

**SECTION 108 LOAN POOL GUARANTEE APPLICATION**

TO U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

ESTABLISHING THE CITY OF CINCINNATI

\$34,000,000 AFFORDABLE HOUSING LOAN FUND

Application By:

City of Cincinnati

Office of the City Manager

801 Plum Street

Cincinnati, Ohio 45202

August 2021

## **CONTENTS**

<b>PROGRAM NECESSITY</b>	<b>1</b>
<b>AFFORDABLE HOUSING LOAN POOL</b>	<b>4</b>
<b>STRATEGIC LOAN PRODUCTS</b>	<b>6</b>
<b>LOAN PORTFOLIO EXPECTATIONS</b>	<b>8</b>
<b>UNDERWRITING PROCESS</b>	<b>11</b>
<b>INFORMATION FOR PROGRAM REQUIREMENTS</b>	<b>14</b>
<b>PUBLIC PARTICIPATION PLAN</b>	<b>18</b>
<b>ATTACHMENTS</b>	<b>19</b>

**The City of Cincinnati is applying for a HUD Section 108 loan guarantee of \$34 Million to establish a citywide housing development loan pool. The loan pool will be activated to support multiple affordable housing development and preservation projects in the City for which adequate funding would not otherwise be available.**

## **PROGRAM NECESSITY**

---

Housing affordability is a national concern, but the effect of inadequate supply is felt at a localized and individual level. Even before the global COVID-19 pandemic, a 2018 study by the National Low Income Housing Coalition found that ***a full-time working renter earning minimum wage cannot afford a two-bedroom apartment in a single county in the United States.*** In only 22 out of 3,000 counties nationally could the same worker afford a one-bedroom apartment at fair market rental rates. The Urban Land Institute's Terwilliger Center for Housing reports that "nearly 10 million low- and moderate-income working households—one in four working renters and 16 percent of working homeowners—pay more than half their income for housing. High housing costs are not only detrimental for families: they are also bad for business and local competitiveness."

In recent years Cincinnati's municipal charge has involved pursuing a growth strategy to counteract decades of population loss and disinvestment. This history underscores our critical need to drive repopulation and reinvestment of private dollars into our City's built environment, thereby encouraging housing options for residents of all means and supporting affordable housing in ways that deconcentrate poverty. The City, however, does not dictate the market nor control parameters by which housing development occurs. The City is not a developer and does not directly develop housing; therefore, all housing production in the City and all City efforts in this area are dependent upon a willing developer to invest resources in creating new units or rehabilitating existing housing units. While local rental rates are comparatively "on par" with peer cities, factors such as wage stagnation, increasing property taxes, and increasing costs of construction constantly challenge local affordability. Significant funding gaps on individual projects and barriers to entry for both new and existing affordable housing developers due to the complexity and lack of coordination of existing affordable housing incentives creates further obstacles in producing and preserving affordable housing.

The tools available to the City to encourage and support affordable homeownership include offering property tax incentives to temporarily reduce expenses or direct funding via programs focused primarily on subsidizing repairs for homeowners, down-payment assistance for first-time homebuyers with an income at or below 80% of Area Median Income (AMI), or subsidizing projects developing single-family homes. To date the City's primary program to subsidize affordable multi-family

production has been through the Notice of Funding Availability (NOFA). As indicated in the HUD Consolidated Plan, the NOFA is a highly competitive loan program designed to pair the City's limited capital funds with Federal Entitlement funding (CDBG, HOME). Since its inception the NOFA program has been managed by the City's Department of Community and Economic Development to ensure alignment with our local community revitalization and development objectives.

Through the NOFA and other community development programs, more than 80% of the City's Federal entitlement funds are delivered to local low- and moderate-income residents to address an array of urgent quality of life conditions and provide critical job training/growth opportunities to facilitate a viable path of upward economic mobility. In parallel, the City's elected body authorizes additional financial support, approximately \$5 Million annually, to external partners providing supportive services to the City's most vulnerable populations.

But the cost to increase affordable housing options exceeds what the City's limited resources can provide. Local stakeholders have dedicated years of study and problem-solving to address this very issue and the consequences of housing supply dynamics on our residents. To best coordinate a local position and response the City Council established the Affordable Housing Subcommittee of City Council to serve as a public forum for the exchange of information on local conditions and actionable recommendations, and to simultaneously engage the City's policymakers and administration. Public meetings, which included input via public hearing format, were conducted over the course of approximately four months and involved presentations from various stakeholders representing public, non-profit, advocacy, academia, and private perspectives. Meetings were also televised live, recorded, and broadcast regularly online and on public television. A series of recommendations, both policy-oriented and regulatory in nature, are being acted on as a product of that process. The overarching challenge that consistently remains, however, is simply the need for more funding.

