Pennsylvania Section 108 Loan Program

Program Guidelines
March 2005
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Regional Offices
Section I – Program Guidelines

A. Introduction

The Pennsylvania Department of Community and Economic Development (DCED) in cooperation with the U.S. Department of Housing and Urban Development (HUD) have agreed to undertake a program for the use of Section 108 loan guarantee funds by non-federal entitlement communities in the Commonwealth of Pennsylvania. This new grant program is a part of Governor Edward Rendell’s Economic Stimulus Program.

Pennsylvania receives an annual federal entitlement under the Community Development Block Grant (CDBG) Program. In accordance with the federal regulations found in 24 CFR 570, Subpart M, a state may develop procedures and requirements to assist non-federal entitlement public entities to apply for grants from the HUD Section 108 Loan Guarantee Program. The Commonwealth proposes to assist public entities in applying for Section 108 loan funds through a new initiative.

There are two approaches that a community may follow to apply for Section 108 loan funds. Public entities may still continue to apply for Section 108 loan funds separately, or apply through the Pennsylvania Section 108 Loan Consortium. In either case, applicants will have to follow these guidelines. If a public entity wishes to apply separately, it will be a single application that will be evaluated on its own merit. If the Pennsylvania Section 108 Loan Consortium approach is used, the applicant will be applying for funds from the consortium loan fund. The Commonwealth will provide up to one hundred percent (100%) of the loan guarantee for the loan repayment of applications funded through the loan consortium.

Purpose:

The purpose of the Pennsylvania Section 108 Loan Consortium initiative is to establish a source of loan funds for local communities to access for community and economic development activities. DCED has prepared these guidelines to expedite the approval process for Section 108 loan guarantee funds and to provide communities with an additional source of funds to address their goals and objectives for community and economic development. Public entities which want to submit an application for a Section 108 loan separately, will also need to follow these guidelines.

These public entities may still pursue an application for Section 108 loan funds without participating in the Consortium, but they will not benefit from the expedited process and state assistance in guaranteeing the Section 108 loan repayment.

NOTE:

These guidelines are not applicable to federal entitlement communities and urban counties that receive CDBG funds directly from HUD. These communities will apply directly to HUD for Section 108 loan funds.

B. Definitions

The following definitions are applicable to these guidelines:

1. **Consortium:** A group of public entities that have entered into an agreement with the Commonwealth, through DCED, to jointly apply for Section 108 loan guarantee funds from the U.S. Department of HUD.

2. **Consortium Loan Funds:** A source of funds that is available for consortium members to utilize for eligible Section 108 loan projects.

3. **Consortium Member:** A public entity that has agreed to participate in the Consortium to access Section 108 loan guarantee funds.
4. **Entitlement Public Entity**: A city, county, borough or township that qualifies as an eligible entitlement community and receives funds under State Act 179 of 1984.

5. **Non-entitlement Public Entity**: A unit of general local government that is eligible to participate in the state administered Community Development Block Grant Program but which does not receive entitlement funds under State Act 179 of 1984.

6. **Non-federal Entitlement**: A unit of general local government that is not a recipient of direct federal funds from HUD under the Community Development Block Grant Program.

7. **Public Entity**: A unit of general local government that is eligible to participate in the state administered Community Development Block Grant Program.

8. **Joint Public Entities**: Two or more entitlement or non-entitlement public entities, or any combination of public entities and/or a county that applies on behalf of a public entity that wish to participate in a joint municipal or regional project are eligible to apply for Section 108 loan funds either separately (if an entitlement entity is the lead community in submitting the application) or as a participant in the Pennsylvania Section 108 Loan Consortium.

### C. Eligible Applicants

The following types of applicants are eligible to apply for funding through the state’s Section 108 Consortium:

- Consortium Members
- Entitlement Public Entities
- Joint Public Entities
- Non-entitlement Public Entities

### D. Eligible Activities

The following activities are eligible project activities for use of Section 108 loan funds:

1. Acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes.

2. Rehabilitation of real property owned or acquired by the public entity or its designated public agency.

3. Payment of interest on obligations guaranteed under the Section 108 Program.

4. Relocation payments and other relocation assistance for individuals, families, businesses, nonprofit organizations, and farm operations who must relocate permanently or temporarily as a result of an activity financed with guaranteed loan funds.

5. Clearance, demolition and removal, including movement of structures to other sites; or buildings and improvements on real property acquired or to be rehabilitated.

6. Site preparation, including construction, reconstruction, or installation of public and other site improvements, utilities, or facilities (other than buildings), which is:
   a. Related to the redevelopment or use of the real property acquired or rehabilitated.
   b. For an economic development purpose.

7. Payment of issuance, underwriting, servicing, trust administration and other costs associated with private sector financing of debt obligations.
8. Housing rehabilitation of private owned buildings and improvements, low-income public housing, and other publicly owned residential buildings.

9. Special economic development activities including:
   a. The acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property, equipment and improvements, including railroad spurs or similar extensions.
   b. The provision of assistance to a private for-profit business, including, but not limited to, grant, loans, loan guarantees, interest supplements, technical assistance, and other forms of support, for any activity where the assistance is appropriate to carry out an economic development project.

10. Community economic development projects undertaken by a community-based development organization (CBDO) including:
   a. Activities that increase economic opportunity, principally for persons of low and moderate income, or that stimulate or retain businesses or permanent jobs, including projects that include one or more such activities that are clearly needed to address a lack of affordable housing accessible to existing or planned jobs.

11. A debt service reserve to be used in accordance with a requirement specified in the contract for a Section 108 Loan.

12. Acquisition, construction, reconstruction, rehabilitation, or installation of public facilities (except for buildings for the general conduct of government) such as public streets, sidewalks, and other site improvements, and public utilities.

E. Priorities
DCED proposes to utilize the Section 108 loan funds for communities to access for economic development, community development and affordable housing activities. DCED will only assign priorities to projects when the amount of Section 108 loan commitment authority is reduced to the point that the available loan authority is not sufficient to allow approval of all eligible applications. The following are activities that will be considered priorities when allocating limited Section 108 resources:

1. **Job Creation**
   It is a goal of the Pennsylvania Section 108 Loan Guarantee Program to create quality permanent jobs as a result of the financial assistance provided. The federal Section 108 Program Guidelines require a minimum of one permanent full-time job equivalent (FTJE) to be created for every $35,000 of Section 108 loan funds.

2. **National Objective**
   The Section 108 Loan Program requires that projects must meet a national objective. Priority consideration will be given to projects that provide a benefit to low- and moderate-income persons. However, this does not preclude worthwhile projects from being funded under the National Objective of removal of slums and blight. Priority for this National Objective will be given to activities necessary to carry out a redevelopment project.

There are several ways to meet the criteria of low-and moderate-income benefit as shown in Appendix B attached. If jobs are being created as a result of the project, the jobs could be made available to low-and moderate-income persons, which would meet the National Objective.
3. **Infrastructure**
   A project that finances the installation or reconstruction of critical infrastructure is also a priority activity. This could be related to the redevelopment or reuse of property or in support of an economic development purpose.

4. **Special Economic Development**
   Financial assistance may be provided for a private for-profit firm under the CDBG guidelines. Once again, the eligibility of the activity must meet one of the national objectives. Refer to Appendix C for the HUD guidelines for evaluating and selecting economic development projects.

5. **Housing**
   Priority will also be given to proposed projects that involve the rehabilitation of existing housing and/or the construction of housing by non-profit organizations for homeownership. DCED encourages the development of affordable housing for low- and moderate-income home buyers.

F. **Loan Commitments**

1. **Maximum Loan Amounts**
   The total maximum amount of Section 108 loan financial assistance that an eligible public entity may receive is limited to the following: the amount of a loan that the community’s CDBG allocation could support as an annual debt service based on the average amount of the CDBG allocation for the past three (3) years, or $7,000,000, which ever is less. This same maximum applies to both a single public entity or a joint public entity applicant. In the case of a non-entitlement public entity, the maximum amount of all Section 108 loan funds shall not exceed a total of $3,000,000. In the case of an entitlement county which applies on behalf of multiple non-entitlement public entities, the maximum aggregate amount of Section 108 loan assistance may not exceed $7,000,000.

2. **Repayment**
   It is anticipated that the primary source of repayment of the Section 108 loan amount will be from the projected cash flow as a result of the project, or from other sources of revenue that are pledged specifically for repayment of the Section 108 loan.

3. **Other Forms of Repayment**
   As a secondary source of repayment, DCED will require additional security to be pledged for loan repayment.

4. **Repayment Period**
   The maximum term of the Section 108 loan shall not exceed twenty (20) years.

5. **CDBG Funds Pledged**
   Federal statute requires that the Commonwealth pledge its CDBG funds as a source of repayment in the event of loan default. Additionally, a public entity must also agree to pledge its CDBG funds as follows:
   a. Entitlement Public Entities that apply for a Section 108 loan guarantee separately (outside of the Consortium) must agree to pledge up to one hundred percent (100%) of their annual CDBG funds for annual debt service.
   b. Loan Consortium members that apply for a Section 108 loan guarantee that will use CDBG as the intended source for repayment must pledge their CDBG funds for the required annual debt service.

6. **Additional State Guarantee**
   For those communities that qualify, the Commonwealth of Pennsylvania will provide 100% of the loan guarantee for the repayment of the individual communities’ Section 108 notes for those projects that
require project cash flow for repayment. The Commonwealth will guarantee the repayment of these loans in the event of default so that CDBG funds are not tapped for repayment. For other projects in which there is no cash flow or other means for repayment, the individual community’s annual CDBG funds will be utilized for repayment. The state will establish a loan guarantee account to be utilized in the event of default to pay off the Section 108 notes. The state will make annual deposits into the loan guarantee account to cover the anticipated defaults of the Section 108 loans. Separate state loan guarantee agreements will be signed with each member of the PA Section 108 Loan Consortium prior to the closing of each individual Section 108 Loan.

NOTE: In order to fulfill federal statutory requirements, public entities that intend to use CDBG funds for the required annual debt service, and pledge their CDBG funds, may be required to pledge additional security as negotiated with HUD on a case by case basis.

