



Leveraging Housing and Urban Development Loans for Innovative Water Infrastructure Investments

July 21, 2021
12pm PT / 3pm ET

WATERNOW ALLIANCE

Q&A

You ask: 13:05
How do I use these awesome tools?

Joshua Jones answered: 13:06
You are already using one of the most awesome tools. We'll discuss the rest right away.

Please input your question

Send Anonymously Send



Webinar Participant

Today's Speakers



SEEMA THOMAS

Deputy Director, Financial Management Division
Department of Housing & Urban Development



ESCO BELL

Public Works Director
Marysville, WA



MARTY DUBROFF

Community Planning and Development Specialist
Department of Housing & Urban Development



CAROLINE KOCH

Water Policy Director
WaterNow Alliance



ERIK PECHUEKONIS

Community Planning and Development Specialist
Department of Housing & Urban Development

Agenda

- About WaterNow Alliance
- Overview of Section 108 Loans
- Section 108 Loan Recipient Case Study:
Mount Vernon
- Exploring the Tap into Resilience Toolkit
- Audience Q&A



PLEASE COMPLETE OUR WEBINAR EVALUATION!



 **waternow** alliance
water leaders. resilient solutions.

WaterNow Alliance



WHO ARE WE?

WaterNow Alliance is a forum and network of local water leaders advancing sustainable, affordable, equitable and climate resilient water strategies

WHAT DO WE MEAN BY SUSTAINABLE?

Providing safe, healthy, and affordable water services for people while preserving the integrity of water resources and the environment for future generations.



WHAT DO WE MEAN BY EQUITABLE?



Water equity means universal access to secure, affordable, safe, and healthy drinking water, and wastewater and stormwater management services. Equitable water infrastructure investment should support the long-term sustainability of our waterways, water systems, and utilities.



WaterNow Alliance

Community Development Block Grant (CDBG)

Section 108 Loan Guarantee Program



Today's Topics

Section 108 Basics

Section 108 Requirements

Combining 108 with Other Financing

Types and Projects Examples

Resources

A photograph of a construction site. In the foreground, there is a grid of steel reinforcement bars (rebar) laid out on a wooden formwork structure. The rebar is arranged in a rectangular pattern, supported by wooden blocks. In the background, a large concrete dam or bridge structure is visible, with a river or stream flowing through it. The sky is clear and blue. The overall scene is a typical construction site for a large-scale infrastructure project.

Section 108 Basics

Types of Section 108 projects



Economic Development

Central Business District Support

Retail/Office and Manufacturing

Small Business Financing

Business Retention

Housing



Loan Funds for Third Party Developers

Adaptive Reuse

Supporting New Housing Construction

Rehab of private housing stock and public housing

Public Facilities



Community Centers

Park Upgrades

Hospitals

Gov't Bldgs serving Residents

Infrastructure



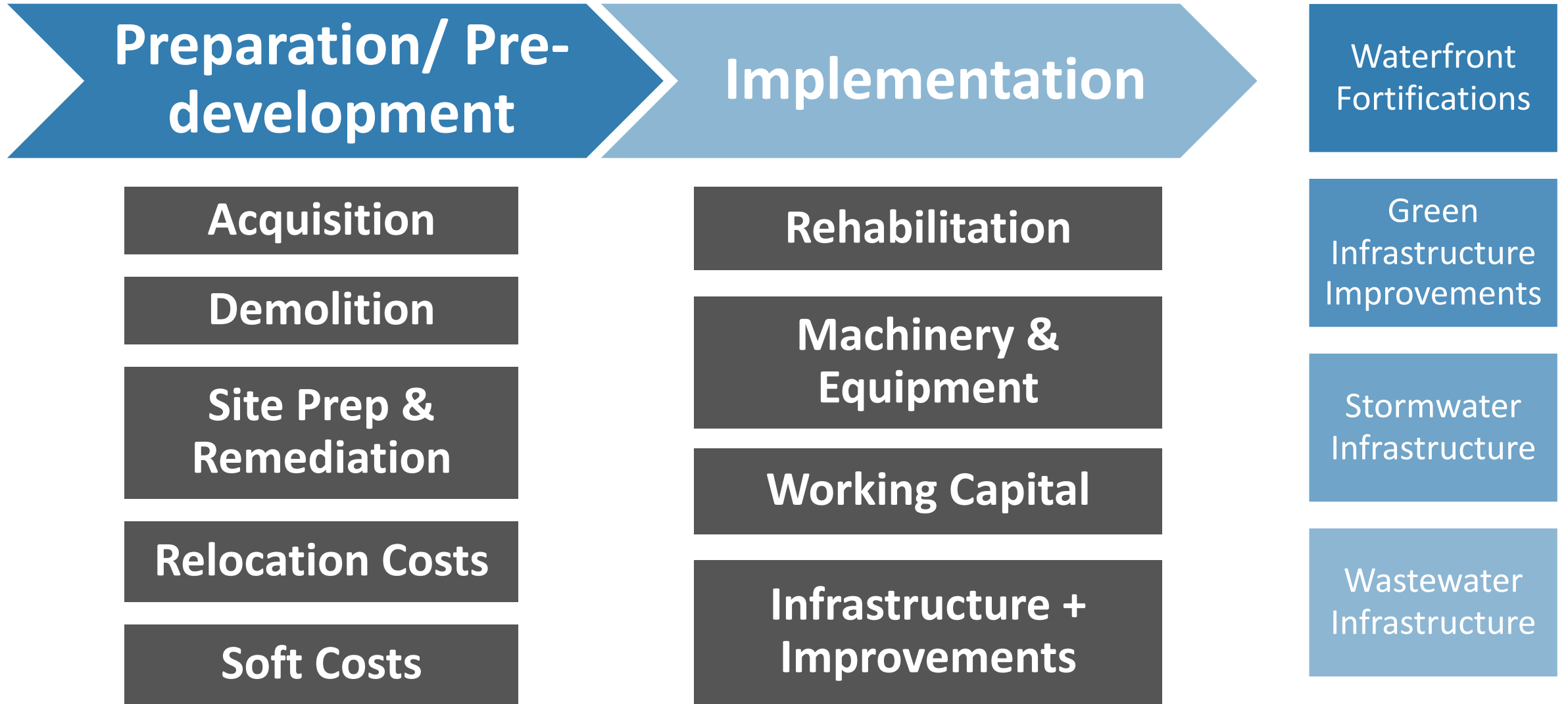
Water & Sanitation

Streets, Curbs and Gutter Improvements

Broadband Line Extensions

Devastated Landscapes

Stages for Section 108 Deployment



Source: Code of Federal Regulations (CFR) §570.703 Eligible Activities

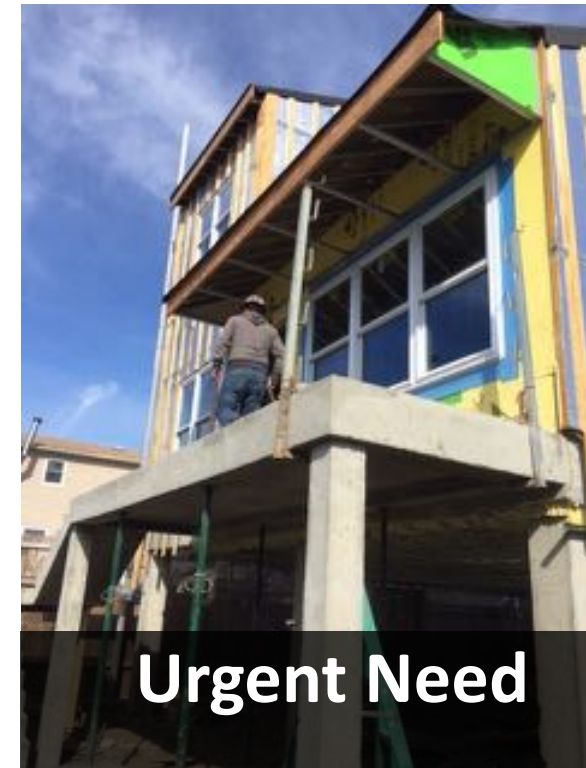
HUD's Section 108 Loan Guarantee Program