***With support of the Affordable Housing Subcommittee, in April 2021 Cincinnati's City Council authorized the City Manager to create an Affordable Housing Loan Pool to consolidate varied local resources, leverage new external funds including this Section 108 loan authority, and directly subsidize affordable housing.***

The upfront source of financing afforded by HUD's Section 108 program is a lynchpin in the City's strategy to leverage public and private resources to deliver more affordable housing units in the market. To maximize market impacts and leverage expertise, City Council further authorized the City to undertake the development of new financing tools and programming in partnership with Cincinnati Development Fund (CDF), a local Community Development Financial Institution (CDFI) and

Community Development Entity (CDE), to execute program initiatives supported by the loan pool. In turn, the City will be better able to drive private investment, add housing units throughout the City, eliminate concentrations of poverty, and allow developers to take on projects with greater financing risks in marginalized neighborhoods.

Recognizing the value of ongoing public discourse, City Council will designate a local Housing Advisory Board consisting of 11 members with expertise in issues affecting housing development and affordability. This Housing Advisory Board will build support for housing priorities by both public and private parties and create informed priorities to the City Manager and City Council for further approval and programmatic direction. This ensures meaningful gains, informed by expertise, will be accomplished with the resources that are dedicated to make housing affordable to our residents.

DRAFT

## **AFFORDABLE HOUSING LOAN POOL**

---

The \$34,000,000 in Section 108 resources available to the City will be structured as a performing-loan fund and will be paired with the City's recently established Affordable Housing Loan Pool, which provides more flexible local funding to facilitate affordable housing development. Furthermore, as proposed, the Section 108 funds will be leveraged by the City and our partner CDF to raise additional affordable housing resources in a "Fund of Funds" concept which is already taking shape. This "Fund of Funds" will coordinate and leverage all public and raised private funding towards making targeted, efficient, and "but-for" investments into affordable housing. One result of this initial work is heightened market awareness and enthusiasm for available funds, leading to a robust pipeline of potential projects.

### **Management Structure**

Pursuant to Council authorization, the Affordable Housing Loan Pool will be administered in partnership between the City and CDF. The City, as the Entitlement Community and borrower, will retain all Federally obligated program and fiscal management responsibilities, while engaging CDF for loan intake, origination, processing, servicing, and external fundraising – to leverage and build a "Fund of Funds" approach to streamline access to local, regional, and Federal affordable housing resources.

CDF has an excellent track record and capacity for managing funds to facilitate affordable housing—including managing private funds from the Greater Cincinnati Foundation and being an active CDE that has received millions of dollars in new market tax credit allocations. Through its existing funds and loan programs, CDF has facilitated the creation of shelters, permanent supportive housing, family and senior affordable housing, and workforce housing. Real estate projects are prioritized by CDF's mission and are deployed according to specific goals and restrictions of each funding source. CDF is uniquely positioned to partner with the City in administering the Affordable Housing Loan Pool due to an ability to "magnetize" the Section 108 loan authority thereby unlocking other public and private sources. The strategic layering of these individual financial elements is complex, yet necessary, to fully scale available resources into a dramatic market improvement, and CDF's expertise in this area is of critical value to the City.

CDF's existing relationships and reputation are also being leveraged, as the organization has begun aggressively seeking grants and flexible funding to serve as capital that supplements or enhances the City's Affordable Housing Loan Pool. The strength and impact of public, private, and philanthropic initiatives are determined by each sector's ability to be bold and collaborative. With proven leadership and expertise, CDF will gather these flexible sources and deploy targeted and effective financing tools to produce and preserve more affordable housing units. This

partnership between the City and CDF will maximize deployment efficiencies and timeliness, bring the best of our expertise to bear to effectuate change in the market, and leverage all available sources to increase the scale of projects and impacts.

All projects supported with the Section 108 loan fund will be performing loans, as articulated further in subsequent sections. These projects will be monitored throughout the initial loan term and beyond, with responsibilities distributed between CDF and the City. Oversight will primarily focus on project completion, loan performance/repayment, compliance with other contract terms, and long-term affordability and National Objective accomplishments. Following payment of debt service to HUD, the City will reapply and dedicate Section 108 commitment capacity to other qualified projects, thereby serving as a revolving and long-term funding stream for affordable housing production or preservation.

