of
00:51:37 --> 00:51:38: the loans.
00:51:38 --> 00:51:39: So.
00:51:40 --> 00:51:47: The the process again is application process is a rolling
00:51:47 --> 00:51:51: process you can apply at any time.
00:51:52 --> 00:51:58: The It's important to understand that the eligible applicants
are
00:51:58 --> 00:52:04: the communities that receive funding under the CDBG
program.
00:52:04 --> 00:52:07: So the community that applies, or the applicant is going
00:52:08 --> 00:52:10: to be A community can carry out a project itself.
00:52:11 --> 00:52:18: Or most productively, it can partner with other entities that
00:52:18 --> 00:52:24: bring to the table special skills, special talent, and it
00:52:24 --> 00:52:29: includes developers for profit developers.
00:52:29 --> 00:52:33: It includes nonprofit organizations that sponsor housing

projects.

00:52:34 --> 00:52:37: Or economic development projects.

00:52:38 --> 00:52:43: So it is a, it is a very flexible program.

00:52:45 --> 00:52:51: We've got several questions about the, whether this is primarily

00:52:51 --> 00:52:58: a construction loan mechanism or a construction financing mechanism or

00:52:58 --> 00:53:02: a permanent financing mechanism and the answer is.

00:53:03 --> 00:53:05: Yes, it's either or both.

00:53:06 --> 00:53:12: We have the ability for our borrowers to use Section

00:53:12 --> 00:53:18: 108 and provide the kind of construction financing that is

00:53:18 --> 00:53:24: needed oftentimes for project hard to get for some of

00:53:24 --> 00:53:30: the assisted projects, but it also can be converted to

00:53:30 --> 00:53:33: a longer term loan up to.

00:53:33 --> 00:53:36: Under our regulations, the maximum term is 20 years in

00:53:36 --> 00:53:37: the Section 1 away.

00:53:38 --> 00:53:43: So again, we have the contact information so that if

00:53:43 --> 00:53:48: you want to engage with us, a rainstorm and often

00:53:48 --> 00:53:52: times the people who come to us are not the

00:53:52 --> 00:53:57: applicant, it's the cities or the counties they are.

00:53:58 --> 00:54:00: Potential stakeholders and projects, they want to know more.

00:54:00 --> 00:54:03: They want to know whether it's a feasible financing source

00:54:03 --> 00:54:05: for the kind of project that they want to want

00:54:05 --> 00:54:06: to undertake.

00:54:07 --> 00:54:11: And once they learn, get an answer to that question.

00:54:12 --> 00:54:16: Then often times they will go to their city or

00:54:16 --> 00:54:22: county government and proposed to section 108 and we'll bring

00:54:22 --> 00:54:25: to the table the kind of development.

00:54:27 --> 00:54:30: Prowess that is needed for a lot of the projects

00:54:30 --> 00:54:34: or for most of the projects that communities want to

00:54:34 --> 00:54:35: entertain.

00:54:36 --> 00:54:40: With that, I don't know if we can answer questions

00:54:40 --> 00:54:43: live or not, but we certainly will be willing to

00:54:43 --> 00:54:46: do that and answering questions.

00:54:49 --> 00:54:52: Thank you all for submitting your questions to the Q&A.

00:54:52 --> 00:54:55: I do encourage you to reach out to these very

00:54:55 --> 00:54:57: knowledgeable officials.

00:54:57 --> 00:55:01: If your question did not get answered today, we will

00:55:01 --> 00:55:06: be reaching out via e-mail with the presentation slides as

00:55:06 --> 00:55:09: well as a recording to the webinar for you to

00:55:09 --> 00:55:10: watch on demand.

00:55:12 --> 00:55:15: If you're interested in learning more about other HUD

programs,
00:55:15 --> 00:55:19: our colleagues over at the Lewis Center for Sustainability
have
00:55:19 --> 00:55:22: published an article on Hud's new program, Green and
Resilient
00:55:22 --> 00:55:26: Retrofits, which which provides funds for multifamily buildings
to boost
00:55:26 --> 00:55:30: resilience to climate risks like floods, fires, and extreme heat,
00:55:30 --> 00:55:32: while also reducing carbon emissions.
00:55:32 --> 00:55:35: Owners of HUD assisted multifamily buildings can receive up
to
00:55:36 --> 00:55:37: \$20 million per project.
00:55:37 --> 00:55:40: The application process has been simplified and has options
for
00:55:41 --> 00:55:43: projects in various stages of development.
00:55:43 --> 00:55:45: I'll put a link to the article in the chat
00:55:46 --> 00:55:47: so you can learn more.
00:55:48 --> 00:55:51: Again, a huge thank you to the HUD team for
00:55:52 --> 00:55:54: such an informative presentation.
00:55:55 --> 00:56:00: I do encourage you to take advantage of these these
00:56:00 --> 00:56:06: experts and thank you all for joining us this afternoon.

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