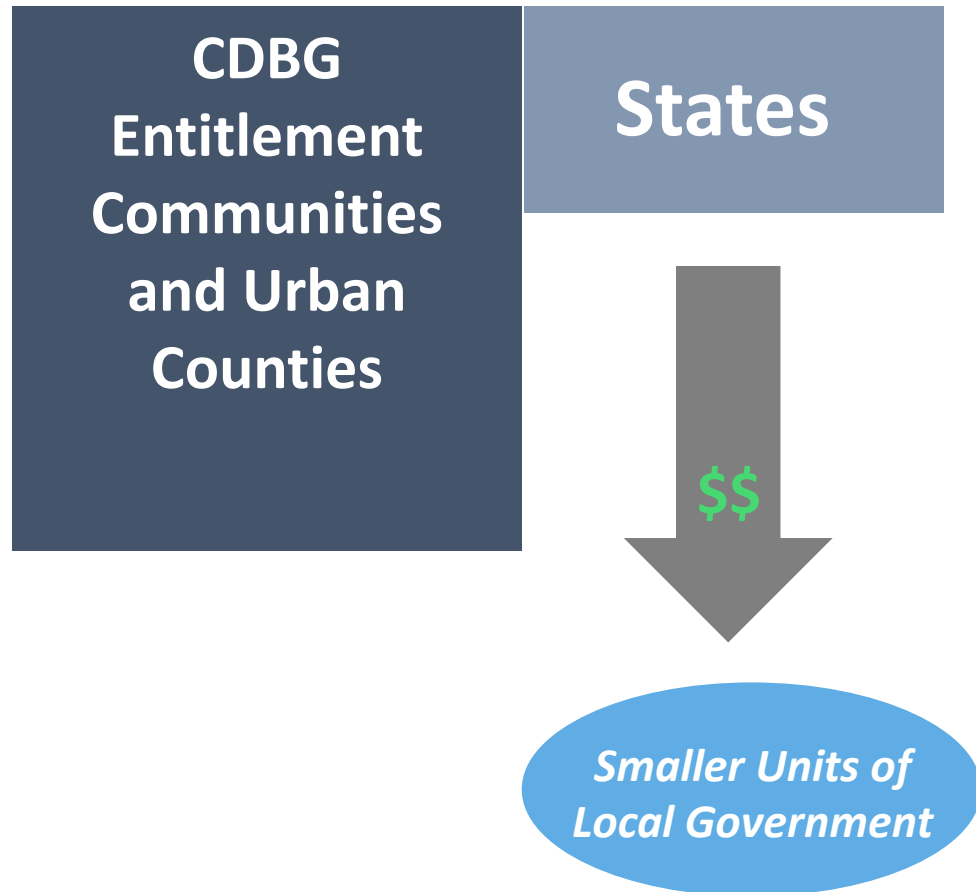
- Employs the programmatic framework of HUD's Community Development Block Grant (CDBG) Program
- Provides loan guarantees, not grants
- Offers recipients a non-competitive means of accessing lower interest rates
 - Variable Rate Financing: 3-month Treasury Bill Auction Rate + 35 bps = 0.05% + 0.35% = 0.4% on 7/14/2021
- Dedicated staff willing to provide 1-on-1 Technical Assistance



CDBG/Section 108 National Objectives



Who has access to CDBG & Section 108 funds?



Subrecipient entities and other partners may receive Section 108 funds directly from lender if they are public agencies

Examples: economic development or public housing authorities, community development corporations, non-profits

* Non-entitlement communities in Hawaii and Insular Areas receive CDBG funds as well

Section 108 Borrowing Capacity

Annual CDBG Allocation		\$3,000,000
Max available borrowing capacity	x 5	= \$15,000,000
Outstanding 108 commitments	-	\$800,000
Outstanding 108 loan balance	-	\$2,000,000
Available borrowing capacity		= \$12,200,000

Or you can just look on our website here:

<https://www.hudexchange.info/resource/5197/current-availability-of-section-108-financing-cdbg-entitlement-and-state-grantees/>

Approaches to using Section 108

Project Specific:

- Application is for a specific project or projects
- Requires a high level of project detail & specificity for financial underwriting by HUD Headquarters


Loan Pool:

- Application describes type of loan pool projects to be funded along with the community's underwriting process
- Individual projects must have a Field Office determination letter to funds to be drawn





**Program
Requirements**



**Financial
Requirements**



Program Requirements

FINANCIAL

Repayment

- CDBG
- Third party loan proceeds
- Parking revenue
- Tax increment financing revenue
- Water user fees

Collateral

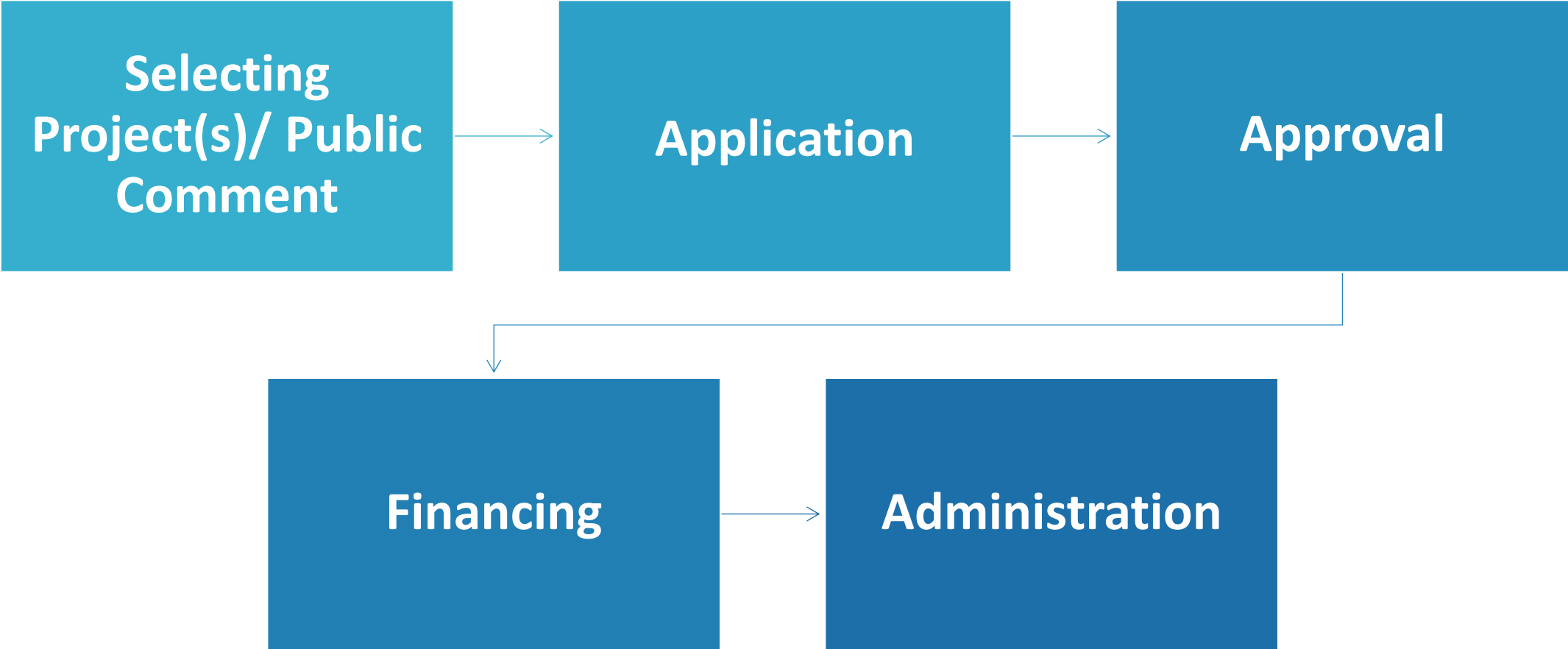
Primary Source:

