

Section 108 Loan Pre-Application Questionnaire

The Florida Small Cities Community Development Block Grant (CDBG) Loan Guarantee Program is authorized by section 290.0455, Florida Statute. The Department of Economic Opportunity administers the program pursuant to Section 108 of Title I of the Housing and Community Development Act of 1974, as amended. The purpose of the program is to guarantee, or to make commitments to guarantee, notes or other obligations issued by public entities for the purposes of financing activities enumerated in 24 CFR 570.703. Section 108 loans offer non-entitlement local governments a source of financing for economic development activities, large-scale public facility projects, and public infrastructure when traditional funding may not be available.

Before contacting the Department of Economic Opportunity to schedule a meeting regarding a potential Section 108 loan project, an eligible non-entitlement local government should consider the following issues and prepare responses to the related questions.

If you have any questions or desire technical assistance, please contact one of the Small Cities CDBG economic development specialists at 850-717-8405, or by e-mail at cdbg@deo.myflorida.com.

1. Project Description

Describe your project in sufficient detail to provide a clear understanding of your proposal. For example:

- What is the purpose of the project?
- Who will own the land?
- Who will own the improvements, if different from land ownership?
- What type of business(es) will be assisted?

2. Sources and Uses

Indicate how the financial sources (including the Section 108 loan) will relate to the total project costs (uses). For example:

- Show each financing source and its related dollar amount. Be sure to include the amount of debt and/or equity the owner(s) or developer(s) will be investing into the project;
- Show how the sources will be allocated to the principal project cost components through a detailed display of the uses of Section 108 funds.

A sample Sources and Uses statement can be provided upon request.

3. Project Structure and Participants

Describe the principal parties in your proposal (if providing assistance to some other entity, private or otherwise) and how funds will flow to the project. For example:

- Who will be the principal developer, business, or entity assisted?
- What is the developer's or business' experience with like projects?
- Who will be the entity's contractor? Is a leasing agency involved?
- Who will provide any required equity?
- Who will provide the permanent financing?
- Who will own the assets upon completion?

Indicate the type of entity that will act as the borrower of the Section 108 funds and undertake the project. For example:

- The City or County will borrow funds to undertake the project;
- The City or County will borrow funds and give a loan to a "qualified" Community-Based Development Organization (CBDO), a Community Redevelopment Agency (CRA), or some other subrecipient to carry out the project;
- The City or County will borrow loan funds and re-lend them to a third-party, such as a for-profit business or developer, to carry out the project.

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4. Repayment Schedule

Create a proposed repayment (amortization) schedule. Show the amount of principal, in minimum increments of \$1,000, to be repaid annually. Note that the maximum allowable Section 108 loan term is 20 years when financing infrastructure, land, or buildings. Equipment, movables, and other short-life assets will generally be financed over a shorter period of time.

5. Collateral

Apart from the underlying pledge of the CDBG entitlement, the Section 108 program requires that each loan be adequately collateralized and secured. Describe the collateral to be pledged to HUD for the Section 108 loan, the revenue streams available for and proposed for repayment purposes, and, if applicable, the proposed collateral for other project debt. Examples of collateral might be:

- A first or second lien on real property and improvements;
- A lien on machinery or equipment;
- The pledge of an income stream (minimum sales tax, franchise fees, etc.); or
- A pledge of future tax increments.

6. Project Implementation

Indicate the estimated project schedule, and at what point Section 108 financing will need to be in place and available.

7. Eligible Activity

Indicate how the activity(ies) you will be undertaking is eligible under the Section 108 Loan Guarantee Program. A list of eligible Section 108 activities can be found in 24 CFR Section 570.703.

8. National Objective

Each eligible activity must meet a national objective. Indicate how each of your activity(ies) will individually meet a national objective. The national objectives are listed in 24 CFR Section 570.483.

9. Public Benefit Standards

If your proposed project will be an eligible economic development activity [as set forth at 24 CFR 570.703(i)(1) or (2)], it must provide a certain level of public benefit. For example, if it is a job creation or retention activity, it must create or retain a proportionate number of jobs for the dollar amount of CDBG assistance requested. If the project serves a low- and moderate-income community, the amount borrowed must result in a proportionate level of benefit to low- and moderate-income persons living within the service area. Public benefit standards are detailed in 24 CFR 570.481(f).

Therefore, if applicable, indicate the following:

- The total amount of CDBG funds (e.g., Section 108 funds, Economic Development Initiative, Brownfields Economic Development Initiative, and any other CDBG-related funds) to be used in the project;
- The total number of permanent full-time-equivalent jobs to be created or retained as a result of the project; and
- The total number of low- and moderate-income persons living within the project's service area.



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10. Who is the local contact for this potential project?

Please provide the following:

- The name and title of a contact person
- A street mailing address and a Post Office Box (if appropriate)
- A telephone number and fax number
- An e-mail address