### **Eligible Activities**

Projects will be evaluated locally through an ongoing loan application and underwriting process, consistent with HUD and local policies, and further described in subsequent sections of this document. The City's Section 108 loan fund will only be offered for activities eligible under 24 CFR 570.703 and 570.200-206.

Any potential projects to be funded with this Section 108 loan pool will be vetted by the City and its partner CDF to ensure compliance with regulatory standards pertaining to eligible activities, eligible entities, and National Objectives, and will undergo thorough underwriting to assess the quality of the project and loan risk. This assessment and underwriting will be a collaborative process, requiring sign off from both CDF and the City. It is also understood that projects considered for funding with the Section 108 loan fund are subject to additional review and approval by HUD prior to extending funding commitments.

### **Investment Areas**

Cincinnati, like many cities its size, has varying housing development goals and needs. To better focus our resources, we have identified several ways of strategizing how and where we invest. We have been focusing our development resources in Opportunity Zones, the Ohio Housing Finance Agency FHAct50 neighborhood, and Neighborhood Revitalization Strategy Areas (NRSAs). Investments in these areas have been instrumental in spurring additional redevelopment. These areas of focus will continue to guide our housing development investments. Section 108 funds will be available City-wide to allow the City to respond to market demands, but to the extent feasible, Section 108 funds will also be utilized according to these strategies and in areas where funds can be leveraged.

## **STRATEGIC LOAN PRODUCTS**

---

Based on extensive research and prototyping of financing models, Section 108 resources will be marketed externally as five distinct loan products to incentivize new affordable housing production and preservation, including:

- I. Pre-Development Financing**
- II. Real Property Acquisition Financing**
- III. Housing Rehabilitation Financing**
- IV. LIHTC Equity Bridge Financing**
- V. CBDO Activities**

Implicit in each of these products is the general principle that additional funding sources in the form of grants and non-recourse loans will often be necessary, in addition to the loan products described below, to increase the number of units built and decrease the AMI-levels of rents charged in a given project. As described above, these additional funding sources are intended to come from non-CDBG sources, primarily local public and private funding.

Every prospective project will be subject to an exacting set of underwriting criteria, as described below. Repayment terms will be established on a case-by-case basis, aligned with the allowable limits of the Section 108 loan, and suitably flexible to enable the project to proceed. Each project will be expected to generate sufficient cash flow to repay the loan and will be secured by a mortgage interest or other collateral deemed acceptable through the underwriting process. Each project must also follow CDBG program regulations, which includes meeting Eligibility and National Objective requirements.

Projects will be expected to include an appropriate level of private funding or conventional debt, though consideration will be given to projects which deploy HUD Section 108 funds in tandem with other public funding sources, such as historic rehabilitation tax credits, New Markets Tax Credits (NMTC), Low Income Housing Tax Credits (LIHTC), and Tax Increment Financing (TIF). All projects are required to demonstrate a financing gap to be eligible for the CDBG Section 108 loan program.

### **I. Pre-Development Financing**

Funds will be used for site preparations, due diligence, professional services, soft costs, and financing costs associated with affordable housing projects. This loan product will be available to non-profit and for-profit borrowers.



## **II. Real Property Acquisition Financing**

Funds in this category will be used to finance the acquisition of existing improved property resulting in the creation or preservation of affordable units. This loan product will be available to non-profit borrowers.

## **III. Housing Rehabilitation Financing**

Funds will be used for construction financing for rehabilitation activities that may also be paired with other eligible activities under CFR §570.202, including acquisition and refinancing. This loan product will be available to non-profit and for-profit borrowers.

## **IV. LIHTC Equity Bridge Financing**

Funds will be deployed during the construction or rehabilitation phase of a project and used to bridge Tax Credit (LIHTC, New Markets, Historic, etc.) equity for 7-10 years, often lining up with the applicable compliance period. During this period, the investors will make interest payments on the Section 108 loan and pay off the entire balance at the end of the term in a balloon payment with its cash investment. If the interest rate on the HUD Section 108 loan is significantly less than the investor's required internal rate of return, then there will be an interest arbitrage that accumulates in the fund to be invested in other eligible projects. The City will get guarantees from the Tax Credit investors for the repayment of the bridge loan, which significantly reduces the risk. The bridge loan financing may be revolved for use in other projects as LIHTC bridge financing.