- Pledge of current and future CDBG

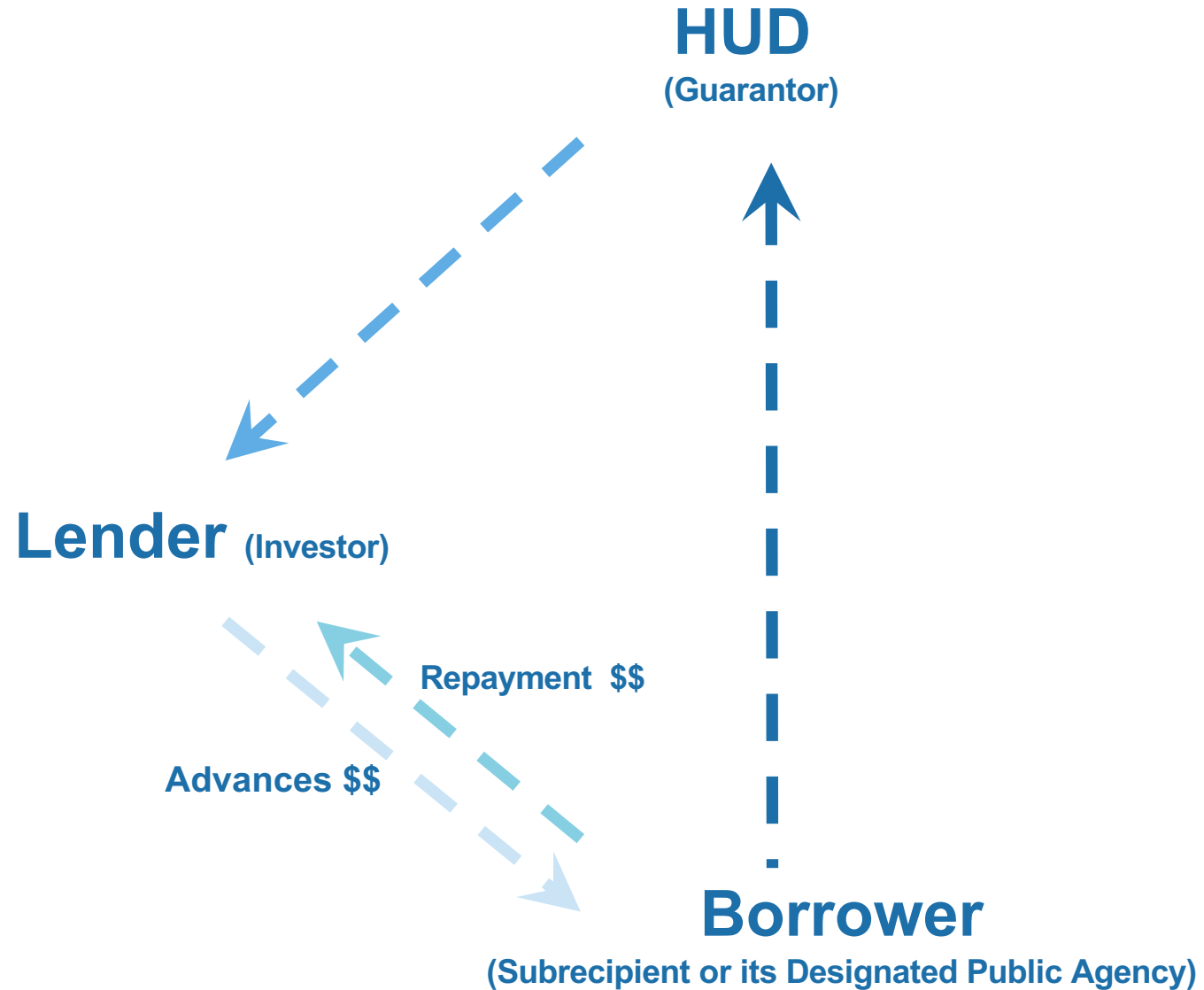
Potential Sources of Additional Collateral:

- Property lien
- Full faith and credit
- Reserves (subject to appropriations)