7. Additional Security
If an entitlement public entity wishes to submit an application to HUD separately and it does not meet the requirements for the additional state guarantee, it will have to assume the repayment of debt obligations and charges incurred for a Section 108 loan. The public entity shall furnish, at the discretion of HUD, such other security as may be deemed appropriate by HUD in making such guarantees. Additional security, over and above the pledge of CDBG funds, shall be required for all loans with repayment periods of ten (10) years or longer.

Examples of such additional security that HUD may require include:
   a. Program Income
   b. Liens on real and personal property
   c. Debt Service Reserves
   d. Increments in local tax receipts generated by activities carried out with Section 108 loan funds.

The HUD Section 108 loan may not be less than a second lien position on any real and personal property.

The debt obligations under the Section 108 Loan Guarantee Program shall not constitute a general obligation of any public entity secured by its full faith and credit.

8. Reserve Clause
DCED reserves the right to negotiate or deviate from the maximum amounts of Section 108 Loan financial assistance, the repayment period, repayment sources, percentage of loan guarantee, and any other terms and conditions, based on the merits of the application and the financial underwriting of the project.

G. Loan Consortium

The Commonwealth of Pennsylvania has assisted the non-federal entitlement public entities in forming a Pennsylvania Section 108 Loan Consortium to expedite the processing of Section 108 loan guarantees. The Consortium has applied to HUD for a Section 108 loan guarantee for its members to use for certain categories of eligible projects.

1. Members
An application, prepared for and approved by HUD, contains the list of Consortium members. The Section 108 loan funds have been earmarked for Consortium Members.
2. **Additional Members**

Other public entities may access loan funds if they join the Consortium as an additional member. Any additional members will be considered as an amendment to the Consortium application which must be approved by DCED and HUD. All state CDBG entitlement public entities and non-entitlement public entities in the Commonwealth are eligible to become members of the Consortium and apply for funds under these Section 108 loan program guidelines.

**H. Consortium Eligible Projects**

The following projects are eligible for funding under the PA Section 108 Loan Consortium:

1. **Economic Development Projects**

Examples of economic development projects include loans made by the public entity to a for-profit business, development of a business or industrial park, construction or reconstruction of infrastructure to support a business, or implementation of a redevelopment project.

   a. **Business Loans** – funding provided to a local firm for expansion of its operations. Funds may be used for construction, purchase of machinery and equipment, gap financing, as a credit enhancement, etc. A project of this type would normally include other sources of funding and capital invested by the company. The project must create new job opportunities which would be made available to low- and moderate-income persons. The Section 108 loan would be repaid by the company from cash flow from the increase in revenue from operations.

   b. **Business/Industrial Park** – funding provided to purchase improved or unimproved real estate for the development of a business or industrial park. The project would make sites available for companies to purchase and locate their operations at that site. The project should create new job opportunities which would be made available to low- and moderate-income persons. The Section 108 loan would be repaid from the proceeds from the sale of land to private firms.

   c. **Infrastructure Improvements** – for the construction or reconstruction of access roads, the extension of public utilities, installation of a railroad spur line, etc. to serve a private business or industry. The project should create new job opportunities which would be made available to low- and moderate-income persons. The Section 108 loan would be repaid by the company from cash flow from the increase in revenue from operations.

   d. **Redevelopment Project** – funds would be used for the acquisition, relocation, and clearance of a site(s) for redevelopment purposes. The land would be sold to public or private redevelopers and the funds from the sale of the land would be used to pay off the Section 108 loan, along with supplemental funding such as tax incremental financing (T.I.F.), CDBG annual allocations, etc. The project must benefit low- and moderate-income persons through the creation of new job opportunities.

2. **Housing Projects**

Examples of housing projects that are eligible for Section 108 loans include rehabilitation, acquisition of sites for new development, homeownership, etc. All housing type activities must be affordable to low- and moderate-income persons.

   a. **Bridge Loans** – funds may be used to provide interim financing for construction of single family houses, or rental housing, by a non-profit housing organization. Sources of permanent financing could be through a state housing development agency, low-income housing tax credits, or private banks. The Section 108 loan could be used as a “bridge” loan for construction financing. Repayment of the Section 108 loan would be made at the time when the permanent financing is in place, such as from sales of individual houses.
b. **Housing Rehabilitation** – funds may be used to establish a loan pool for homeowners or landlords to borrow from at low interest rates with long term repayment terms. The homeowners or tenants must be low- to moderate-income. Repayment of the Section 108 loan could be from the individual monthly loan repayments by the homeowners/landlords and could be supplemented with CDBG funds on an annual basis.

c. **Homeownership** – funds could be used to establish a first time homebuyer program at favorable interest rates and repaid over a twenty year period. The development of the housing would be done by a non-profit housing agency and the houses would be sold to low- and moderate-income families. Repayment would be from the homebuyers which could be supplemented with CDBG funds.

3. **Community Development Projects**

Large scale public facilities and infrastructure type projects may be undertaken with Section 108 loan funds. These projects may be beyond the annual CDBG budget limitations of communities. These projects must benefit the low- and moderate-income population of the area in which they are intended to serve.

a. **Water and Sewer** – funds may be used to construct, reconstruct, or expand water and sewer lines to serve low- and moderate-income areas of the community. Repayment of the Section 108 loan could be from long term user fees for the lines, general revenue funds, or from annual CDBG allocations.

b. **Storm Water** – funds may be used to construct, reconstruct, or expand storm sewer lines to the low- and moderate-income areas of a community. These types of projects are often difficult to finance with other sources of funds. Repayment of the Section 108 loan would most likely have to be from multiple sources such as sewer fees, general revenue, or from annual CDBG allocations.

c. **Parks and Recreation** – funds may be used for the expansion of an existing park facility or the development of a new facility. The facility must principally benefit low- and moderate-income persons. Repayment of the Section 108 loan could be from CDBG funds or general revenue funds.

d. **Streetscape Improvements** – funds may be used to provide loans/grants for building façade improvements, streetscape work such as tree planting, walks, curbs, street furniture, signage, street reconstruction, etc. The area must serve principally low- and moderate-income persons, or be part of a redevelopment project to prevent or eliminate slums and blight. Section 108 loan repayment could be from annual CDBG allocations, or a special tax levy on the property owners through the establishment of a neighborhood improvement district or a neighborhood improvement district or a business improvement district (B.I.D.).

4. **Other**

Other eligible projects may be developed consistent with the list of activities eligible under the Section 108 Loan Program. This may be a combination of eligible type activities or a variation of one of the project types enumerated above. Such other projects are subject to the review and approval of DCED and HUD as amendments to the Consortium application.
Section II – Application Procedure

A. Application Process

1. **Application Dates**
   Applications may be submitted at any time for the Pennsylvania Section 108 Loan Guarantee Program.

2. **Single Application Form**
   Entitlement and non-entitlement public entities must utilize the DCED Single Application which can be completed on-line or printed out by accessing www.inventpa.com (type in “Single Application” into the search engine.)

   Paper copies of the Single Application Form may be obtained by contacting DCED’s Customer Services Center at 1-800-379-7448 or 1-717-787-3405, and via email at ra-deedcs@state.pa.us.

3. **DCED Offices**
   For additional information or questions, applicants may contact their applicable DCED Regional Office (shown on the inside of the back cover) or the Center for Community Building, Office of Community Development, 400 North Street, 4th Floor-Commonwealth Keystone Building, Harrisburg, Pennsylvania 17120-0225. Phone number: (717) 787-5327.

B. Citizen Participation

1. **Citizen Participation Plan**
   A citizen participation plan must be developed and followed by the entitlement public entity. In the case of non-entitlement public entities, they may use their county’s citizen participation plan. The plan must be completed and available before the application is submitted to HUD. The plan may be the citizen participation plan used for the annual CDBG Application, modified to include Section 108 loan guaranteed funds. The plan must set forth the public entity’s policies and procedures for citizen’s involvement.

3. **Public Hearings**
   Holding a minimum of two public hearings, each at a different stage of the public entity’s Section 108 loan application process, will enable citizens the opportunity to present their views and assist in formulating proposals to address the community and economic development needs of the public entity.

   Reasonable notice of the hearings must be provided and the hearing must be held at times and locations convenient to potential or actual beneficiaries, with accommodations made for persons with disabilities.

   The community must meet the needs of non-English speaking residents where a significant number of non-English speaking residents can reasonably be expected to attend the public hearing.

   Either one or both of these public hearings maybe combined with an entitlement public entity’s public hearing for the CDBG Program.

4. **Advertising Requirements**
   At a minimum, two public hearings must be held. Separate legal notices shall be published in a newspaper of general circulation in the area where the proposed project is located. The legal ad for the first public hearing must contain the amount of Section 108 loan funds available, types of activities that may be undertaken with the guaranteed loan funds, the national objectives that must be met by each activity, the provision of technical assistance that will be made available to low-and moderate-income groups, and the time, date, and place where the public hearing will be held. Refer to Appendix G for sample notices.
The second public hearing notice must state: the public entity’s proposed use of guaranteed loan funds; the amount of funds that will benefit low- and moderate-income persons; a statement if the proposed activities will likely result in displacement and the public entity’s plans for minimizing the displacement of persons as a result of its proposed activities; a description of the proposed project; and, the public benefits anticipated.

5. **Governing Body Approval**

After the last public hearing, the governing body of the public entity that proposes to apply for a Section 108 loan guarantee, must approve the application and authorize its submission to DCED. The governing body must authorize the chief elected official or other designee to sign the application, enter into contracts and agreements, and provide the assurance and certifications required for the use of a Section 108 loan.

See Appendix F for a sample resolution of the governing body.

### C. Application Format

The application format for submitting a request for a Section 108 loan guarantee is as follows:

1. **Preliminary Application**

   Eligible entitlement and non-entitlement public entities must submit a preliminary application as a requirement for the PA Section 108 Loan Program. The preliminary application will be submitted using the Single Application Form. Applicants should carefully review the instructions contained in the Single Application kit and submit the requested documentation in the outline format. The Single Application kit is designed for all DCED programs. Therefore, some information on the form may not be applicable to your specific project and should not be answered. The DCED staff in the appropriate regional office are available to provide assistance if needed. Please designate the “HUD Section 108 Program” as the program you have chosen for initial consideration. This will ensure that the application is referred to the Center for Community Building, Office of Community Development, for initial screening/review.