## **V. CBDO Activities**

Funds will be used for neighborhood revitalization projects, community economic development projects, or other CBDO-eligible activities that include the creation of affordable housing units. This loan product will be available to certified CBDO borrowers. All new housing construction activity must be in conjunction with an eligible economic development, neighborhood revitalization, or energy conservation activity. All CBDO activities funded with Section 108 loans will be subject to regulatory underwriting conditions outlined in 24 CFR 570.204(c).

## **LOAN PORTFOLIO EXPECTATIONS**

---

### **Loan Amounts**

To provide flexibility in the deployment of funding, the City will not establish minimum or maximum loan amounts or terms. Instead, a detailed form will be provided for each project application that requires the identification of specific funding sources and the corresponding dollar amounts, which will guide loan amounts and terms. The debt and/or equity being invested by the Principal Developer will be factored into the calculation. Developers will be required to provide a minimum of 5% equity in the project. The preferred debt coverage ratio (DCR) will be established at 1.2 with anything lower 1.5 needing strong collateral, a debt service guaranty, and/or a 12-month debt service reserve or other resource as approved by the City, CDF, and HUD to ensure there is adequate operating income or an alternative resource to cover debt payments. DCR will be evaluated on a project-by-project basis. The City will consider additional funding sources (LIHTC, etc.) when structuring deals with HUD Section 108 funds and the amount of private sector financing committed to the project. All projects must be performing and demonstrate a financial need for any non-forgivable loan, which would be made from other sources to supplement the Section 108 source. The City of Cincinnati may be a subordinate lender for the project.

### **Collateral**

For each project to be assisted with Section 108 loan funds, collateral will be secured in the following order: 1) mortgage on the real property associated with the project (may be a subordinate mortgage if there is primary debt financing), 2) other collateral as determined appropriate by our lending partner on a case-by-case basis, such as letters of credit, interests in accounts, liens on personal property, etc., 3) corporate and personal guarantees by the Principal Developer or Owners of the project, 4) the City's CDBG funding or other collateral deemed as satisfactory to or requested by HUD. Collateral expectations are described further in the Underwriting Process section of this application.

### **Interest Rates**

Section 108 loans will be subject to the interim interest rate, based on the 3-month Treasury Bill rate plus 35 basis points, at the time of drawdown. At the time of a public offering, the City and CDF will evaluate each Section 108 loan to determine whether to convert to the long-term fixed-rate or remain at the interim variable rate. CDF may add 50 basis points to the interest rate at which the City borrows each Section 108 loan to pay for their administration of said loans.

The City anticipates a contribution up to \$1 million from program income previously received by the City for the purpose of funding the following activities, ranked in

order of priority: (1) a loss reserve in the event of nonpayment of a loan issued pursuant to this program, (2) a reserve to be held by CDF to repaying any interest owing to HUD until loans are issued and repaid pursuant to this program, and (3) HUD drawdown/administrative fees (currently 2.15%) and costs of CDF for administering this program.

### **Repayment Schedule**

Each proposed project will demonstrate sufficient cash flow to repay the loan without expectation of current or future CDBG dollars used for the repayment. To accomplish this, Section 108 loans will be structured with up to twenty-year terms or with terms that closely mirror the useful life of the asset and/or the lease terms of the end users. Interest-only payments with a balloon principal payment may be offered to the Principal Developer only as needed to make a project financially feasible. For Section 108 financing structured to leverage NMTCs, the interest-only period will be maintained through the seven-year NMTC compliance period (including construction). For Section 108 financing structured to leverage LIHTCs, loan guarantees will be required to ensure that the LIHTC are available as the principal source of repayment.

The City of Cincinnati understands that if a third-party borrower in this Section 108 loan fund fails to make timely payments and the City therefore fails to make a required payment on its notes, HUD will deduct that payment from the City of Cincinnati's CDBG Letter of Credit. In accepting this loan guarantee, the City has pledged its CDBG funds and all other applicable federal grants as security for the guarantee.