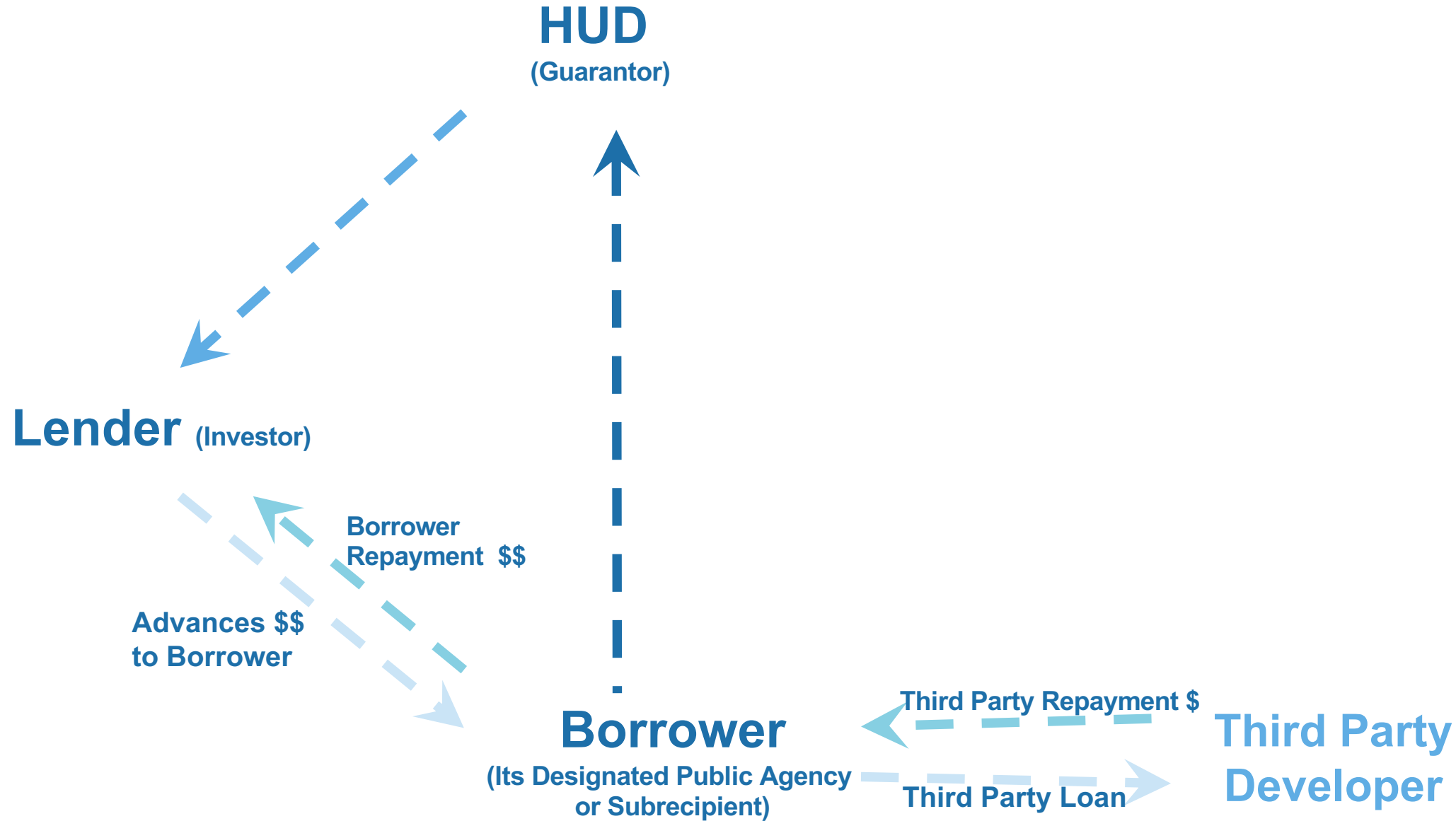
Section 108 Process



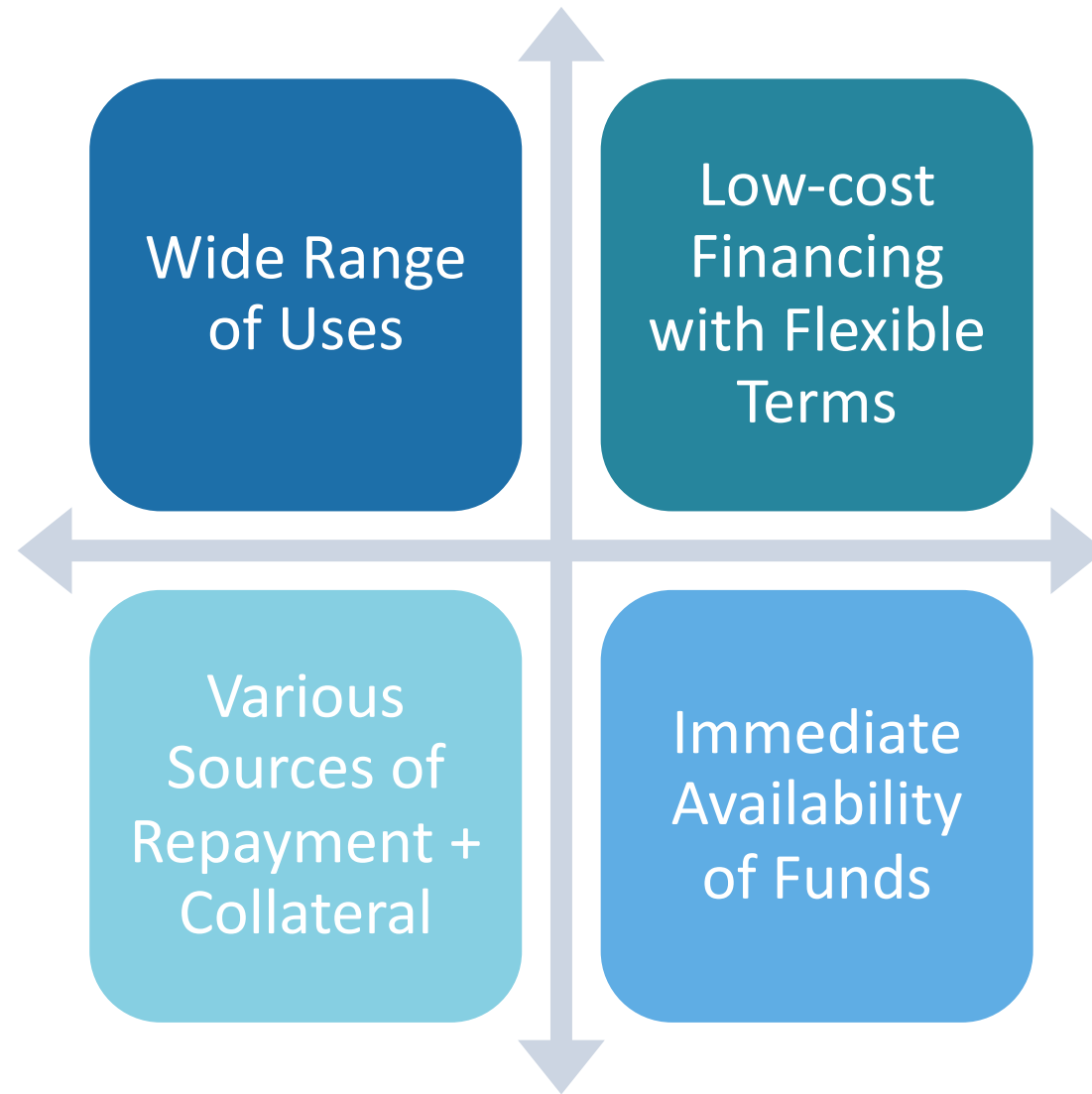
Flow of Funds: Project by the Applicant



Flow of Funds: Project with a Third Party Developer/Borrower



Why is Section 108 an attractive financing tool?



A photograph of the Kodak Theatre building at dusk. The building is a large, multi-story structure with a prominent entrance. The name "Kodak Theatre" is visible on the facade. The sky is a mix of blue and orange, suggesting sunset. In the foreground, there are cars on a street and a traffic light. A large black box with white text is overlaid on the center of the image.

Kodak Theatre

Combining Section 108 with Other Financing Sources

How does **Section 108** fit into the financing for a project?



STANDALONE



COMBINED



GAP

Combining Section 108 with Other Federal Financing



➤ New Market Tax Credits



➤ EDA Public Works & Economic Adjustment Assistance



➤ Historic Tax Credits



➤ 7(a) Loans
➤ 504 Loans



➤ BUILD Grants
➤ TIFIA



➤ Low-Income Housing Tax Credits
➤ Opportunity Zones



➤ Revolving Loan Funds
➤ Brownfields Remediation Financing
➤ WIFIA



Types of 108 Projects with Examples



Demolition and Flood Control Example



Meriden, Connecticut

TOTAL 108 FINANCING: \$1,500,000

Demolition and Flood Control

- The City is using a Section 108 guaranteed loan to fund the demolition of abandoned structures on a seven-acre Factory H Brownfield site as a precursor to the installation of flood control infrastructure and creation of an open/green space public facility.
- The City is creating flood control infrastructure to prevent future flooding in low- and moderate-income neighborhoods surrounding Factory H. The plan is designed to improve the immediate area from one that can currently only contain water from a 25-year storm to one that can contain water from a 100-year storm.
- The City will repay the Section 108 loan over a 15-year term using its annual CDBG allocation as the source of its repayment.
- For Additional Security, the City is pledging its full faith and credit.

Industrial Development Example



Salinas, California

TOTAL 108 FINANCING: \$9,390,000

Waste -Water Conveyance System

- The 108 funds were used to develop an Industrial waste -water conveyance system.
- The waste-water conveyance system is a 24,000 lineal feet reinforced concrete pipe that conveys industrial waste flows from 22 major employers in the City's industrial area to an industrial waste- water treatment facility.
- The City is repaying the Section 108 loan over a 20-year term with the repayment source of CDBG funds.
- For Additional Security, the City is pledging its full faith and credit.

Infrastructure/Water Supply Line Example

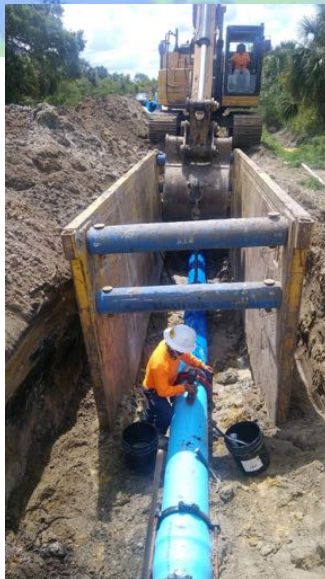


Brevard County, Florida

TOTAL 108 FINANCING: \$1,648,000

Potable Water Line

- The Borrower built a new 20,000-foot, 12-inch potable water line to connect the West Canaveral Grove area to the municipal water system.
- Before approximately 180 homes in this primarily residential area are served by individual water wells and septic systems have some water contamination that raise issues of public health.
- A CDBG 2010 feasibility study for the proposed project found that six of the homes in the service area had levels of lead or arsenic that exceeded safe water standards.
- The County is repaying the Section 108 loan over a 20-year term with the repayment source of CDBG funds.
- For Additional Security, the County pledged funds from its general fund.



Water Treatment Plant Example



Fort Bend County, Texas

TOTAL 108 FINANCING: \$3,384,000

Water Treatment Plant

- The absence of convenient access to a clean and reliable water source that meets local, state and national drinking water standards is an unhealthy situation. It has been demonstrated by the Centers for Disease Control that well water, which is a primary source of drinking water for many Arcola households, leads to unhealthy outcomes.
- The City of Arcola Water Treatment Plant will address this situation. Moreover, the plant is certain to lead to an expansion of economic opportunities, by attracting new businesses to Arcola. In addition, the plant will lead to an increased supply of safe, sanitary, and decent housing.
- The County is repaying the Section 108 loan over a 10-year term with the repayment source of CDBG funds.
- For Additional Security, the County supplied a first lien on the subject property.

Street Reconstruction Example



Malden, Massachusetts

TOTAL 108 FINANCING: \$2,400,000

Street Reconstruction

- The City of Malden in Massachusetts used \$2.4 million in Section 108 guaranteed loan financing to support a citywide program to design and reconstruct deteriorated roadways through its subrecipient, the Malden Redevelopment Authority.
- This reconstruction effort is tied to an aggressive program to replace the city's aging water mains. The city estimates that 26 percent of the city's 11,682 service lines are lead. The replacement of these water mains has left miles of damaged roadways in need of assistance. This loan will be used to create an estimated 6,700 linear feet of roadway and granite curbing.
- The City is repaying the Section 108 loan over a 20-year term with the repayment source of CDBG funds.
- For Additional security, the City provided its full faith and credit.





Resources

Section 108 General Resources

HUD has created resources on HUD Exchange to assist potential borrowers with developing applications:

- Borrowing capacity spreadsheet [*updated annually*] [Link](#)
- Application Tool [Link](#)
- Single certifications document [Link](#)
- Section 108 Application & Finance Process Infographic [Link](#)
- Project profiles for all applications approved in recent fiscal years [Link](#)
- [Join our mailing list to get email updates! Link](#)



Many other resources are available on HUD.gov and HUDexchange.info

Note: FMD is willing to provide 1-on-1 Technical Assistance during any project cycle stage for interested applicants.