   Attach the narrative section to the Single Application. In the narrative include a description of the proposed project activities to be undertaken, the CDBG national objective to be met, the eligible type of activities to be financed, the public benefit to be derived from the proposed activities, projected time table, total project cost, sources and commitments of all funds, and any other pertinent information or documentation to support an application for a Section 108 loan guarantee.

   Public entities are encouraged to arrange a meeting with the DCED Central Office Staff to discuss their potential project and the need for Section 108 loan funds.

2. **Initial Screening/Review**

   The DCED staff of the Center for Community Building will review each preliminary application submitted for compliance with the federal and DCED threshold requirements for a Section 108 loan guarantee. In particular, the following criteria will be used to evaluate each preliminary application:

   a. Eligibility of proposed use of Section 108 loan funds in accordance with the CDBG Regulations found in 24 CFR 570.703. (See Section I.D. “Eligible Activities” found in these guidelines)

   b. Compliance with the use of CDBG funds for eligible activities under 24 CFR 570.201 thru 570.204. (See Section I.D. “Eligible Activities” found in these guidelines)

   c. Meeting the criteria for a national objective under 24 CFR 570.208 (See Appendix B)

   d. Compliance with the public benefit requirements found in 24 CFR 570.209. (See Appendix C)
e. Review of the need for a Section 108 loan and previous efforts made to obtain financing for the activities without the use of the loan guarantee.

The applicant may be invited to meet with the DCED staff to discuss the project and address any questions.

DCED staff will advise the entitlement or non-entitlement public entity that it will recommend an application for a Section 108 loan guarantee to be submitted directly to HUD separately (for entitlement public entities), invite the public entity to become a member of the Consortium, or reject the application as ineligible under the Pennsylvania Section 108 Loan Program Guidelines and/or federal regulations. DCED staff can also recommend a lower amount for the Section 108 loan based on the ability of public entities to repay the loan, other sources of financing, or the overall economic feasibility of the project.

3. **Final Application**
   After DCED has completed the review of the preliminary application and has made a decision on the amount of the Section 108 loan, compliance with the national objectives, and eligible use of Section 108 loan funds, the department will notify the public entity and request submission of a final application for funds under the PA Section 108 Loan Consortium. If the state agrees with the entitlement public entity’s request to submit an application directly to HUD, the applicant will follow the state application format and submit a copy of its HUD’s application to the state.

4. **Application Format**
   The final application will contain the following elements and documentation.
   a. A revised Single Application Form, if the financing has changed since the preliminary application was submitted.
   b. A project narrative providing the location of the proposed project, a project description, time schedule, and other pertinent information to fully describe the use of Section 108 loan funds.
   c. The proposed use of Section 108 loan funds and compliance with the local community development objectives.
   d. Statements on: the eligibility of the proposed activities to be financed with Section 108 loan funds in accordance with the federal CDBG regulations; the national objective to be met; the public benefit standard to be applied; potential benefit to low-and moderate-income persons; conformance with the community’s or region’s comprehensive plan(s); the financial feasibility of the proposed project; the “but-for” rationale; and leveraging of Section 108 loan funds with other public and private funds.
   e. A proposed repayment schedule with the term of the loan, loan amount, anticipated interest rate, annual payment amount, and sources of funds identified to repay the Section 108 loan.
   f. Signed copies of the federal certifications required for a Section 108 loan guarantee.
   g. A signed original of the resolution of the governing body approving the application and authorizing the submittal.
   h. Evidence of compliance with the citizens participation requirements.

5. **National Objectives**
   Under the federal guidelines at least 70% of the aggregate use of CDBG grant funds received by a state, the Section 108 loan guarantee funds, and program income funds for a three-consecutive-year period, must be for activities that benefit low- and moderate-income persons.
Therefore, DCED will give priority to applications for the use of a Section 108 loan guarantee which provide a benefit to low- and moderate-income persons.

Projects that meet the slum and blight National Objective will also be eligible for Section 108 Loan funds. Additionally, slum and blight activities under the PA Section 108 Loan Program will not count against an entitlement public entity’s slum and blight limitations (30%) under the state Act 179 entitlement program. DCED will provide flexibility to apply the 30% limitation to the entire Section 108 loan commitment and entire CDBG program, not just the public entity’s Section 108 loan and entitlement allocation amount.

6. **Budget/Financial Plan**
   In the final application, the public entity must provide a budget/financing plan that identifies all sources of funds to undertake the project. Funds shall be identified as to source, amount, whether a loan or grant, terms of the loan (if applicable), repayment provisions (if applicable), security position, and whether the loan or grant is committed or pending.

   In addition to the sources of funding, the public entity must also provide a proposed use of funds. All project costs should be identified and the justified in a narrative attached to the budget.

7. **Repayment Schedule**
   In accordance with the federal guidelines, all applicants shall prepare a repayment schedule for the proposed Section 108 Loan. The repayment schedule should also include a narrative on the sources of repayment other than CDBG funds. If the source of repayment is from net income from the project or from the proposed development entity, a pro-forma should be prepared for the length of the term of the Section 108 loan.

   See Appendix D for a sample “Repayment Schedule” format.

8. **Citizen Participation**
   The public entity shall comply with the citizen participation requirements contained in these guidelines. The requirements are listed in Section II. B. of these guidelines.

9. **Certifications**
   In accordance with the federal regulations for the Section 108 Loan Guarantee Program, the following certifications are required:
   a. Public Entity Certification
   b. Certification Regarding Debarment, Suspension and other Responsibility Matters – Primary Covered Transition
   c. Certification of Efforts to Obtain Other Financing
   d. Certification Regarding Drug Free Workplace Requirements
   e. Statement Regarding Lobbying
   f. Certification of Legal Authority to Pledge Grant
   g. State Certifications Related to Non-entitlement Public Entities.

   Attached in Appendix E are copies of these certifications.

10. **Resolutions**
    The governing body of the public entity must approve the application for a Section 108 loan and authorize the submission of the application to DCED.

    See sample resolution form is attached in Appendix F.
D. Approvals

1. **DCED**
   The department will review the final application submitted for a Section 108 loan guarantee. DCED may disapprove, or reduce the amount of the loan guarantee assistance for any of the following reasons when the department determines that the guarantee constitutes an unacceptable financial risk. Factors that will be considered in assessing financial risk include, but are not limited to, the following:

   a. The length of the proposed repayment period;
   b. The ratio of expected annual debt service requirements to expected annual grant amount;
   c. The likelihood that the public entity or DCED will continue to receive grant assistance under the CDBG Program during the proposed repayment period;
   d. The public entity’s ability to furnish adequate security; and
   e. The amount of income the proposed activities are reasonably estimated to contribute towards repayment of the guaranteed loan.

   In addition, the department may disapprove the Section 108 loan request based on any of the following factors:

   a. The requested loan amount exceeds any of the maximum limitations.
   b. Funds are not available in the amount requested.
   c. The previous performance of the public entity, and/or its designated public agency, is unacceptable.
   d. Activities to be undertaken with the guaranteed loan funds are not eligible.
   e. Does not meet the public benefit test.
   f. Activities to be undertaken with the guaranteed loan funds do not meet the criteria for compliance with one of the national objectives of the Housing and Community Development Act.

   DCED reserves the right to not approve an application based on any other combination of factors and will notify the public entity in writing that the loan guarantee request has either been approved, reduced or disapproved. If the request is reduced or disapproved, the public entity shall be informed of the specific reasons for reduction or disapproval.

2. **HUD**
   If the request is approved, DCED will notify HUD. DCED will allocate funds from its Section 108 loan fund for all approved projects. HUD shall issue an offer of commitment to guarantee debt obligations of the borrower identified in the application subject to compliance with program requirements for securing and issuing debt obligations, the conditions for release of funds, and such other conditions as HUD may specify in the commitment documents in a particular case.

E. Financing

1. **Underwriting Standards**
   DCED has developed separate underwriting standards that it will utilize to determine the economic feasibility of each proposed Section 108 loan guarantee application.

   The basic underwriting position of the Pennsylvania Section 108 Loan Guarantee Program is that there should be two different sources to repay the loan. The Section 108 loan guarantee is based on a non-confiscatory repayment policy; therefore cash flow from operations is the primary source of
repayment. The secondary source is the collateral which secures the loan. If all collateral resources are exhausted, the third source, if necessary, may be other financial resources of the Commonwealth of Pennsylvania.

A company is considered a good credit risk when the existing cash flow of the company exceeds the proposed debt service and all the evidence and trends suggest that cash flow will continue to exceed the proposed debt service. If the company can demonstrate that its cash flow from operations generates enough cash to repay the proposed borrowings, the Section 108 loan should be approved.

If a company fails to achieve this test, it does not mean that the business is not creditworthy. Instead, in order to repay the proposed obligation, the company’s sales must grow and profits must increase. Failure to grow will mean that the borrower will have difficulty repaying the loan from cash flow in a timely manner. In order to assess the ability of the company to grow and increase profits, the company’s cash flow projections will be evaluated. The projected cash flow, based upon a reasonable and achievable projected Profit and Loss Statement, must be adequate to repay the proposed debt service.

In addition to evaluating the reasonableness and attainability of the projected cash flow, the capability of the company’s principals will also be taken into consideration. The principals must demonstrate adequate organizational skills to be able to generate and manage the necessary growth and to increase the profits to the level at which cash flow will be sufficient to repay the proposed debt.

If a company fails to achieve the cash flow test and the public entity feels that providing the requested Section 108 loan would be vital to the survival of the enterprise and as a result, a considerable number of existing jobs would be saved, DCED will look for a surrogate or alternative repayment means. A proposed surrogate repayment could be tangible and identifiable sources of repayment with a high degree of reliability. Potential sources of repayment could be standby letters of credit from a reputable third party, outside guarantees, outside income streams, or outside collateral. The collateral of the project and the company cannot serve as a primary means of repayment, because it already is being relied upon as the secondary sources of repayment if the primary means fails.

As previously mentioned, every loan must have two potential sources of repayment. The first source is usually cash flow or project reserves. The second source is collateral. Within reason, the stronger the first source, less concern is needed about the second source. In all cases, however, collateral must be adequate to secure the obligation. HUD normally recommends that communities secure a loan with a general security agreement, a perfected lien on all assets being pledged and in some instances the personal guarantees of all principals who own part of the company or play a key role in the management of the company may also be considered. Life insurance on a key person is also recommended.

