

COMMUNITY DEVELOPMENT BLOCK GRANT – SECTION 108 LOAN GUARANTEE

PROGRAM DESCRIPTION

Section 108, the loan guarantee provision of the Community Development Block Grant (CDBG), is one of the most important public investment tools that U.S. Department of Housing and Urban Development (HUD) offers to local governments. It allows local governments to transform a small portion of their CDBG funds into federally guaranteed loans large enough to pursue physical and economic revitalization projects that can renew entire neighborhoods. Section 108 loans are not risk-free; local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations to cover the loan amount as security for the loan. Eligible applicants include the following entities: metropolitan cities and urban counties and nonentitlement communities eligible to receive CDBG funds under the state CDBG program. Eligible activities include, but are not limited to: economic development activities eligible under CDBG; acquisition of real property; rehabilitation of publicly owned real property, housing rehabilitation eligible under CDBG; construction, reconstruction, or installation of public facilities, related relocation, clearance and site improvements; payment of interest on the guaranteed loan and issuance costs of public offerings, debt-service reserves. The maximum repayment period for a Section 108 loan is 20 years.

ELIGIBLE APPLICANTS

Metropolitan cities and urban counties (i.e., CDBG entitlement recipients) and non-entitlement communities that are assisted in the submission of applications by the state; the public entity may be the borrower or it may designate a public agency to be the borrower.

TYPE OF ASSISTANCE

HUD guarantees repayment of notes issued by local governments to raise capital for approved projects; the guarantee represents the full faith and credit of the U.S. government, providing private investors with enough security that the participating local governments can borrow funds at lower interest rates comparable to those that the government commands when borrowing through the U.S. Treasury; the guaranteed amount must not exceed five times the community's (or state's) most recent CDBG allocation; the maximum loan term is 20 years; loan guarantees generally require security beyond the pledge of CDBG funds, which HUD and the borrower negotiate.

AVAILABLE FUNDING

Call the numbers below for up-to-date information.

SOURCE OF FUNDS

Program funding is authorized by Congress under Section 108 of the Housing and Community Development Act of 1974 (42 U.S.C. 5308).

(over)

APPLICATION PROCESS/DEADLINES

Eligible communities may apply for loan guarantees year round; public entitlement entities wishing to apply for Section 108 loan guarantee assistance are advised to contact HUD in advance for guidance in preparing an application. Application guidance can also be found in the Section 108 regulations at 24 CFR 570.704, "Application Requirements"; non-entitlement communities may apply through their state (see Florida Small Cities Community Development Block Grant in this publication for contact). HUD makes preliminary commitments and then negotiates formal guarantee agreements

with the selected local governments over the succeeding months, resolving issues such as the nature and amount of security to be required, the repayment schedule and the specific permissible uses of the loan funds.

MATCHING/OTHER REQUIREMENTS

The principal security for the loan guarantee is a pledge by the applicant public entity (or the state, in the case of a non-entitlement public entity) of its current and future CDBG funds; additional security will also be required to assure repayment of the guaranteed obligations; the additional security requirements will be determined on a case-by-case basis, but could include assets financed by the guaranteed loan; the maximum repayment period for a Section 108 loan is 20 years.

CONTACT

Community Connections (Notice of Funding Availability): 1-(800) 998-9999

There are four HUD offices serving the State of Florida.

Jacksonville:

400 W. Bay Street, Suite 1015

Jacksonville, FL 32202

(904) 232-2627

Fax: (904) 232-3759

Jurisdiction: the following 36 counties in North Florida: Alachua, Baker, Bay, Bradford, Calhoun, Columbia, Clay, Dixie, Duval, Escambia, Flagler, Franklin, Gadsden, Gilchrist, Gulf, Hamilton, Holmes, Jackson, Jefferson, Lafayette, Leon, Levy, Liberty, Madison, Marion, Nassau, Okaloosa, Putnam, St. Johns, Santa Rosa, Suwannee, Taylor, Union, Wakulla, Walton and Washington.

Miami:

Brickell Plaza Federal Building

909 S.E. First Avenue, Room 500

Miami, FL 33131-3028

(305) 536-4456

TTD: (305) 536-4743

Fax: (305) 536-5765

Jurisdiction: the following 10 counties in South Florida: Broward, Charlotte, Collier, Glades, Hendry, Lee, Martin, Miami-Dade, Monroe and Palm Beach.

Orlando:
3751 Maguire Boulevard, Suite 270
Orlando, FL 32803
(407) 648-6441
Fax: (407) 648-6310

Jurisdiction: the following nine counties in East Central Florida: Brevard, Indian River, Lake, Okeechobee, Orange, Osceola, St. Lucie, Seminole and Volusia.

Tampa:
Timberlake Federal Building
500 E. Zack Street, Suite 402
Tampa, FL 33602-2945
(813) 228-2026
TTD: (813) 228-2115
Fax: (813) 228-2431

Jurisdiction: the following 12 counties in West Central Florida: Citrus, DeSoto, Hardee, Hernando, Highlands, Hillsborough, Manatee, Pasco, Pinellas, Polk, Sarasota and Sumter.