Section 108 offers in-depth, tailored Technical Assistance

Conceptualization

- Walk-through eligibility requirements
- Offer suggestions and share examples of similar projects

Application Preparation

- Provide Joint Technical Assistance with Field Offices
- Identify appropriate sequencing and deal structure

Application Process

- Help to clarify outstanding issues related to underwriting
- Share guidance and best practices on documentation

Financing Phase

- Identify additional collateral
- Advise on loan proceeds and disbursements

Implementation

- Ongoing guidance on compliance and reporting
- Dynamic ability to amend project terms to meet borrower's needs

FMD is willing to provide 1-on-1 Technical Assistance during any project cycle stage for interested applicants.

Want more information?

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Seema.M.Thomas@hud.gov

Erik Pechuekonis, Community Planning & Development Specialist
Erik.S.Pechuekonis@hud.gov

Marty Dubroff, Community Planning & Development Specialist
Martin.D.Dubroff@hud.gov

Section 108 Program: <https://www.hudexchange.info/programs/section-108/>



City of Mount Vernon, WA

Downtown Revitalization and Flood Protection Project

July 21, 2021



Skagit River Flooding

A Big Driver for the City of Mount Vernon

- Physical threat of floods. Especially in downtown
- FEMA's Flood Insurance Maps. Need 100-year flood protection



The Threat of Floods

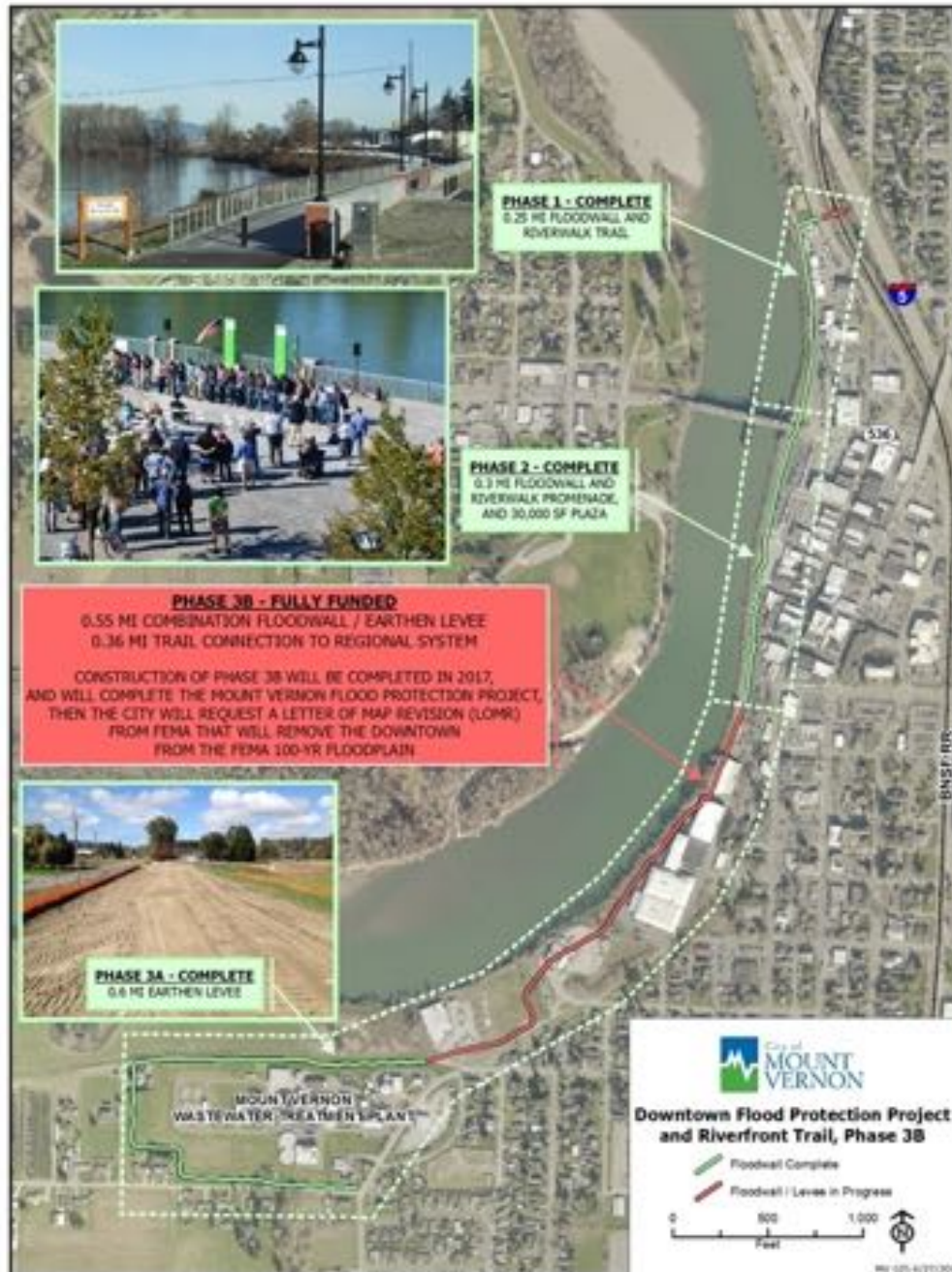


The Threat of Floods



Every 3-5 years a major flood fight to protect the core of downtown

- 1500 to 2000 volunteers working over 24 hour time period
- 150,000 sandbags
- Flood fight cost ~\$300,000



The project protects the City's historic downtown from flooding with FEMA certified flood protection and serves to revitalize the historic downtown area. It removed the downtown from the FEMA 100-year base flood elevation and releases pent up economic opportunities that are so important to our region. The project is the key component of the comprehensive downtown redevelopment plan that is being used to guide public and private investments over the next 20 years.

The project, which features a river promenade and public riverfront park, was done in three phases



General Benefits

- FEMA certified flood protection for downtown
- Protects sections of Interstate 5 and a State route
- Protects City and County essential public facilities
- Protects City's Wastewater Treatment Plant
- Eliminates the need to deploy state and federal emergency services during flood events
- Eliminates the need for disaster relief support and funding for flood damage
- Enables redevelopment and economic revitalization of the historic downtown
- Stabilizes and protects both local and state property tax base and tax revenue
- Provides a critical and attractive part of a regional shoreline trail system and link to community parks



Economic Benefits

Job Creation:

- 100+ immediate construction jobs for flood control project during construction of flood control project
- + 1800 construction jobs over next 5-15 years due to redevelopment activity

New Development with Completion of Entire Project:

- New Development in downtown over next 5-10 years:
 - ❖ 626 new jobs in 5 years and 1,338 within 15 years
 - ❖ 125,000 square feet of new retail commercial
 - ❖ 55,000 square feet of new office
 - ❖ 200 units of high-density residential
- Over next 30 yrs:
 - ❖ Cumulative State sales tax will increase \$156 million
 - ❖ Property tax will increase \$9 million
 - ❖ 2,548 new jobs within 30 years



Partners

Funding Partnerships:

Dike District #3, Skagit County, Puget Sound Energy, State of Washington, Federal Government

Community Partners in Support:

Skagit Valley Hospital, Skagit Valley College, Mount Vernon School District, Mount Vernon Chamber of Commerce, Mount Vernon Downtown Association, Mount Vernon Farmers Market, Economic Development Association of Skagit County (EDASC), Port of Skagit, Housing Authority of Skagit County.



