

USE OF SECTION 108 LOAN GUARANTEE FUNDS

While IEDA is able to offer a number of CDBG funded programs to Iowa communities for a wide range of activities, there remain four types of needs that remain under-addressed: 1) relatively large dollar and large impact projects aimed at economic development through business location or expansion and job creation; 2) large scale and comprehensive adaptive reuse or conversion of vacant or underutilized buildings; 3) consolidated rehabilitation of groups of upper story residential units in a single market area; and 4) provision of new workforce single family housing opportunities.

Accordingly, beginning in Project Year 2015, the State of Iowa Economic Development Authority (IEDA), intends to begin utilizing HUD’s Section 108 Loan Guarantee Program to provide funds to non-entitlement Iowa units of local governments to address the aforementioned underserved needs. HUD makes the ultimate approval or denial of the federal guarantee.

The minimum loan amount proposed is \$500,000 and the maximum loan amount is \$10,000,000. The State may enter into loan guarantee agreements in support of projects sponsored by any non-entitlement unit of local government. In order to be eligible, a project must meet all applicable CDBG requirements and result in significant employment opportunities and/or benefits for low- and moderate-income persons. The advantage to the State of Iowa in participating in the Section 108 program is that the program accelerates the implementation of a project, leverages other public and private resources and provides access to a large pool of funds for development projects at a below market interest rate.

As per the regulations set forth in CFR 570 Subpart M, HUD permits States to borrow up to five times the amount of the most recent CDBG grant received by the State. Future CDBG funds to be awarded to the State are pledged as collateral for the amount borrowed.

IEDA plans to borrow up to \$40 million, (185% of the State’s current annual allocation), from HUD to be distributed during the 5 year Consolidated Plan period to non-entitlement Iowa units of local government. IEDA proposes to issue low interest loans to localities for three primary purposes through the new Community Revitalization and Economic Enhancement (R & E) program:

1. Economic Development Resulting Directly in Substantial Private Investment and Job Creation/ Retention, including investment in public infrastructure in direct support of economic development
2. Adaptive Conversion or Reuse of Vacant or Underutilized Commercial or Industrial Buildings for Residential Purposes
3. Rehabilitation/ Reconstruction / Conversion of Buildings to Provide Upper Story Residential Units
4. Provision of New Affordable Single Family Residential Units

The proposed approximate funding range for these four activities is as follows:

<u>Project Activity Summary</u>	<u>Estimated Range of Amounts*</u>
Direct Loans to Businesses for Econ. Development	\$5,000,000 - \$10,000,000
Adaptive Conversion or Reuse for Residential Units	\$10,000,000 - \$30,000,000
Rehab/Renovation of Upper Story Residential Units	\$5,000,000 - \$15,000,000
Provision of New Single Family Residential Units	\$ 2,000,000 - \$3,000,000
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	\$20,000,000 - \$60,000,000

***Total amount awarded during the five year Consolidated Plan period will not exceed \$40,000,000.**