

**City of Raleigh, NC – Draft Substantial Amendment
FY2021-25 HUD Consolidated Plan and FY2024-25 Annual Action Plan**

Section 108 Loan Program Summary

The City of Raleigh intends to make an application to the U.S. Department of Housing and Urban Development (HUD) for the Section 108 Loan Guarantee Program to request funds in an amount not to exceed \$14,200,000. The City will create a Section 108 Loan Pool to make equitable investments in economic development, housing, and community development activities. Goals for using the Section 108 Loan Pool include acquiring land for redevelopment, revitalizing housing stock, development of new public facilities, directly assisting businesses and nonprofits, and real estate development projects that produce a public benefit. Individual projects will be evaluated by a loan investment committee led by the Housing and Neighborhoods Department and comprised of City and community representatives.

Section 108 National Objectives and Public Benefit Criteria

The Section 108 Loan Guarantee program follows the same rules as the Community Development Block Grant (CDBG) program, and the City’s Section 108 Loan Pool will address specific National Objectives for CDBG. Title 24 of the U.S. Code of Federal Regulations (CFR), Section 570.208, defines the criteria under which an activity may meet Section 570.200(a)(2), National Objectives. Section 570.200(a)(2) requires that all CDBG activities meet one of three national objectives. These objectives are to: 1) benefit low- and moderate-income families, 2) aid in the prevention or elimination of slums or blight, and 3) meet other urgent community development needs that pose a serious and immediate threat to the health or welfare of the community. Each project funded through the Section 108 Loan Pool will meet one of these National Objectives as detailed in Section 570.208.

The City’s Section 108 Loan Pool will benefit the public directly and indirectly by providing funds for development projects that would not occur otherwise. Development activities such as property rehabilitation, acquisition, clearance, demolition, new construction as applicable, and removal will be permissible through the Section 108 Loan Pool. The application of Section 108 funds covered under Section 570.703(a): “acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes” will be a vital resource to advance equitable development projects in Raleigh. The City’s Section 108 Loan Pool will be a tool to bring real estate and community development projects to fruition in the City, while leveraging other public, philanthropic, and private resources.

Loan Activities

Projects funded through the Section 108 Loan Pool will benefit city residents by providing opportunities for low- and moderate-income residents to access permanent residential housing, public facilities, or by permitting other economic development activity to take place. Other economic development activity must be targeted to a geographic area where at least 51 percent of area residents qualify as low- or moderate-income or to groups of residents in which at least 51 percent of program beneficiaries qualify as low- or moderate-income. The last possible usage of Section 108 funds is to provide jobs for individuals, of which at least 51 percent of said jobs employ persons who qualify as low- or moderate-income.

The Section 108 Loan Pool is intended to utilize these eligible activities:

- Special Economic Development (24 CFR 570.703(i) and 24 CFR 570.203/204)

- Acquisition of Real Property (24 CFR 570.703(a))
- Housing Rehabilitation (24 570.703(h))
- Public Facilities and Improvements (570. 201(c))

Funding allocated for each Section 108 eligible activity will be the following:

Eligible Activity	Funding Amount
Special Economic Development	\$3,000,000
Acquisition of Real Property	\$3,000,000
Housing Rehabilitation	\$7,000,000
Public Facilities and Improvements	\$1,200,000
TOTAL	\$14,200,000

As required by Title 24 of the CFR, Section 570.209, one of the underwriting objectives for the Section 108 Loan Pool is to avoid substituting CDBG funds for non-Federal financial support. Additionally, the City’s Section 108 Loan Pool will create jobs for low- and moderate-income persons, provide services to a low-income area and/or eliminate conditions of blight in the City. The specific hiring parameters for jobs created or retained through Section 108 funds may not exceed \$50,000 per full-time permanent job created by the CDBG assistance, or \$1,000 per low- and moderate-income person aided by the creation of an activity. The goal of using Section 108 funds to lend to businesses that invest in real estate activities is to create net new jobs in the City of Raleigh, especially on behalf of individuals meeting the low- to moderate-income criteria.

The City’s Section 108 Loan Pool can be used for traditional lending, in addition to short-term financing. An example of the type of loans that the Section 108 Loan Pool may provide is short-term monies dedicated to bridging a financial gap for economic development projects that will utilize local and state investments in the future, but which need immediate assistance in gathering initial financing.

Financial Guarantees, Reporting, and Usage

If the City’s Section 108 Loan Pool is used for traditional lending, any potential borrowers will be obligated to send quarterly reports to the City detailing job creation resulting from Section 108 loan funds. Collateral needed to secure a loan through the Section 108 Loan Pool includes real property assets, personal and/or corporate guarantees, and pledge of future CDBG allocation.

Priority Projects for Funding

The City will use the Section 108 Loan Pool to prioritize investments in projects that promote equity and equitable development. Equitable development projects will include investments in communities and neighborhoods of color or provide financing to developers, businesses, or organizations led by black, indigenous, and other people of color. The City may elect to support non-income producing projects and use a portion of its annual CDBG allocation as a source of repayment.