Phase 1 – Complete 2010*



Phase 2-Completed Fall 2014



Phase 2 Under Construction

Demo on Main Street



Phase 2 Under Construction



Phase 2 Under Construction



Phase 2 Under Construction



126,000 lb of Steel Rebar
1,100 CY of Concrete



Phase 2 Under Construction



Phase 2 Under Construction

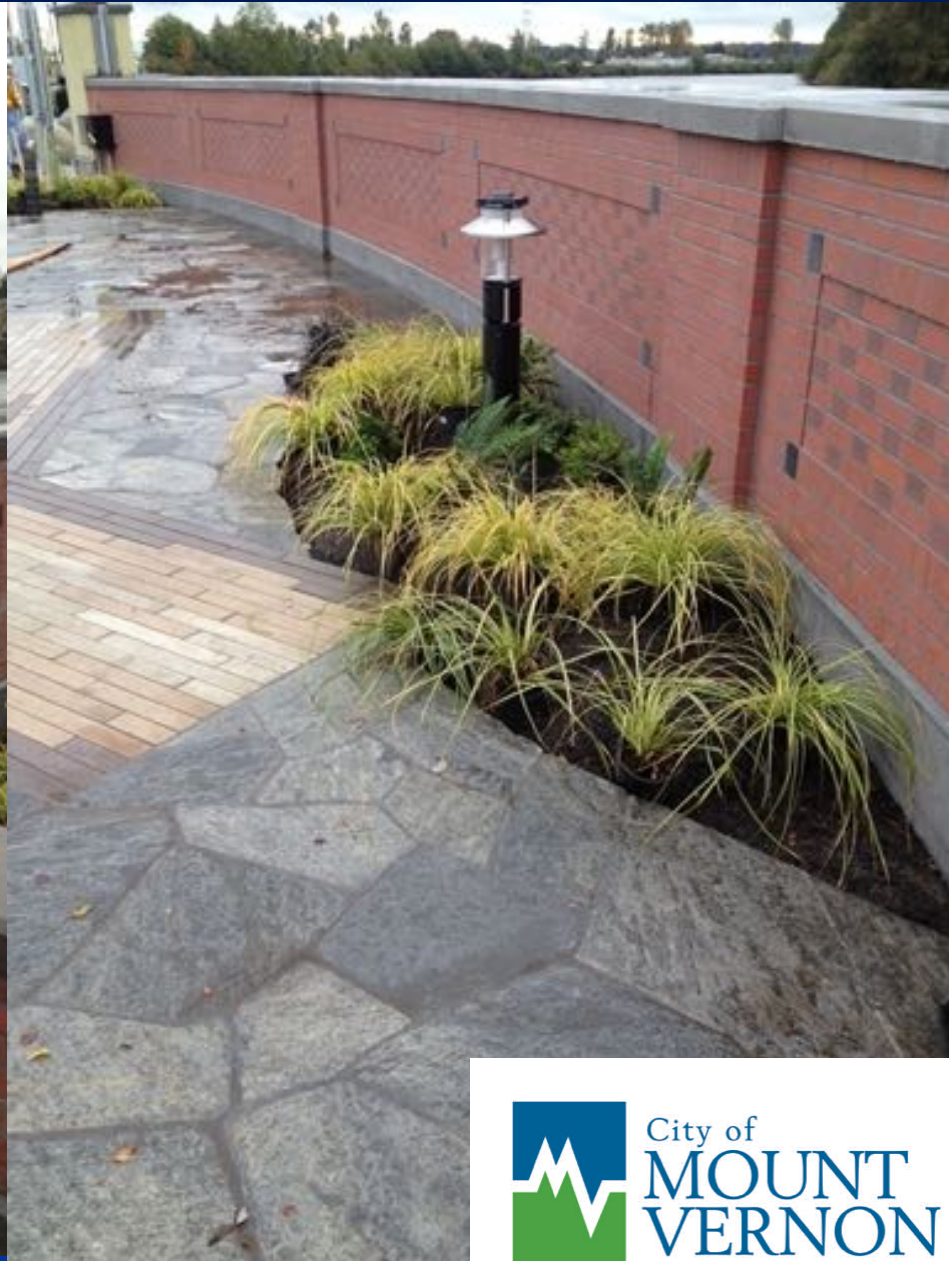


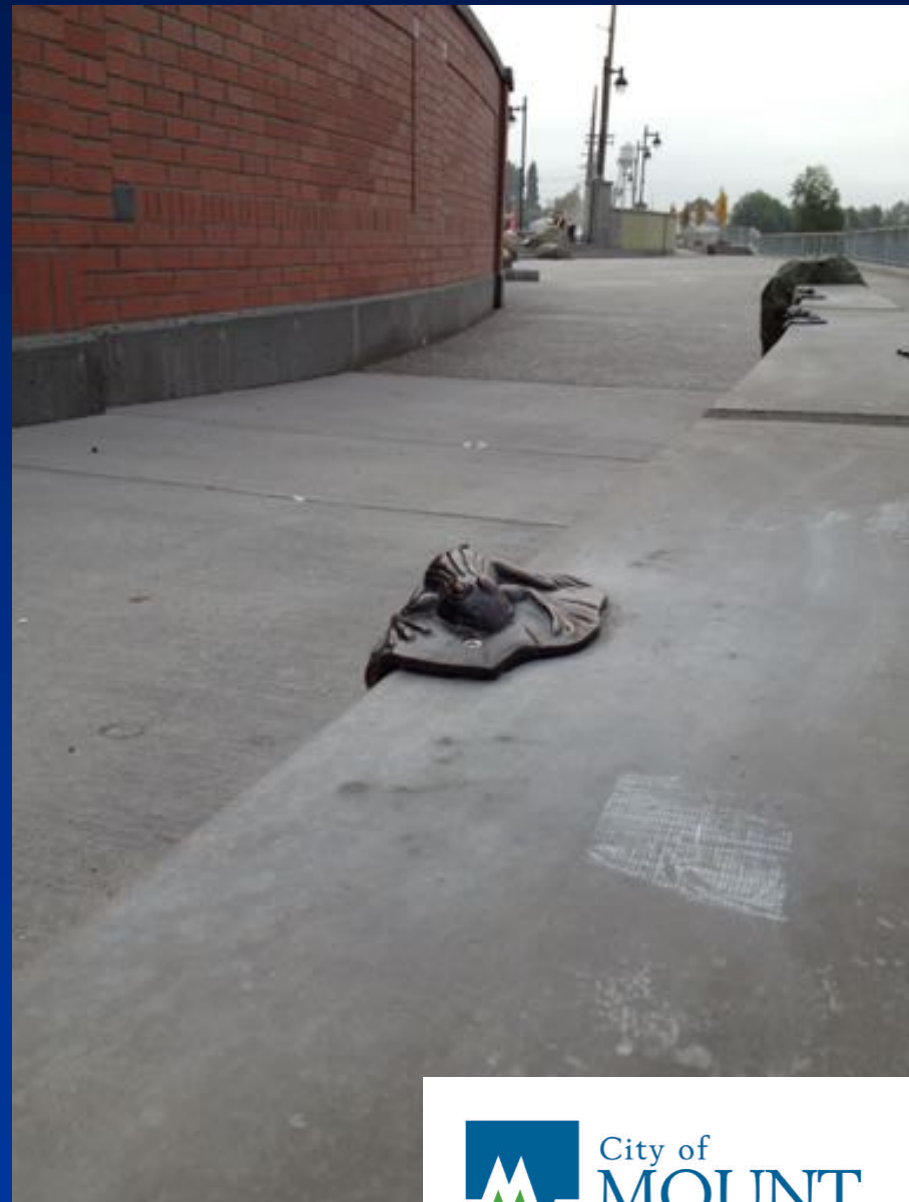
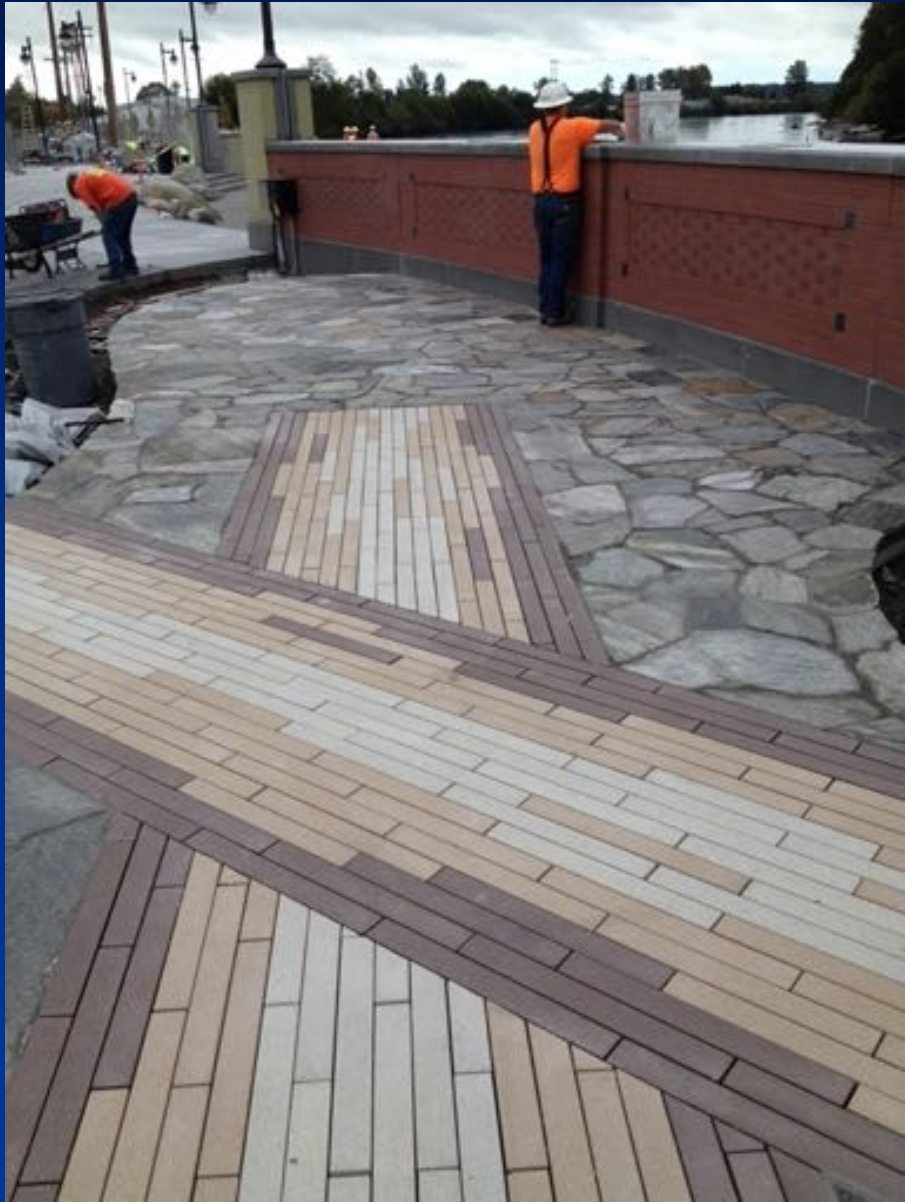
Mount Vernon, WA