As a last resort, the Commonwealth of Pennsylvania is willing to provide the third source of repayment which would be the pledge of its financial resources, for those public entities that are members of the Section 108 Loan Consortium. As a last resort, CDBG funds will be used to repay the loan in the case of default.

2. Documentation Required

In order to assist the DCED in performing its financial underwriting of the proposed Section 108 loan, it will need, as a minimum, the following documentation:

a. 3-year audited financial statements for the company or the principals of a start-up business.

b. Statement of projected cash flow for the life of the loan.

c. Credit reports of the company of the principals.
d. Personal guarantees

e. Business plan for a start-up firm or expansion of an existing firm.

f. Narrative statement on the experience of the principals or key management personnel.

g. Market study for housing projects.

3. **Loan Initiation Fee**
   A loan initiation fee of one-quarter (1/4) of one percent (1%) will be applicable for economic development type projects and one-eighth (1/8) of one percent (1%) will be applicable for housing and community development type projects.

4. **Interim Financing**
   Section 108 loan obligations are financed through underwritten public offerings. The public offerings may be made once a year. Financing between public offerings is provided through an interim lending facility authorized by HUD. Interest rates on interim borrowing are priced at the 3 month London Interbank Offered (LIBO) rate plus 20 basis points (0.2%). HUD arranges the interim financing for the Section 108 loan applicant.

5. **Permanent Financing**
   HUD will provide the permanent financing based on a public offering which usually occurs in the late summer of each year. Permanent financing is pegged to the yields on the U.S. Treasury obligations of similar maturity to the principal amount. A small additional basis point spread will be added to the Treasury yield, depending on the maturity date of the Section 108 loan. This will determine the actual fixed rate for the Section 108 loan guarantee.

F. **Reporting Procedures**

1. **Meeting National Objectives**
   The primary national objective to be used for the Section 108 Loan Guarantee Program is – “benefiting low- and moderate-income persons.” There are four (4) ways to benefit low-and moderate-income persons:

   a. **Area Benefit Activity** – where the benefits of the activity are available to all the residents in a particular area, where at least 51% of the area’s residents are low-and moderate-income persons.

   b. **Limited Clientele Activity** – where the activity benefits a limited clientele, at least 51% of whom are low- or moderate-income persons. The activity could benefit a clientele who are generally assumed to be principally low-and moderate-income. (The following categories of persons are presumed to be low moderate income: abused children; battered spouses; elderly persons; adults meeting the Bureau of Census’ Current Population Reports definition of “severely disabled; homeless persons; illiterate adults; persons living with AIDS; and, migrant farm workers.) The activity could have an income eligibility requirement which limits the activity exclusively to low-and moderate-income persons. Or, the activity could be of such a nature or be in such a location that it may be concluded that the activity’s clientele will primarily be low- and moderate-income persons.

   c. **Housing Activity** – where the activity is to provide or improve permanent housing which will be occupied by low- and moderate-income households.

   d. **Job Creation or Retention Activities** – which is designed to create or retain permanent jobs where at least 51% of the jobs (computed on a full time equivalent basis), involve the employment of low- and moderate-income persons. For an activity that creates jobs, at least 51% of the jobs will be held by, or will be available to, low- and moderate-income persons.
2. **Tracking Job Creations**

The public entity must monitor the jobs created from the employment records and the method of hiring that the company used to fill the positions. For purposes of determining whether a job is held by or made available to a low- or moderate-income person, the person may be presumed to be a low- or moderate-income persons if:

a. he/she resides in a census tract that has a poverty rate of at least 20 percent or

b. he/she resides in a census tract that has at least 70% of its residents who are low-and moderate-income.

In addition, if the business to be assisted with a Section 108 loan is located in either a 20% poverty census tract or 70% of its residents are low- and moderate-income all of the jobs to be created will be assumed to benefit low-and moderate-income persons.

3. **Public Benefit**

The proposed use of Section 108 loan funds must provide a minimum level of public benefit. The activity must:

a. Create or retain as a minimum, at least one full-time equivalent permanent job per $35,000 of Section 108 loan funds, or

b. Provide goods or services to residents of the area, such that as a minimum at least one low-and moderate-income resident of the area benefits from each $350 of Section 108 loan funds expended.

G. **Sanctions**

1. **Repayment/Default**

The public entity that receives Section 108 loan funds shall enter into a contract with HUD. Should the business or industry that receives Section 108 loan funds default on its payments, HUD will hold the Commonwealth responsible for the repayment of the debt obligations. DCED will require the public entity to foreclose on the note and if sufficient funds are not available to repay the loan. DCED will reduce the public entity’s annual CDBG allocation to repay the debt obligation. The Commonwealth of Pennsylvania will share in the repayment of the obligation in accordance with its agreement with the public entity.

2. **Performance Deficiencies**

Should the actual use of Section 108 loan funds not comply with the federal CDBG regulations of 24 CFR Part 570, HUD may take one or more actions against the public entity. Remedial actions will be imposed if the Section 108 loan funds do not meet the public benefit requirements or a national objective. DCED will be responsible to monitor performance of the Section 108 loan recipients. If deficiencies are found, the following actions may be undertaken:

a. A warning letter will be issued advising the public entity of the deficiency and putting the public entity on notice that additional action will be taken if the deficiency is not corrected.

b. Request the public entity to submit a proposal for corrective action which includes a timetable, responsible parties, and other actions that will be undertaken to prevent a continuance of the deficiency, mitigation of the adverse effects, and ways to prevent a recurrence of the deficiency.

c. Advise the public entity to suspend disbursement of Section 108 loan funds.

d. Advise the public entity to reimburse the program for any amounts improperly expended.

e. Institute collection procedures.

f. Reduce the annual CDBG allocation of the public entity.
Section III – Appendices

- Appendix A  Proposed Budget
- Appendix B  HUD Criteria For Meeting National Objectives
- Appendix C  HUD Guidelines For Evaluating and Selecting Economic Development Projects
- Appendix D  Repayment Schedule
- Appendix E  Certifications
- Appendix F  Resolution of the Governing Body
- Appendix G  Sample Notices of Public Hearing
Project/Activity Budget for Section 108 Loan Guarantee

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Appendix B

24 CFR 570.208 Criteria for National Objectives

The following criteria shall be used to determine whether a CDBG-assisted activity complies with one or more of the national objectives as required under 570.200(a)(2):

A. Activities benefiting low- and moderate-income persons. Activities meeting the criteria in paragraph (a)(1), (2), (3), or (4) of this section as applicable, will be considered to benefit low- and moderate-income persons unless there is substantial evidence to the contrary. In assessing any such evidence, the full range of direct effects of the assisted activity will be considered. (The recipient shall appropriately ensure that activities that meet these criteria do not benefit moderate-income persons to the exclusion of low-income persons.)

1. Area benefit activities.
   i. An activity, the benefits of which are available to all the residents in a particular area, where at least 51 percent of the residents are low- and moderate-income persons. Such an area need not be coterminous with census tracts or other officially recognized boundaries but must be the entire area served by the activity. An activity that serves an area that is not primarily residential in character shall not qualify under this criterion.
   ii. For metropolitan cities and urban counties, (NOT APPLICABLE)
   iii. An activity to develop, establish, and operate for up to two years after the establishment of a uniform emergency telephone number system (NOT APPLICABLE)
   iv. An activity for which the assistance to a public improvement that provides benefits to all the residents of an area is limited to paying special assessments (as defined in 570.200(c)) levied against residential properties owned and occupied by persons of low and moderate income.
   v. For purposes of determining qualification under this criterion, activities of the same type that serve different areas will be considered separately on the basis of their individual service area.
   vi. In determining whether there is a sufficiently large percentage of low- and moderate-income persons residing in the area served by an activity to qualify under paragraphs (a)(1)(i), (ii), or (vii) of this section, the most recently available decennial census information must be used to the fullest extent feasible, together with the Section 8 income limits that would have applied at the time the income information was collected by the Census Bureau. Recipients that believe that the census data does not reflect current relative income levels in an area, or where census boundaries do not coincide sufficiently well with the service area of an activity, may conduct (or have conducted) a current survey of the residents of the area to determine the percent of such persons that are low and moderate income. HUD will accept information obtained through such surveys, to be used in lieu of the decennial census data, where it determines that the survey was conducted in such a manner that the results meet standards of statistical reliability that are comparable to that of the decennial census data for areas of similar size. Where there is substantial evidence that provides a clear basis to believe that the use of the decennial census data would substantially overstate the proportion of persons residing there that are low and moderate income, HUD may require that the recipient rebut such evidence in order to demonstrate compliance with section 105(c)(2) of the Act.
   vii. Activities meeting the requirements of paragraph (d)(5)(i) of this section may be considered to qualify under this paragraph, provided that the area covered by the strategy is either a Federally-designated Empowerment Zone or Enterprise Community or primarily residential and
contains a percentage of low- and moderate-income residents that is no less than the percentage computed by HUD pursuant to paragraph (a)(1)(ii) of this section or 70 percent, whichever is less, but in no event less than 51 percent. Activities meeting the requirements of paragraph (d)(6)(i) of this section may also be considered to qualify under paragraph (a)(1) of this section.