### **Project Implementation Schedule**

Local interest is high with respect to accessing the City's Affordable Housing Loan Pool and Section 108 resources. As a result, the City has a preliminary pipeline of projects, provided below to illustrate initial demand for funds and the nature/type of projects that are being considered. The City is structuring this loan fund program to achieve full deployment of the Section 108 loan fund over a three-to-four-year period as described below. While individual schedules will be produced by applicants with each funding request, it is anticipated that projects will be batched for funding in a series of tranches to accommodate phased demands for funding.

#### **Tranche 1 Pipeline (Applications 2021, Funding 2022)**

The first tranche includes up to nine projects and represent over \$162 Million in private investment. These projects are anticipated to create 574 residential units. These projects are in various stages of underwriting and are expected to benefit from financing available in four of the five proposed loan types: Pre-Development

Financing, Housing Rehabilitation Financing, LIHTC Equity Bridge Financing, and financing for CBDO Activities.

- Alexandra Apartments
- The Peebles Apartments
- Paramount Launch
- Lincoln and Gilbert
- The Barrister
- Evanston Mid-District
- The Crosley Building
- Warsaw Creative Campus

**Tranche 2\* –Applications 2022, Funding 2023**

**Tranche 3\* –Applications 2023, Funding 2024**

\*Dates and number of tranches subject to change based on market demand and timing factors

**Funding Requests**

Applicants may request Section 108 resources via direct application to CDF on a rolling basis throughout the year and may be referred upon application for funding through the City's competitive Housing NOFA program which is administered at least once per year. Upon local approval, a Funding Request Packet will be prepared for each project and delivered to the HUD Section 108 Office for review. Funding Request Packets will consist of the City's request for funds, a project underwriting report, local HUD Field Office Determination Letter, and documentation of the public participation process.

## **UNDERWRITING PROCESS**

---

Strict underwriting criteria will assure repayment of all loans funded from the Section 108 program. Loan repayment proceeds from Section 108 funded projects will be expected to fully repay HUD for those portions of the overall loan pool and will minimize impact on the City's ability to continue other CDBG activities.

As the Borrower in HUD's Section 108 program, the City will manage funding requests and repayment obligations to HUD and will provide regulatory-compliance elements of project underwriting. This includes, but is not limited to, engaging with the local HUD Field Office throughout project evaluation and requesting Determination Letters in support of project funding.

### **National Objective Demonstration**

All loans shall meet a National Objective as specified in 24 CFR 570.208. No loan shall be approved without verification of compliance with the National Objective requirements, specified in 24 CFR 570.208, by the Ohio Office of the U.S. Department of Housing and Urban Development.

### **Identify Applicable Eligible Activities**

In addition to meeting one of the program's National Objectives all projects assisted through the Section 108 loan fund must fall within one of the eligible activities listed in 24 CFR 570.200-206 or 570.703.

### **Determine Applicability of Public Benefit Standard**

The City will determine if the public benefit standard applies to a project and, if applicable, the City will demonstrate that the activity meets the individual and aggregate public benefit standards (24 CFR 570.209(b)(2)-(3)).

### **Applicability of Cross-cutting Federal Regulations**

All Section 108 projects must comply with all cross-cutting federal regulations, including environmental review, labor standards, acquisition and relocation, and fair housing and civil rights.

The City is engaging the expertise of CDF, a local certified CDFI, to intake applications and underwrite proposed Section 108 loans. Specific evaluation of project costs and financial requirements will be applied to each proposed loan in accordance with 570.209(a). CDF will lead this evaluation, proposed to at minimum include the following Underwriting Criteria.

## **1. Borrower Evaluation**

### **a. Development Team Capacity and Experience**

Projects funded shall have a development team that has both the capacity and experience to complete the project as demonstrated by past projects and financial strength.

### **b. Developer Commitment & Character**

Developer commitment can take many forms. While each project is likely to be different, the forms of developer commitment that can be expected include adequate equity, guarantees of completion, guarantees to fund shortfalls, or guarantees of minimum cash flow. Projects to be funded should have developers with good credit histories, demonstrated integrity, quality references, and that have not been debarred locally or federally.

## **2. Market and Property Analysis**

### **a. Project Feasibility & Readiness**

Projects funded shall demonstrate market demand for the location, type, and price of product to be provided. Market conditions shall support the revenue, expense, and occupancy projections of the project. Additionally, all projects shall demonstrate that they are ready to proceed through sufficient site control, completion of due diligence items, appropriate zoning for the site and project, and other evidence of project readiness as necessary.