It's Beautiful, Too









View From Plaza
Looking Downriver

Phase 2 Complete



Ribbon Cutting - September 20th, 2014

Phase 3—Completed 2017



Phase 3 Construction



Phase 3 Construction



Phase 3 Construction



Phase 3 Earthen levee at Wastewater Treatment Plant





Opening at BNSF mainline



BNSF Floodwall Fitting

Installation of the fitting by BNSF was on July 22, 2020.



Downtown Flood Protection FEMA Letter of Map Revision

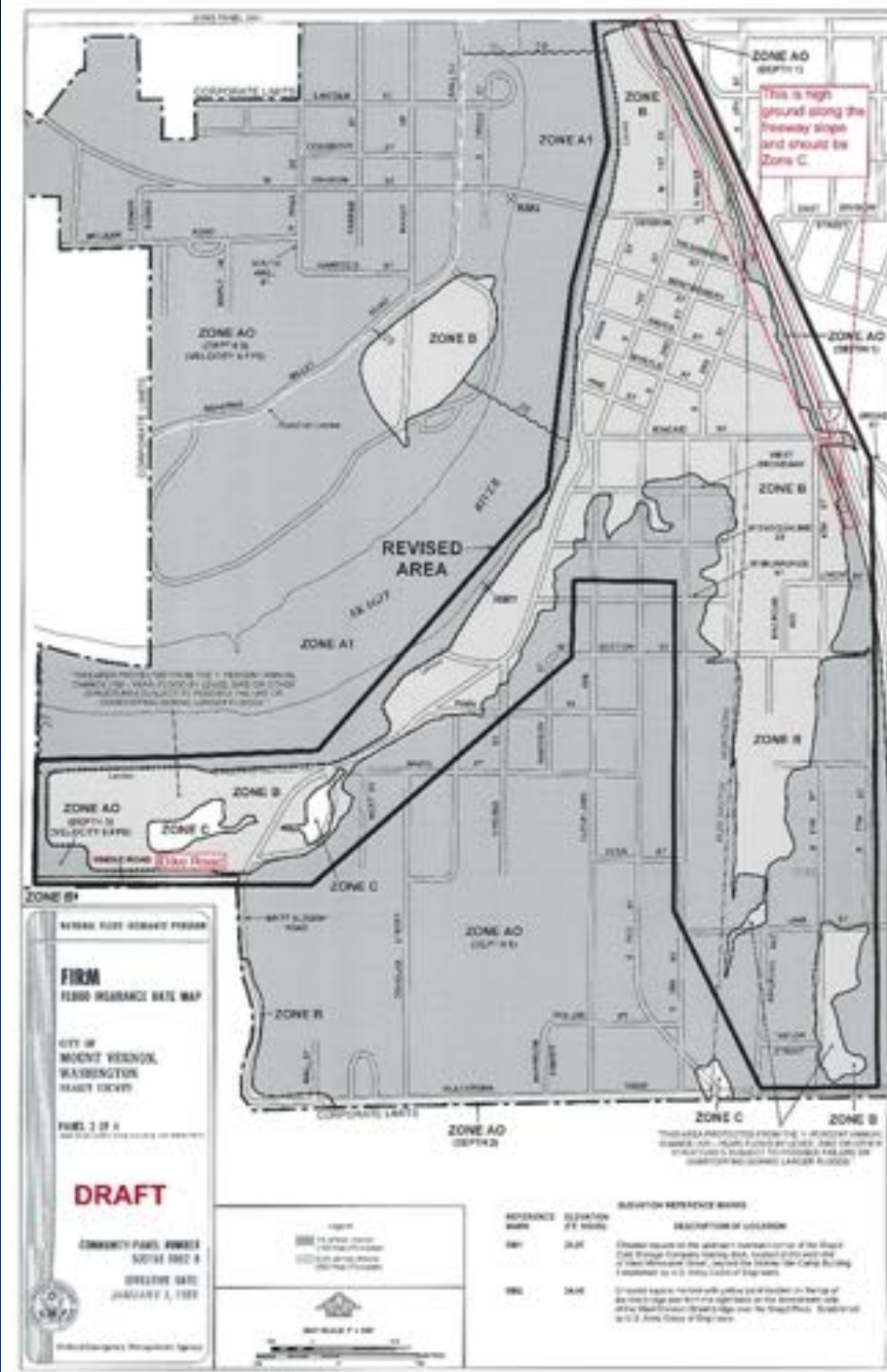
LOMR Documents Submitted April 6

Received Additional Data Request May 25 and Submitted Info July 20

Received FEMA's draft map for our comments on December 4. We suggested two minor edits on December 6. One other FEMA inquiry was immediately addressed after the federal government shutdown ended.

Mid January FEMA consultants decided to have another team check info and this has resulted in a draft additional data request of 14 issues that were discussed with us on a 2 ½ hour conference call last week. Working with FEMA Region X engineer to get back on track.

March 29 conference call with Mayor, staff, FEMA Region X and FEMA LOMR consultants has process back on track with issues reduced to 4 additional info items. Staff is working on these items now and will be ready for FEMA to view in next several days.