2. **Limited clientele activities.**

i. An activity which benefits a limited clientele, at least 51 percent of whom are low- or moderate-income persons. (The following kinds of activities may not qualify under paragraph (a)(2) of this section: activities, the benefits of which are available to all the residents of an area; activities involving the acquisition, construction or rehabilitation of property for housing; or activities where the benefit to low- and moderate-income persons to be considered is the creation or retention of jobs, except as provided in paragraph (a)(2)(iv) of this section.) To qualify under paragraph (a)(2) of this section, the activity must meet one of the following tests:

A. Benefit a clientele who are generally presumed to be principally low- and moderate-income persons. Activities that exclusively serve a group of persons in any one or a combination of the following categories may be presumed to benefit persons, 51 percent of whom are low- and moderate-income: abused children, battered spouses, elderly persons, adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled," homeless persons, illiterate adults, persons living with AIDS, and migrant farm workers; or

B. Require information on family size and income so that it is evident that at least 51 percent of the clientele are persons whose family income does not exceed the low and moderate income limit; or

C. Have income eligibility requirements which limit the activity exclusively to low- and moderate-income persons; or

D. Be of such nature and be in such location that it may be concluded that the activity's clientele will primarily be low- and moderate-income persons.

ii. An activity that serves to remove material or architectural barriers to the mobility or accessibility of elderly persons or of adults meeting the Bureau of the Census' Current Population Reports definition of "severely disabled" will be presumed to qualify under this criterion if it is restricted, to the extent practicable, to the removal of such barriers by assisting:

A. The reconstruction of a public facility or improvement, or portion thereof, that does not qualify under paragraph (a)(1) of this section;

B. The rehabilitation of a privately owned nonresidential building or improvement that does not qualify under paragraph (a)(1) or (4) of this section; or

C. The rehabilitation of the common areas of a residential structure that contains more than one dwelling unit and that does not qualify under paragraph (a)(3) of this section.

iii. A micro enterprise assistance activity carried out in accordance with the provisions of 570.201(o) with respect to those owners of micro enterprises and persons developing micro enterprises assisted under the activity during each program year who are low- and moderate-income persons. For purposes of this paragraph, persons determined to be low and moderate income may be presumed to continue to qualify as such for up to a three-year period.

iv. An activity designed to provide job training and placement and/or other employment support services, including, but not limited to, peer support programs, counseling, child care, transportation, and other similar services, in which the percentage of low- and moderate-income persons assisted is less than 51 percent may qualify under this paragraph in the following limited circumstance:
A. In such cases where such training or provision of supportive services assists business(es), the only use of CDBG assistance for the project is to provide the job training and/or supportive services; and

B. The proportion of the total cost of the project borne by CDBG funds is no greater than the proportion of the total number of persons assisted who are low or moderate income.

3. **Housing activities.** An eligible activity carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low- and moderate-income households. This would include, but not necessarily be limited to: the acquisition or rehabilitation of property by the recipient, a sub recipient, a developer, an individual homebuyer, or an individual homeowner; conversion of nonresidential structures; and new housing construction. If the structure contains two dwelling units, at least one must be so occupied, and if the structure contains more than two dwelling units, at least 51 percent of the units must be so occupied. Where two or more rental buildings being assisted are or will be located on the same or contiguous properties, and the buildings will be under common ownership and management, the grouped buildings may be considered for this purpose as a single structure. Where housing activities being assisted meet the requirements of 570.208(d)(5)(ii) or (d)(6)(ii) of this section, all such housing may also be considered for this purpose as a single structure. For rental housing, occupancy by low- and moderate-income households must be at affordable rents to qualify under this criterion. The recipient shall adopt and make public its standards for determining “affordable rents” for this purpose. The following shall also qualify under this criterion:

i. When less than 51 percent of the units in a structure will be occupied by low- and moderate-income households, CDBG assistance may be provided in the following limited circumstances:

   A. The assistance is for an eligible activity to reduce the development cost of the new construction of a multifamily, non-elderly rental housing project;

   B. Not less than 20 percent of the units will be occupied by low- and moderate-income households at affordable rents; and

   C. The proportion of the total cost of developing the project to be borne by CDBG funds is no greater than the proportion of units in the project that will be occupied by low- and moderate-income households.

ii. When CDBG funds are used to assist rehabilitation eligible under 570.202(b)(9) or (10) in direct support of the recipient's Rental Rehabilitation program authorized under 24 CFR part 511, such funds shall be considered to benefit low- and moderate-income persons where not less than 51 percent of the units assisted, or to be assisted, by the recipient's Rental Rehabilitation program overall are for low- and moderate-income persons.

iii. When CDBG funds are used for housing services eligible under 570.201(k), such funds shall be considered to benefit low- and moderate-income persons if the housing units for which the services are provided are HOME-assisted and the requirements at 24 CFR 92.252 or 92.254 are met.

4. **Job creation or retention activities.** An activity designed to create or retain permanent jobs where at least 51 percent of the jobs, computed on a full time equivalent basis, involve the employment of low- and moderate-income persons. To qualify under this paragraph, the activity must meet the following criteria:

i. For an activity that creates jobs, the recipient must document that at least 51 percent of the jobs will be held by, or will be available to, low- and moderate-income persons.
ii. For an activity that retains jobs, the recipient must document that the jobs would actually be lost without the CDBG assistance and that either or both of the following conditions apply with respect to at least 51 percent of the jobs at the time the CDBG assistance is provided:

A. The job is known to be held by a low- or moderate-income person; or
B. The job can reasonably be expected to turn over within the following two years and that steps will be taken to ensure that it will be filled by, or made available to, a low- or moderate-income person upon turnover.

iii. Jobs that are not held or filled by a low- or moderate-income person may be considered to be available to low- and moderate-income persons for these purposes only if:

A. Special skills that can only be acquired with substantial training or work experience or education beyond high school are not a prerequisite to fill such jobs, or the business agrees to hire unqualified persons and provide training; and
B. The recipient and the assisted business take actions to ensure that low- and moderate-income persons receive first consideration for filling such jobs.

iv. For purposes of determining whether a job is held by or made available to a low- or moderate-income person, the person may be presumed to be a low- or moderate-income person if:

A. He/she resides within a census tract (or block numbering area) that either:
   1. Meets the requirements of paragraph (a)(4)(v) of this section; or
   2. Has at least 70 percent of its residents who are low- and moderate-income persons; or
B. The assisted business is located within a census tract (or block numbering area) that meets the requirements of paragraph (a)(4)(v) of this section and the job under consideration is to be located within that census tract.

v. A census tract (or block numbering area) qualifies for the presumptions permitted under paragraphs (a)(4)(iv)(A)(1) and (B) of this section if it is either part of a Federally-designated Empowerment Zone or Enterprise Community or meets the following criteria:

A. It has a poverty rate of at least 20 percent as determined by the most recently available decennial census information;
B. It does not include any portion of a central business district, as this term is used in the most recent Census of Retail Trade, unless the tract has a poverty rate of at least 30 percent as determined by the most recently available decennial census information; and
C. It evidences pervasive poverty and general distress by meeting at least one of the following standards:
   1. All block groups in the census tract have poverty rates of at least 20 percent;
   2. The specific activity being undertaken is located in a block group that has a poverty rate of at least 20 percent; or
   3. Upon the written request of the recipient, HUD determines that the census tract exhibits other objectively determinable signs of general distress such as high incidence of crime, narcotics use, homelessness, abandoned housing, and deteriorated infrastructure or substantial population decline.
vi. As a general rule, each assisted business shall be considered to be a separate activity for purposes of determining whether the activity qualifies under this paragraph, except:

A. In certain cases such as where CDBG funds are used to acquire, develop or improve a real property (e.g., a business incubator or an industrial park) the requirement may be met by measuring jobs in the aggregate for all the businesses which locate on the property, provided such businesses are not otherwise assisted by CDBG funds.

B. Where CDBG funds are used to pay for the staff and overhead costs of an entity making loans to businesses exclusively from non-CDBG funds, this requirement may be met by aggregating the jobs created by all of the businesses receiving loans during each program year.

C. Where CDBG funds are used by a recipient or sub recipient to provide technical assistance to businesses, this requirement may be met by aggregating the jobs created or retained by all of the businesses receiving technical assistance during each program year.

D. Where CDBG funds are used for activities meeting the criteria listed at 570.209(b)(2)(v), this requirement may be met by aggregating the jobs created or retained by all businesses for which CDBG assistance is obligated for such activities during the program year, except as provided at paragraph (d)(7) of this section.

E. Where CDBG funds are used by a Community Development Financial Institution to carry out activities for the purpose of creating or retaining jobs, this requirement may be met by aggregating the jobs created or retained by all businesses for which CDBG assistance is obligated for such activities during the program year, except as provided at paragraph (d)(7) of this section.

F. Where CDBG funds are used for public facilities or improvements which will result in the creation or retention of jobs by more than one business, this requirement may be met by aggregating the jobs created or retained by all such businesses as a result of the public facility or improvement.

1. Where the public facility or improvement is undertaken principally for the benefit of one or more particular businesses, but where other businesses might also benefit from the assisted activity, the requirement may be met by aggregating only the jobs created or retained by those businesses for which the facility/improvement is principally undertaken, provided that the cost (in CDBG funds) for the facility/improvement is less than $10,000 per permanent full-time equivalent job to be created or retained by those businesses.

2. In any case where the cost per job to be created or retained (as determined under paragraph (a)(4)(vi)(F)(1) of this section) is $10,000 or more, the requirement must be met by aggregating the jobs created or retained as a result of the public facility or improvement by all businesses in the service area of the facility/improvement. This aggregation must include businesses which, as a result of the public facility/improvement, locate or expand in the service area of the facility/improvement between the date the recipient identifies the activity in its action plan under part 91 of this title and the date one year after the physical completion of the facility/improvement. In addition, the assisted activity must comply with the public benefit standards at 570.209(b).

B. Activities which aid in the prevention or elimination of slums or blight. Activities meeting one or more of the following criteria, in the absence of substantial evidence to the contrary, will be considered to aid in the prevention or elimination of slums or blight:
1. **Activities to address slums or blight on an area basis.** An activity will be considered to address prevention or elimination of slums or blight in an area if:
   i. The area, delineated by the recipient, meets a definition of a slum, blighted, deteriorated or deteriorating area under State or local law;
   ii. Throughout the area there is a substantial number of deteriorated or deteriorating buildings or the public improvements are in a general state of deterioration;
   iii. Documentation is maintained by the recipient on the boundaries of the area and the condition which qualified the area at the time of its designation; and
   iv. The assisted activity addresses one or more of the conditions which contributed to the deterioration of the area. Rehabilitation of residential buildings carried out in an area meeting the above requirements will be considered to address the area's deterioration only where each such building rehabilitated is considered substandard under local definition before rehabilitation, and all deficiencies making a building substandard have been eliminated if less critical work on the building is undertaken. At a minimum, the local definition for this purpose must be such that buildings that it would render substandard would also fail to meet the housing quality standards for the Section 8 Housing Assistance Payments Program-Existing Housing (24 CFR 882.109).

