

SECTION 108 LOAN GUARANTEE PROGRAM 8.16.16

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What is the Section 108 Loan Guarantee Program?

- LOAN, must be repaid in full with interest
- Source of financing for capital projects
- Primary benefit to low- to moderate-income individuals
- Not for operational funds, ex: working capital, salaries
- Cities can borrow up to 5x annual CDBG allocation
- Approval given by U.S. Housing and Urban Development (HUD)
- Legal requirement to pledge repayment through annual CDBG entitlement funds as final backstop for loan



What kinds of projects can be funded with Section 108 loans?

- Capital projects for economic development
- Revolving loan funds
- Public investments (parks, city buildings)
- Projects should generate enough revenue to repay the loan with interest



History of the existing \$7 million preapproved loan

- Dates to 1995
- Preapproval of Section 108 Loan sought to fund economic development projects in west Louisville
- City chose to pursue alternative funding with better terms
- Preapproval remains in place today



Use of existing \$7 million loan

- FoodPort is pilot project for use of the Section 108 loan to develop process to administer and oversee loans
- If successful, a larger approval may be sought from HUD to fund additional projects
- Public comments received to date demonstrate community interest in using the tool for additional projects



Process to re-authorize the \$7 million loan

- 24 CFR 570, Subpart M governs
- Public notice and comment period on amendment to Consolidated Plan (July 26 –August 26)
- Final application to HUD due after public comment period ends
- HUD will review using its strict underwriting standards
- Primary consideration for sufficiency of collateral to protect against potential default



Questions?

