

**Mario Flores**

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**From:** Parker, Olivia [Olivia.Parker@ci.austin.tx.us]  
**Sent:** Tuesday, July 13, 2010 4:45 PM  
**To:** Dorcas Seals; Elridge Nelson; George Morales; Gilberto Rivera; John Limon; Karen Paup; Ken Shepardson; Mario Flores; Myron Smith; Reuben Montoya; Ruby Roa; Sharlene Perkins; Stephanie Tsen; Susana Almanza  
**Cc:** Edwards, Sue; Spencer, Betsy; Domeracki, Diana; Holt-Rabb, Sylnovia; Evins, Fred; McCormick, Dusty  
**Subject:** Questions posed by Vice Chair Sharon Paup on BEDI/108 National Grant Competition Due September 2010  
**Importance:** High

TO: Austin Community Development Commission

FORWARDED ON BEHALF OF KEVIN JOHNS, AICP  
DIRECTOR OF ECONOMIC GROWTH & REDEVELOPMENT SERVICES OFFICE

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1. What is the CDBG eligible purpose for taking out the proposed 108 loan?

The purpose is economic development, job creation and low and moderate income housing. These are high priorities for the U.S. Department of Housing and Urban Development in the current unemployment climate. Specifically this is the "Urban Development" component of the Department Housing and Urban Development. Its focus is business expansion, job creation, environmental restoration, and poverty and disinvestment. A full description can be found at:

<http://www.hud.gov/offices/cpd/economicdevelopment/programs/bedi/>

2. How much 108 funding is being proposed to include in the Action Plan?

EGRSO is not proposing a 108 funding request in the Action Plan. The BEDI competition in September is a new federal business funding opportunity. The EGRSO proposal is to compete nationally for an additional, new allocation of BEDI (Brownfield) grant dollars in combination with an additional, new allocation of 108 loan dollars.

3. If the eligible purpose is economic development, how is the project going to provide jobs?

The regulations require that 51% of all new positions be provided to persons of low and moderate income. Section 3 of the Regulations requires that an effort be made to hire persons of low and moderate income in the target area.

4. How are we predicting how many jobs would be created on a certain piece of land?

Each borrower will be giving us a letter of commitment on the number of jobs they will be providing. In addition, HUD requires one job per \$35,000 of 108 funds expended, but we believe in preliminary conversations with the

borrowers in the area that they will be exceeding this requirement.

5. How do we know if the amount that fits with job creation is the right amount to make a business viable?

This is a private business decision. Private businesses who elect to partner with HUD will commit to all requirements including job creation, Davis Bacon Act requirements, and loan repayment requirements.

6. If the businesses do not take 108 loans, does the BEDI grant have to be repaid from CDBG?

This HUD economic initiative requires that BEDI grants and 108 Loans be used in conjunction with each other. It is a grant and is not repaid. HUD will not permit the drawdown of BEDI funds until the 108 loans are closed, and draw downs are on a proportional basis.

7. How is the City going to guard against any failure to meet the jobs requirement or meet any other CDBG eligible purpose?

Businesses are required to produce the jobs agreed upon as part of federal regulations and the agreed upon contract. As in our successful program in Palm Beach County we will require personal guarantees, corporate guarantees, 1.2 cash flow coverage and 80% LTV (loan to value) (the cash flow must be 120% compared to the debt service coverage. This provides a cushion for repayment. In addition collateral will be taken from other sources if there is insufficient collateral from the project.

8. If a project has to have at least half of its funds from non-City sources and the city is in second lien position, how can the city assure that it can recoup its share of a failed project?

The federal funds are provided only as gap financing and any loans cannot exceed 40% of the total project value. In some instances the business will inject private equity in which case the federal funds will be in the first lien position. In all business projects, whether federal dollars are in the first or second position, appropriate collateral will be required.

9. How much in CDBG is being used to repay previous 108 loans? (funds that were lent to businesses such as a restaurant as opposed to funds for a public facility such as the ARCH)

We do not believe that stringent underwriting guidelines were in place in the past. The City Council will be approving our underwriting guidelines.

10. What documentation can the City provide that 108 projects in other cities collect repayment from the projects instead of from CDBG?

The U.S. Department of Housing and Urban Development maintains a comprehensive inventory of the outcomes and private borrowers' repayment performances. This includes jobs created and all other federal requirements resulting from the National Competition on BEDI 108 Loan revitalization projects. Our 501-C3 consultant CIDC, has been involved in approximately 1 billion dollars of 108 Loans. In only 1% of the cases were CDBG funds used, and in two cases fraud was involved.

11. Assuring that affordable housing is developed in conjunction with economic development activities within the project boundaries?

EGRSO is seeking a partnership with NHCD and the Austin Community Development Commission leadership to create a combined focus on community redevelopment that supports regeneration without gentrification. In many cases we will be looking at mixed use projects and will coordinate with NHCD to facilitate development of affordable housing as indicated in question 1.

12. What is the direct affordable housing benefit to residents of East Austin?

EGRSO will focus upon the creation of both new jobs so residents can purchase their own homes, and in cooperation with NHCD and ACDC, is seeking a Saltillo area developer to create a mixed use project with affordable housing as a key component.

13. What is the direct economic development benefit to residents of East Austin?

From the EGRSO perspective the direct economic benefit would be a substantial increase in local jobs, particularly for youth. As mentioned earlier, under Section 3 of the Regulations, a mechanism will be developed with the borrowers and the Texas Department of Labor to give maximum consideration to low and moderate income residents of the neighborhood. In addition, neighborhood commercial areas would be stabilized which means empty lots would be built upon, and pollution if present, would be cleaned up. More and better quality services would be made available to neighbors.

14. What mechanism will be put in place to involve project area residents through ownership and employment?

EGRSO is seeking involvement from the Austin Community Development Commission leadership and NHCD in this pilot, economic revitalization project. Working in collaboration gives the community the best chance to rebuild without gentrification. The HUD grant competition is exclusively geared towards economic growth and job creation that will, when successful, employ local residents who can then purchase their own homes.

15. What is the commitment to living wages in jobs in the project area?

HUD requires that private sector businesses commit in writing to Davis Bacon requirements for wages. These wages will be monitored as construction occurs. In addition each borrower will be providing to us a commitment letter indicating the number of positions to be created, the job title and expected remuneration. Based on these letters, staff can make a determination whether living wages will be provided.

Thank you,

Kevin Johns, AICP  
Director

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