2. **Activities to address slums or blight on a spot basis.** Acquisition, clearance, relocation, historic preservation and building rehabilitation activities which eliminate specific conditions of blight or physical decay on a spot basis not located in a slum or blighted area will meet this objective. Under this criterion, rehabilitation is limited to the extent necessary to eliminate specific conditions detrimental to public health and safety.

3. **Activities to address slums or blight in an urban renewal area.** An activity will be considered to address prevention or elimination of slums or blight in an urban renewal area if the activity is:
   i. Located within an urban renewal project area or Neighborhood Development Program (NDP) action area; i.e., an area in which funded activities were authorized under an urban renewal Loan and Grant Agreement or an annual NDP Funding Agreement, pursuant to Title I of the Housing Act of 1949; and
   ii. Necessary to complete the urban renewal plan, as then in effect, including initial land redevelopment permitted by the plan.

   **NOTE:** Despite the restrictions in (b)(1) and (2) of this section, any rehabilitation activity which benefits low- and moderate-income persons pursuant to paragraph (a)(3) of this section can be undertaken without regard to the area in which it is located or the extent or nature of rehabilitation assisted.

C. **Activities designed to meet community development needs having a particular urgency.** In the absence of substantial evidence to the contrary, an activity will be considered to address this objective if the recipient certifies that the activity is designed to alleviate existing conditions which pose a serious and immediate threat to the health or welfare of the community which are of recent origin or which recently became urgent, that the recipient is unable to finance the activity on its own, and that other sources of funding are not available. A condition will generally be considered to be of recent origin if it developed or became critical within 18 months preceding the certification by the recipient.
D. Additional criteria.

1. Where the assisted activity is acquisition of real property, a preliminary determination of whether the activity addresses a national objective may be based on the planned use of the property after acquisition. A final determination shall be based on the actual use of the property, excluding any short-term, temporary use. Where the acquisition is for the purpose of clearance which will eliminate specific conditions of blight or physical decay, the clearance activity shall be considered the actual use of the property. However, any subsequent use or disposition of the cleared property shall be treated as a "change of use" under 570.505.

2. Where the assisted activity is relocation assistance that the recipient is required to provide, such relocation assistance shall be considered to address the same national objective as is addressed by the displacing activity. Where the relocation assistance is voluntary on the part of the grantee the recipient may qualify the assistance either on the basis of the national objective addressed by the displacing activity or on the basis that the recipients of the relocation assistance are low- and moderate-income persons.

3. In any case where the activity undertaken for the purpose of creating or retaining jobs is a public improvement and the area served is primarily residential, the activity must meet the requirements of paragraph (a)(1) of this section as well as those of paragraph (a)(4) of this section in order to qualify as benefiting low- and moderate-income persons.

4. CDBG funds expended for planning and administrative costs under 570.205 and 570.206 will be considered to address the national objectives.

5. Where the grantee has elected to prepare an area revitalization strategy pursuant to the authority of 91.215(e) of this title and HUD has approved the strategy, the grantee may also elect the following options:
   i. Activities undertaken pursuant to the strategy for the purpose of creating or retaining jobs may, at the option of the grantee, be considered to meet the requirements of this paragraph under the criteria at paragraph (a)(1)(vii) of this section in lieu of the criteria at paragraph (a)(4) of this section; and,
   ii. All housing activities in the area for which, pursuant to the strategy, CDBG assistance is obligated during the program year may be considered to be a single structure for purposes of applying the criteria at paragraph (a)(3) of this section.

6. Where CDBG-assisted activities are carried out by a Community Development Financial Institution whose charter limits its investment area to a primarily residential area consisting of at least 51 percent low- and moderate-income persons, the grantee may also elect the following options:
   i. Activities carried out by the Community Development Financial Institution for the purpose of creating or retaining jobs may, at the option of the grantee, be considered to meet the requirements of this paragraph under the criteria at paragraph (a)(1)(vii) of this section in lieu of the criteria at paragraph (a)(4) of this section; and
   ii. All housing activities for which the Community Development Financial Institution obligates CDBG assistance during the program year may be considered to be a single structure for purposes of applying the criteria at paragraph (a)(3) of this section.

7. Where an activity meeting the criteria at 570.209(b)(2)(v) may also meet the requirements of either paragraph (d)(5)(i) or (d)(6)(i) of this section, the grantee may elect to qualify the activity under either the area benefit criteria at paragraph (a)(1)(vii) of this section or the job aggregation criteria at
paragraph (a)(4)(vi)(D) of this section, but not both. Where an activity may meet the job aggregation criteria at both paragraph (a)(4)(vi)(D) and (E) of this section, the grantee may elect to qualify the activity under either criterion, but not both.

[53 FR 34439, Sept. 6, 1988; 53 FR 41330, Oct. 21, 1988, as amended at 60 FR 1945, Jan. 5, 1995; 60 FR 17445, Apr. 6, 1995; 60 FR 56912, Nov. 9, 1995]

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Appendix C

24 CFR 570.209 Guidelines For Evaluating and Selecting Economic Development Projects

The following guidelines are provided to assist the recipient to evaluate and select activities to be carried out for economic development purposes. Specifically, these guidelines are applicable to activities that are eligible for CDBG assistance under 570.203. These guidelines also apply to activities carried out under the authority of 570.204 that would otherwise be eligible under 570.203, were it not for the involvement of a Community-Based Development Organization (CBDO). (This would include activities where a CBDO makes loans to for-profit businesses.) These guidelines are composed of two components: guidelines for evaluating project costs and financial requirements; and standards for evaluating public benefit. The standards for evaluating public benefit are mandatory, but the guidelines for evaluating projects costs and financial requirements are not.

a. Guidelines and Objectives for Evaluating Project Costs and Financial Requirements. HUD has developed guidelines that are designed to provide the recipient with a framework for financially underwriting and selecting CDBG-assisted economic development projects which are financially viable and will make the most effective use of the CDBG funds. These guidelines, also referred to as the underwriting guidelines, are published as appendix A to this part. The use of the underwriting guidelines published by HUD is not mandatory. However, grantees electing not to use these guidelines would be expected to conduct basic financial underwriting prior to the provision of CDBG financial assistance to a for-profit business. Where appropriate, HUD's underwriting guidelines recognize that different levels of review are appropriate to take into account differences in the size and scope of a proposed project, and in the case of a micro enterprise or other small business to take into account the differences in the capacity and level of sophistication among businesses of differing sizes. Recipients are encouraged, when they develop their own programs and underwriting criteria, to also take these factors into account. The objectives of the underwriting guidelines are to ensure:

1. That project costs are reasonable;
2. That all sources of project financing are committed;
3. That to the extent practicable, CDBG funds are not substituted for non-Federal financial support;
4. That the project is financially feasible;
5. That to the extent practicable, the return on the owner's equity investment will not be unreasonably high; and
6. That to the extent practicable, CDBG funds are disbursed on a pro rata basis with other finances provided to the project.

b. Standards for Evaluating Public Benefit. The grantee is responsible for making sure that at least a minimum level of public benefit is obtained from the expenditure of CDBG funds under the categories of eligibility governed by these guidelines. The standards set forth below identify the types of public benefit that will be recognized for this purpose and the minimum level of each that must be obtained for the amount of CDBG funds used. Unlike the guidelines for project costs and financial requirements covered under paragraph (a) of this section, the use of the standards for public benefit is mandatory. Certain public facilities and improvements eligible under 570.201(c) of the regulations, which are undertaken for economic development purposes, are also subject to these standards, as specified in 570.208(a)(4)(vi)(F)(2).
1. Standards for activities in the aggregate. Activities covered by these guidelines must, in the aggregate, either:
   i. Create or retain at least one full-time equivalent, permanent job per $35,000 of CDBG funds used; or
   ii. Provide goods or services to residents of an area, such that the number of low- and moderate-income persons residing in the areas served by the assisted businesses amounts to at least one low- and moderate-income person per $350 of CDBG funds used.

2. Applying the aggregate standards.
   i. A metropolitan city or an urban county shall apply the aggregate standards under paragraph (b)(1) of this section to all applicable activities for which CDBG funds are first obligated within each single CDBG program year, without regard to the source year of the funds used for the activities. A grantee under the HUD-Administered Small Cities or Insular Areas CDBG programs shall apply the aggregate standards under paragraph (b)(1) of this section to all funds obligated for applicable activities from a given grant; program income obligated for applicable activities will, for these purposes, be aggregated with the most recent open grant. For any time period in which a community has no open HUD-Administered or Insular Areas grants, the aggregate standards shall be applied to all applicable activities for which program income is obligated during that period.
   ii. The grantee shall apply the aggregate standards to the number of jobs to be created/retained, or to the number of persons residing in the area served (as applicable), as determined at the time funds are obligated to activities.
   iii. Where an activity is expected both to create or retain jobs and to provide goods or services to residents of an area, the grantee may elect to count the activity under either the jobs standard or the area resident’s standard, but not both.
   iv. Where CDBG assistance for an activity is limited to job training and placement and/or other employment support services, the jobs assisted with CDBG funds shall be considered to be created or retained jobs for the purposes of applying the aggregate standards.
   v. Any activity subject to these guidelines which meets one or more of the following criteria may, at the grantee's option, be excluded from the aggregate standards described in paragraph (b)(1) of this section:
      A. Provides jobs exclusively for unemployed persons or participants in one or more of the following programs:
         1. Jobs Training Partnership Act (JTPA);
         2. Jobs Opportunities for Basic Skills (JOBS); or
         3. Aid to Families with Dependent Children (AFDC);
      B. Provides jobs predominantly for residents of Public and Indian Housing units;
      C. Provides jobs predominantly for homeless persons;
      D. Provides jobs predominantly for low-skilled, low- and moderate-income persons, where the business agrees to provide clear opportunities for promotion and economic advancement, such as through the provision of training;
E. Provides jobs predominantly for persons residing within a census tract (or block numbering area) that has at least 20 percent of its residents who are in poverty;

F. Provides assistance to business(es) that operate(s) within a census tract (or block numbering area) that has at least 20 percent of its residents who are in poverty;

G. Stabilizes or revitalizes a neighborhood that has at least 70 percent of its residents who are low- and moderate-income;

H. Provides assistance to a Community Development Financial Institution that serves an area that is predominantly low- and moderate-income persons;

I. Provides assistance to a Community-Based Development Organization serving a neighborhood that has at least 70 percent of its residents who are low- and moderate-income;

J. Provides employment opportunities that are an integral component of a project designed to promote spatial deconcentration of low- and moderate-income and minority persons;

K. With prior HUD approval, provides substantial benefit to low- income persons through other innovative approaches;

L. Provides services to the residents of an area pursuant to a strategy approved by HUD under the provisions of 91.215(e) of this title;

M. Creates or retains jobs through businesses assisted in an area pursuant to a strategy approved by HUD under the provisions of 91.215(e) of this title.