## **3. Project Financial Analysis**

### **a. Evaluation of Project Costs**

Projects to be funded shall include a projected capital development budget. Each line item will be assessed and compared to local market conditions for similar projects to ensure project costs are reasonable. The budget shall include acquisition, hard and soft costs, as well as the method the borrower will used to pay the Section 108 program's financing fee.

### **b. Sources & Uses of Funds**

All financing shall be committed to the project, and the terms of each source will be analyzed. Sources and uses must match. The amount of Section 108 funds shall be essential to the project, and Section 108 loans will not substitute for private funds, to the extent practicable.

### **c. Ability to Repay**

Projects to be funded will undergo a thorough evaluation of project development and operating costs to determine reasonableness and shall demonstrate sufficient revenue to maintain a minimum 1.15 projected debt coverage ratio throughout the loan term. If the project includes more than a small percentage of its rental income from start-up or financially weak tenants, a higher debt coverage ratio shall be required. Other factors that may impact Net Operating Income, such as vacancy, shall also be considered. Return on equity shall be reasonable given industry rates of

return, local conditions, and the risk of the project while ensuring the minimum amount of public funds necessary are being invested.

d. Pro rata Disbursement of Section 108

To the extent practicable, Section 108 funds shall be disbursed on a pro rata basis and not before other financing sources. This will avoid undue risk of expending Section 108 funds first, should an obstacle prevent project completion.

**4. Collateral Analysis**

a. Collateral

Assess adequacy and sources of collateral (credit, liquid assets vs. real estate). Case-by-case basis and determination by the underwriting analysis. All Projects to be funded should maximally have an 80 percent loan to value ratio. This value must be supported by an appraisal prior to funding. If more than an 80 percent loan to value ratio is proposed, outside collateral sufficient to provide an 80 percent loan to value shall be required. In certain cases, outside guarantees may suffice in lieu of additional collateral.

## INFORMATION FOR PROGRAM REQUIREMENTS

---

Each of the housing development projects to be assisted with Section 108 loan funds will be eligible under 24 CFR 570.200-206 or 24 CFR 570.703. All eligible projects will include the creation or preservation of affordable housing units.

### I. Pre-Development Financing

Under 24 CFR 570.206(g), the City may fund the following eligible actions:

- *“The cost of conducting preliminary surveys and analysis of market needs” (570.206(g)(1));*
- *“Site and utility plans, narrative descriptions of the proposed construction, preliminary cost estimates, urban design documentation, and “sketch drawings,” but excluding architectural, engineering, and other details ordinarily required for construction purposes, such as structural, electrical, plumbing, and mechanical details” (570.206(g)(2));*
- *“Reasonable costs associated with development of applications for mortgage and insured loan commitments, including commitment fees, and of applications and proposals under the Section 8 Housing Assistance Payments Program pursuant to 24 CFR parts 880-883” (570.206(g)(3));*
- *“Fees associated with processing of applications for mortgage or insured loan commitments under programs including those administered by HUD, Farmers Home Administration (FmHA), Federal National Mortgage Association (FNMA), and the Government National Mortgage Association (GNMA)” (570.206(g)(4);*
- *“The cost of issuance and administration of mortgage revenue bonds used to finance the acquisition, rehabilitation or construction of housing, but excluding costs associated with the payment or guarantee of the principal or interest on such bonds” (570.206(g)(5));*
- *“Special outreach activities which result in greater landlord participation in Section 8 Housing Assistance Payments Program-Existing Housing or similar programs for low- and moderate-income persons” (570.206(g)(6).*

### II. Real Property Acquisition Financing

Under 24 CFR 570.201(a) and 570.703(a), the City may do the following:

- *“Acquisition in whole or in part by the recipient, or other public or private nonprofit entity, by purchase, long-term lease, donation, or otherwise, of real property (including air rights, water rights, rights-of-way, easements, and*



*other interests therein) for any public purpose, subject to the limitations of §570.207.” (570.201(a))*

- *“Acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes.” (570.703(a))*

### **III. Housing Rehabilitation Financing**

Under 24 CFR 570.202, the City may do the following:

- *“CDBG funds may be used to finance the rehabilitation of privately owned buildings for residential purposes” (570.202(a)(1));*
- *“Low-income public housing and other publicly owned residential buildings and improvements” (570.202(a)(2));*
- *“Assistance to private individuals and entities, including profit making and nonprofit organizations, to acquire for the purpose of rehabilitation, and to rehabilitate properties, for use or re-sale for residential purposes” (570.202(b)(1)).*

### **IV. LIHTC Equity Bridge Financing**

LIHTC Equity Bridge Financing should fall under the same eligibility as Rehabilitation Financing (570.202) and CBDO Activities (570.204(a)).