3. Standards for individual activities. Any activity subject to these guidelines which falls into one or more of the following categories will be considered by HUD to provide insufficient public benefit, and therefore may under no circumstances be assisted with CDBG funds:

i. The amount of CDBG assistance exceeds either of the following, as applicable:
   A. $50,000 per full-time equivalent, permanent job created or retained; or
   B. $1,000 per low- and moderate-income person to which goods or services are provided by the activity.

ii. The activity consists of or includes any of the following:
   A. General promotion of the community as a whole (as opposed to the promotion of specific areas and programs);
   B. Assistance to professional sports teams;
   C. Assistance to privately-owned recreational facilities that serve a predominantly higher-income clientele, where the recreational benefit to users or members clearly outweighs employment or other benefits to low- and moderate-income persons;
   D. Acquisition of land for which the specific proposed use has not yet been identified; and
   E. Assistance to a for-profit business while that business or any other business owned by the same person(s) or entity(ies) is the subject of unresolved findings of noncompliance relating to previous CDBG assistance provided by the recipient.

4. Applying the individual activity standards.

i. Where an activity is expected both to create or retain jobs and to provide goods or services to residents of an area, it will be disqualified only if the amount of CDBG assistance exceeds both of the amounts in paragraph (b)(3)(i) of this section.
ii. The individual activity standards in paragraph (b)(3)(i) of this section shall be applied to the number of jobs to be created or retained, or to the number of persons residing in the area served (as applicable), as determined at the time funds are obligated to activities.

iii. Where CDBG assistance for an activity is limited to job training and placement and/or other employment support services, the jobs assisted with CDBG funds shall be considered to be created or retained jobs for the purposes of applying the individual activity standards in paragraph (b)(3)(i) of this section.

c. **Amendments to economic development projects after review determinations.** If, after the grantee enters into a contract to provide assistance to a project, the scope or financial elements of the project change to the extent that a significant contract amendment is appropriate, the project should be reevaluated under these and the recipient's guidelines. (This would include, for example, situations where the business requests a change in the amount or terms of assistance being provided, or an extension to the loan payment period required in the contract.) If a reevaluation of the project indicates that the financial elements and public benefit to be derived have also substantially changed, then the recipient should make appropriate adjustments in the amount, type, terms or conditions of CDBG assistance which has been offered, to reflect the impact of the substantial change. (For example, if a change in the project elements results in a substantial reduction of the total project costs, it may be appropriate for the recipient to reduce the amount of total CDBG assistance.) If the amount of CDBG assistance provided to the project is increased, the amended project must still comply with the public benefit standards under paragraph (b) of this section.

d. **Documentation.** The grantee must maintain sufficient records to demonstrate the level of public benefit, based on the above standards, that is actually achieved upon completion of the CDBG-assisted economic development activity(ies) and how that compares to the level of such benefit anticipated when the CDBG assistance was obligated. If the grantee's actual results show a pattern of substantial variation from anticipated results, the grantee is expected to take all actions reasonably within its control to improve the accuracy of its projections. If the actual results demonstrate that the recipient has failed the public benefit standards, HUD may require the recipient to meet more stringent standards in future years as appropriate.

[60 FR 1947, Jan. 5, 1995; 60 FR 17445, Apr. 6, 1995]

**U.S. Department of Housing and Urban Development**

451 7th Street, S.W., Washington, DC 20410

Telephone: (202) 708-1112  TTY: (202) 708-1455
Section 108 Loan Repayment Schedule

Project Name: ____________________________  Term of Loan: _______ years

Mortgage Amount: $__________  Repayment Period (per year): _______

Principal Amount: $__________  Annual Payment: $__________

Interest Rate: _______%  Number of Payments: _______

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Attach a listing of sources which will be used to repay the Section 108 Loan.
Appendix E

Section 108 Loan Guarantees
Public Entity Certifications

In accordance with Section 108 of the Housing and Community Development Act of 1974, as amended, (the Act) and with 24 CFR 570.704(b) the public entity certifies that:

(i) It possesses the legal authority to submit the application for assistance under 24 CFR Part 570, Subpart M (Subpart M) and to use the guaranteed loan funds in accordance with the requirements of Subpart M.

(ii) Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the person identified as the official representative of the public entity to submit the application and amendments thereto and all understandings and assurance contained therein, and directing and authorizing the person identified as the official representative of the public entity to act in connect with the application to provide such additional information as may be required.

(iii) Before submission of its application to HUD, the public entity has:

(A) Furnished citizens with information required by 570.704(a)(2)(i);

(B) Held at least one public hearing to obtain the views of citizens on community development and housing needs; and

(C) Prepared its application in accordance with 570.704(a)(1)(iv) and made the application available to the public.

(iv) It is following a detailed citizen participation plan that meets the requirements described in 570.704(a)(2).

(v) The public entity will affirmatively further fair housing, and the guaranteed loan funds will be administered in compliance with:

(A) Title VI of the Civil Rights Act of 1964 (42 U.S.C 2000d et seq.);

(B) The Fair Housing Act (42 U.S.C. 3601-3619).

(vi) It will comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low- and moderate-income housing described in 570.606.

(vii) It will comply with the requirements of 570.200(c)(2) with regard to the use of special assessments to recover the capital costs of activities assisted with guaranteed loan funds.

(viii) It will comply with the other provisions of the Act and with other applicable laws.

Signature/Authorized Official

Date

Title
Appendix E

Certification Regarding Debarment, Suspension, and Other Responsibility Matters – Primary Covered Transaction

(1) The prospective primary participant certifies to the best of its knowledge and belief that it and its principals:

(A) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency;

(B) Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property;

(C) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and

(D) Have not within a three year period preceding this application/proposal had one or more public transactions (Federal, State, or local) terminated for cause or default.

(2) Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

______________________________  ______________________________
Signature                           Date

______________________________
Name, Title of Developer
Appendix E

Certification of Efforts to Obtain Other Financing

The _________________________ hereby assures and certifies with respect to its application for a loan guarantee pursuant to Section 108 of the Housing & Community Development Act of 1974, as amended, that it has made efforts to obtain financing for the activities described herein without the use of such efforts for the term of the loan guarantee, and it cannot complete such financing consistent with the timely execution of the project without such guarantee.

__________________________________________  ______________________
Signature/Authorized Official                  Date

__________________________________________
Title
Appendix E

Section 108 Loan Guarantee
Certification Regarding Drug Free Workplace Requirements

The certification set out below is a material representation upon which reliance is placed by the U.S. Department of Housing and Urban Development in awarding the loan guarantee assistance. If it is later determined that the Public Entity knowingly rendered a false certification, or otherwise violates the requirements of the Drug Free Workplace Act, the U.S. Department of Housing and Urban Development, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug Free Workplace Act.

Certification

A. The public entity certifies that it will provide a drug-free workplace by:

1. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession use of a controlled substance is prohibited in the public entity’s workplace and specifying the actions that will be taken against employees for violations of such prohibitions;

2. Establishing a drug free awareness program to inform employees about:
   a. The dangers of drug abuse in the workplace;
   b. The public entity’s policy of maintaining a drug free workplace;
   c. Any available drug counseling, rehabilitation, and employee assistance programs; and
   d. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

3. Making it a requirement that each employee to be engaged in the performance of the activities undertaken with the loan guarantee assistance be given a copy of the statement required by paragraph 1.;

4. Notifying the employee in the statement required by paragraph 1. that, as a condition of employment under the loan guarantee, the employee will:
   a. Abide by the terms of the statement and;
   b. Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction;

5. Notifying the agency in writing, within ten calendar days after receiving notice under paragraph 4.b. from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central for the receipt of such notice. Notice shall include the identification number(s) of each affected grants;

6. Taking one of the following actions, within 30 calendar days of receiving notice under paragraph 4.b., with respect to any employee who is so convicted -
   a. Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
   b. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by Federal, State, or local health, law enforcement, or other appropriate agency;
7. Making a good faith effort to continue to maintain a drug free workplace through implementation of paragraphs A.1. through A.6.

B. The public entity shall insert in the space provided below the site(s) expected to be used for the performance of work under the assistance covered by the certification.

Place of Performance (includes street address, city, county, state, zip code for each site):

Check ____ if there are workplaces on file that are not identified here.

__________________________________________________________________________________
Signature                                                              Date

__________________________________________________________________________________
Name, Title
Appendix E

Section 108 Loan Guarantees
Statement Regarding Lobbying

THE UNDERSIGNED STATES, TO THE BEST OF HIS OR HER KNOWLEDGE AND BELIEF, THAT:

If any funds have been paid or will be paid to any reason for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of the Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee loan, the undersigned shall complete and submit Standard Form LLL, “Disclosure Form to Report Lobbying,” in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

__________________________  __________________________
Signature                          Date

__________________________
Name, Title
Appendix E

Section 108 Loan Guarantees
Certification of Legal Authority to Pledge Grants

The public entity hereby certifies and assures with respect to its application for a loan guarantee pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, that it possesses the legal authority to make the pledge of grants required under 24 CFR 570.705(b)(2).

__________________________________________  __________________________
Signature                                                                 Date

______________________________________________
Name, Title
Pursuant to 24 CFR §570.704(b)(9), the SECTION 108 LOAN GUARANTEE

State Certifications Related to Nonentitlement Public Entities

State of ______________________, with regard to the Section 108 Loan guarantee application submitted by the ____________________ (Nonentitlement Public Entity), certifies that:

(i) It agrees to make the pledge of grants required under 24 CFR §570.705(b)(2).
(ii) It possesses the legal authority to make such pledge.
(iii) At least 70 percent of the aggregate use of the CDBG grant funds received by the State, guaranteed loan funds, and program income during the one, two, or three consecutive years specified by the State for its CDBG program will be for activities that benefit low and moderate income persons.
(iv) It agrees to assume the responsibilities described in 24 CFR §570.710.

________________________________________
Signature

________________________________________
Name

________________________________________
Title

________________________________________
Date (mm/dd/yyyy)
Appendix F


WHEREAS, the Commonwealth of Pennsylvania, acting by and through its Department of Community and Economic Development (the “Commonwealth”) has developed a program for the use of Section 108 Loan Guarantee funds by the members of a Pennsylvania Section 108 Loan Guarantee Program Consortium (the “Consortium”) in accordance with federal regulations; and

WHEREAS, the Commonwealth has prepared and submitted to this Local Government a form of “Pennsylvania Section 108 Loan Guarantee Program Consortium Agreement (the “Consortium Agreement”) which, among other terms and conditions, authorizes the City of Monessen, Pennsylvania as Lead Member of the Consortium to file an application for funding under the federal Section 108 Loan Guarantee Program on behalf of the several members of the Consortium (the “Application”), and further authorizes the Commonwealth of Pennsylvania to file amendments to the Application on the terms and conditions therein stated; and

WHEREAS, the Commonwealth of Pennsylvania will provide the statutory guarantee for the repayment of any Section 108 Loan made by any member of the Consortium from its Community Development Block Grant (“CDBG”) funds and/or from such member’s annual CDBG allocation; and

WHEREAS, the [insert title of chief elected official] has identified one or more potential projects which this Local Government is interested in financing through the Section 108 Loan Guarantee Program, and has recommended to the [name of governing body] that it participate in the Consortium; and

WHEREAS, under the Section 108 Loan Guidelines, funds must be used for eligible activities; and

WHEREAS, the use of Section 108 loan funds will create new job opportunities and provide benefits meeting one of the national objectives for the CDBG program;

NOW, THEREFORE, BE IT RESOLVED BY THE [GOVERNING BODY] OF THE [INSERT NAME OF LOCAL GOVERNMENT] that the Consortium Agreement in the form presented to the [governing body] be, and it hereby is approved, with such further amendments thereof, additions thereto, and deletions there from as the [insert title of chief elected official] shall determine to be necessary or desirable and proper, such determination to be conclusively evidenced by his or her execution and delivery thereof;

BE IT FURTHER RESOLVED, that the execution and delivery by the [insert title of chief elected official] of the Consortium Agreement on behalf of [Insert Name Of Local Government], in such form as [insert title of chief elected official] may approve, together with such further amendments thereto, additions thereto, and deletions there from as the [insert title of chief elected official] shall determine to be necessary or desirable and proper from time to time, is hereby authorized, approved, and ratified;

BE IT FURTHER RESOLVED, that pursuant to the Consortium Agreement, the [governing body] hereby authorizes, approves, and ratifies the signature and filing, by the duly authorized officers of the City of Monessen, Pennsylvania, as Lead Member of the Consortium, of such documents (including, but not limited to the Application) in such form as such officers may determine to be necessary or desirable and proper, such determination to be conclusively evidenced by the filing thereof, on behalf of the several members of the Consortium (including specifically but not limited to [insert name of local government]);
BE IT FURTHER RESOLVED, that pursuant to the Consortium Agreement, either (i) the duly authorized officers of the City of Monessen, Pennsylvania, as Lead Member of the Consortium, or (ii) the proper officers of the Commonwealth, as administrator of the Consortium, be, and each of them hereby is, authorized and directed to sign and file on behalf of the several members of the Consortium, including without limitation the [insert name of local government] all such amendments to the Application, and such further assurances and certifications to HUD, as such officers may determine to be necessary or desirable and proper, such determination to be conclusively evidenced by their signature and/or filing thereof; and,

PROVIDED, HOWEVER, that in no event shall the foregoing resolutions or any of them authorize, or be construed to authorize, the execution, delivery or performance of any final documents for the funding of any particular project on behalf of the [insert name of local government] without further action by this [governing body].

A RESOLUTION OF THE (GOVERNING BODY) OF (PUBLIC ENTITY) APPROVING THE SUBMISSION OF AN APPLICATION FOR A SECTION 108 LOAN GUARANTEE

WHEREAS, the Commonwealth of Pennsylvania has developed a program for the use of Section 108 Loan Guarantee funds in accordance with federal Regulations; and

WHEREAS, public entities may apply for Section 108 Loan Guarantee funds through the Commonwealth of Pennsylvania; and

WHEREAS, the Commonwealth of Pennsylvania will guarantee the repayment of the Section 108 Loan from its CDBG funds and/or from the public entity’s annual CDBG allocation; and

WHEREAS, under the Section 108 Loan Guidelines, funds must be used for eligible activities which benefit low- and moderate-income persons; and

WHEREAS, the (Public Entity) has held public hearings to receive input on the proposed use of Section 108 Loan funds; and

WHEREAS, the (Governing Body) desires to assist in the development of (name of project & Location); and

WHEREAS, the (Name of Project) will create new job opportunities which will primarily benefit low- and moderate-income persons in the (Public Entity).

NOW, THEREFORE, BE IT RESOLVED BY THE (GOVERNING BODY) OF (PUBLIC ENTITY), PENNSYLVANIA, that it hereby approves the filing of this application for a Section 108 Loan Guarantee in the amount of _$____________ for (Name of Project).

BE IT FURTHER RESOLVED THAT THE (CHIEF ELECTED OFFICIAL) is authorized to sign and is directed to file this application, including all assurances and certifications with the PA Department of Community and Economic Development.

BE IT FURTHER RESOLVED THAT THE (PUBLIC ENTITY) is aware of its obligation to guarantee the repayment of a Section 108 Loan from CDBG funds.

RESOLVED INTO A RESOLUTION THIS (DATE) DAY OF (MONTH), (YEAR).

ATTEST: (Public Entity)

(Name & Title) (Name & Title)
FIRST NOTICE
PUBLIC HEARING ON THE USE OF SECTION 108 LOAN GUARANTEE FUNDS

Notice is hereby given by the (name of public entity), PA that it will conduct a Public Hearing on the use of Section 108 Loan Guarantee Loan funds under the CDBG rules & regulations of the Housing and Community Development Act of 1974, as amended.

Under Section 108 of the Act, non-federal entitlement communities may borrow funds utilizing the State’s CDBG Program for the Loan Guarantee. The Commonwealth of Pennsylvania has developed its own Section 108 Guidelines to assist communities in obtaining Section 108 Loan funds to promote economic development.

Section 108 Loan funds may be used for the following activities:

- 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 (including streets, walks, and other site improvements);
- Related relocation, clearance, and site improvements;
- Payment of interest on the guaranteed loan and issuance costs of public offerings;
- Debt service reserves; and
- In limited circumstances, housing construction as part of community economic development, Housing Development Grant, or Nehemiah Housing Opportunity Grant programs.

The purpose of this public hearing is to obtain comments from citizens and interested firms and organizations on the community development, economic development and housing needs of the (name of public entity) that might be addressed with the use of Section 108 Loan funds. The financing, security, loan terms, and compliance with federal requirements will be discussed at the public hearing.

The Public Hearing will be conducted at:

Location: ________________________________
Address: ________________________________
Time: ________________________________
Date: ________________________________

All interested persons, organizations and potential developers are encouraged to attend this Public Hearing. The (Location of Public Hearing) is fully accessible to the physically challenged, (If the location is not handicapped accessible, the public entity must state that it will make special arrangements and reasonable accommodations for all persons to attend the public hearing.)

(Name & Title)
Appendix G

SECOND NOTICE
PUBLIC HEARING ON THE USE OF
SECTION 108 LOAN GUARANTEE FUNDS

Notice is hereby given by the (name of public entity), PA that it will conduct a Public Hearing on the use of Section 108 Loan Guarantee Loan funds. The (name of public entity) has received a request for a Section 108 Loan Guarantee from (name of development entity) and an application has been prepared for Section 108 Loan funds for (name of project). The project involves (description of project).

The Section 108 Loan funds will be used for (use of funds). The total project cost is estimated to be $(amount). Other sources of funds include the following:

- $(amount) (source)
- $(amount) (source)
- $(amount) (source)

The use of the Section 108 Loan is eligible under the CDBG Regulations in that the proposed project will benefit low- and moderate-income persons by (description).

The Public Hearing will be conducted at:

Location: ___________________________
Address: ___________________________
Time: ___________________________
Date: ___________________________

A copy of the Proposed Section 108 Application is on display at (location) and may be examined by the public between the hours of ______ AM to ______ PM, Monday through (day).

All interested persons, organizations, firms and others are encouraged to attend this Public Hearing. The (location of Public Hearing) is fully accessible to the physically challenged. (If the location is not handicapped accessible, the public entity must state that it will make special arrangements and reasonable accommodations for all persons to attend the public hearing.)

(Name & Title)
Regional Offices

Pennsylvania Department of Community and Economic Development

Central
Adams, Bedford, Blair, Cambria, Centre, Clinton, Columbia, Cumberland, Dauphin, Franklin, Fulton, Huntingdon, Juniata, Lancaster, Lebanon, Lycoming, Mifflin, Montour, Northumberland, Perry, Snyder, Somerset, Union, and York counties

Department of Community and Economic Development
Ted Robinson, Director
400 North Street, 4th Floor
Commonwealth Keystone Building
Harrisburg, PA 17120-0225
(717) 787-7347
Fax (717) 234-4560

Southwest
Allegheny, Armstrong, Beaver, Butler, Fayette, Greene, Indiana, Lawrence, Washington, and Westmoreland counties

Department of Community and Economic Development
Ellen G. Kight, Director
1405 State Office Building
300 Liberty Avenue
Pittsburgh, PA 15222
(412) 565-5002
Fax: (412) 565-2635

Southeast
Bucks, Chester, Delaware, Montgomery and Philadelphia counties

Department of Community and Economic Development
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Philadelphia State Office Building
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1400 Spring Garden Street,
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Fax: (215) 560-6722

Northeast

Department of Community and Economic Development
Michael Morin, Director
201 Samters Building
101 Penn Avenue
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(570) 963-4571
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Northwest
Cameron, Clarion, Clearfield, Crawford, Elk, Erie, Forest, Jefferson, McKean, Mercer, Potter, Venango, and Warren counties

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