### **V. CBDO Activities**

Under 24 CFR 570.204(a), the City may do the following:

- *“Neighborhood revitalization project includes activities of sufficient size and scope to have an impact on the decline of a geographic location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation; or the entire jurisdiction of a unit of general local government which is under 25,000 population” (570.204(a)(1));*
- *“Energy conservation project includes activities that address energy conservation, principally for the benefit of the residents of the recipient's jurisdiction” (570.204(a)(3);*
- *“To carry out a project means that the CBDO undertakes the funded activities directly or through contract with an entity other than the grantee,*

*or through the provision of financial assistance for activities in which it retains a direct and controlling involvement and responsibilities” (570.204(a)(4));*

- *“Any new construction or substantial rehabilitation, as substantial rehabilitation is defined by 24 CFR 5.100, of a building with more than 4 rental units, for which CDBG funds are first obligated by the recipient on or after April 19, 2017, must include installation of broadband infrastructure, as this term is also defined in 24 CFR 5.100...” (570.204(a)(5))*

### **Description of how the Proposal meets one of the National Objectives prescribed in 24 CFR 570.200(a)(2)**

The creation of the City of Cincinnati’s Section 108 loan fund will play an important role in supporting several initiatives including, but not limited to, the following: 1) provision of housing for low- and moderate-income individuals and families—shelters, homeownership units, and rental units and 2) facilitation of development in neighborhoods where gap financing is necessary to finance small and large-scale residential projects.

Section 570.200(a)(2) requires that all CDBG activities meet one of three National Objectives. Those objectives are: 1) benefit to low- and moderate-income families; 2) aid in the prevention or elimination of slums or blight; and 3) meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health and welfare of the community where other financial resources are not available.

Each project funded through the Section 108 loan fund will meet at least one of the National Objectives listed in Section 570.200(a)(2) as detailed in Section 570.208. Additionally, at least 70% of Section 108 loan funds will be used for projects benefitting low- and moderate-income persons.

Section 570.208 defines activities that meet the requirements of 570.200(a)(2) through area benefit activities (Section 570.208(a)(1)), housing activities (Section 570.208(a)(3)), and elimination of slums or blight (Section 570.208(b)).

Section 570.208(a)(1) explains area benefit activities. Activities to be considered area benefit for Section 108 purposes may follow 570.208(a)(1)(i) to include activities, “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.”

Section 570.208(a)(3) explains that eligible housing activities are “carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low- and moderate-income households.”

Section 570.208(b)(2) explains that for activities to qualify as slum or blight removal on a spot basis they must “eliminate specific conditions of blight, physical decay, or environmental contamination that are not located in a slum or blighted area: acquisition; clearance; relocation; historic preservation; remediation of environmentally contaminated properties; or rehabilitation of buildings or improvements” Activities to address slums or blight may also fall under slum or blight in an urban renewal area as outlined in 570.208(b)(3). 570.208(d)(1) stating “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.” It states further that “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.”

DRAFT

## **PUBLIC PARTICIPATION PLAN**

---

The City of Cincinnati has initiated a Public Participation Plan for the purposes of utilizing the Section 108 Loan Guarantee Program. The City advertised and held a public hearing April 14, 2021. The public hearing announced the substantial amendment to the consolidated plan and the intention of the application for the Section 108 loan program. A second public hearing was held on September 14, 2021. This public hearing was advertised, and the City officially published the preliminary Section 108 application for public review and comment. The public comment period concluded September 29, 2021. After consideration of public and administrative feedback, the application was finalized, made available for public review and is now being submitted to HUD for review by both the Field Office and Headquarters.

**Morgan Sutter, Director, Office of Grants Administration**

**Office of the City Manager**

**801 Plum Street, Suite 104**

**Cincinnati, Ohio 45202**

**Tel: (513) 352-6268**

**William Weber, Assistant City Manager**

**Office of the City Manager**

**801 Plum Street, Suite 104**

**Cincinnati, Ohio 45202**

**Tel: (513) 352-3318**

## ATTACHMENTS

---

**Attachment 1: *Entitlement Public Entity Certifications***

**Attachment 2: *Public Process Documentation***

DRAFT