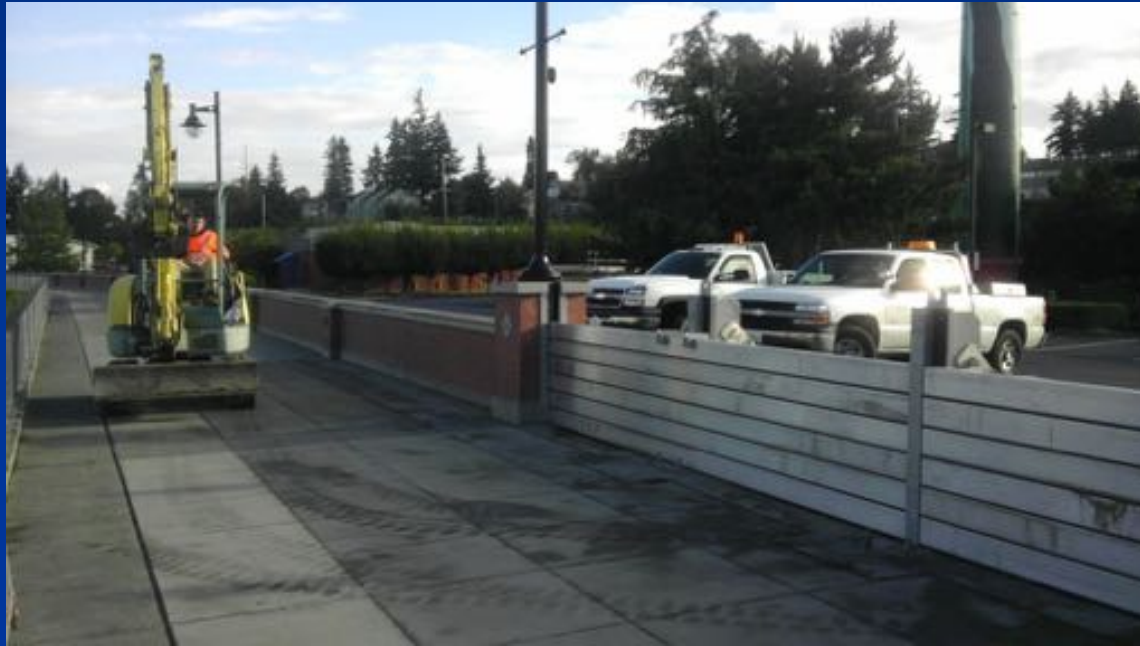
What We're Used To



Flood Protection 2014







Steel braces and stop logs by CCS





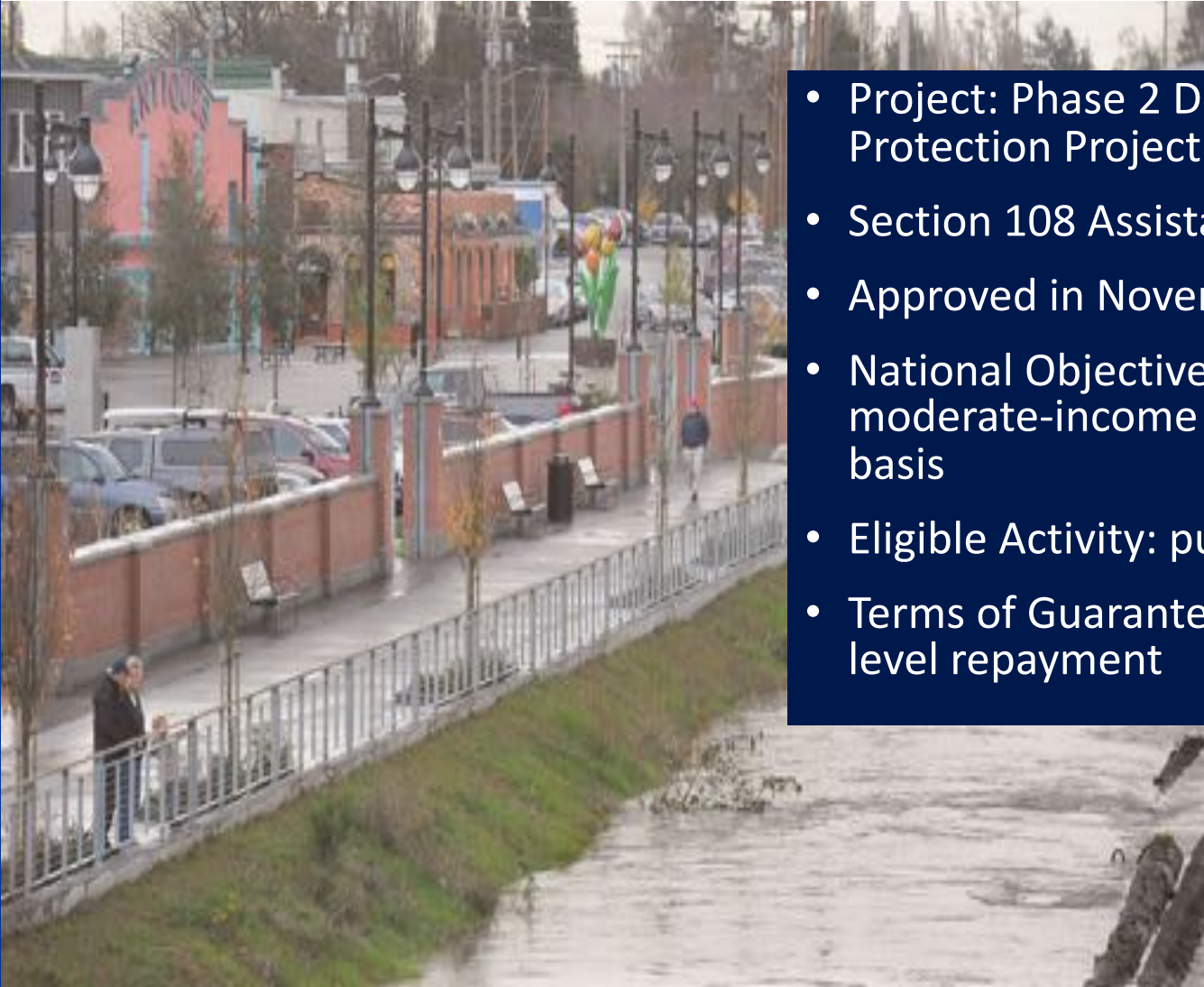
City of
**MOUNT
VERNON**

Plaza Opening in Downtown



Downtown Floodwall (Nov. 28, 2014)

Mount Vernon, WA



- Project: Phase 2 Downtown Flood Control Protection Project
- Section 108 Assistance: \$1 million
- Approved in November 2012
- National Objective: Benefit to low- and moderate-income persons on an area basis
- Eligible Activity: public improvements
- Terms of Guaranteed Loan: 10-year term, level repayment



Phase 2 Funding Summary

State Funding Total (4 different grants)	\$4,200,000
County	\$ 500,000
Section 108 Assistance (Federal)	\$1,000,000
City Funds	\$6,700,000
Dike District No. 3	\$1,000,000
TOTAL \$12,900,000	



Our Take Away Impressions of Section 108 Assistance

- Provided a large and important portion of funding
- Helped to leverage other funds
- Funds can be flexibly used in construction
- Allowed City to consolidate federal CDBG funding into a bigger project
- Funds are provided promptly during the project
- Very positive comments from our City staff about working with federal staff





NATIONAL ASSOCIATION OF FLOOD &
STORMWATER MANAGEMENT AGENCIES

Presented at NAFSMA Annual Meeting
Rancho Palos Verdes, CA

August 22, 2019

2019 NAFSMA
GREEN INFRASTRUCTURE AWARDS
WINNER OVERALL

City of Mount Vernon
Mount Vernon, WA

Downtown Mount Vernon
Flood Protection Project



2020
Project of the Year Award

Disaster or Emergency Construction/Repair
\$25 Million to \$75 Million

Presented to

City of Mount Vernon
Tiger Construction
Strider Construction
Colacurcio Brothers
Interwest Construction
Pacific International Engineering
Reichhardt & Ebe Engineering

For the

Downtown Flood Protection
Project

April 16, 2020



AMERICAN PUBLIC WORKS ASSOCIATION

Project of the Year
Small Cities/Rural Communities Award

Disaster or Emergency
Construction/Repair

Presented to the

City of Mount Vernon, Washington

For the

Downtown Flood Protection Project

August 31, 2020

Questions?



TAP INTO RESILIENCE



- ✓ Creates pathways and opportunities to invest capital at large scale in decentralized infrastructure
- ✓ Expanding the definition of water infrastructure to include distributed solutions
- ✓ Putting distributed installations on non-utility owned properties in multi-year capital plans along with conventional counterparts

tapin.waternow.org

WATERNOW ALLIANCE



WHAT IS ONSITE, LOCALIZED, DISTRIBUTED WATER INFRASTRUCTURE?

- ✓ Distributed over many properties, public and private
- ✓ Not owned and operated by city/utility/water agency
- ✓ Operate in concert with built infrastructure
- ✓ Paid for by the utility

CATEGORIES OF DISTRIBUTED INFRASTRUCTURE

- ✓ Stormwater and Flood Management
- ✓ Private Service Line Replacement
- ✓ Water Use Efficiency and Conservation



Lead Line Replacement



Onsite Re-use



Conservation and Efficiency Programs



Green Stormwater Infrastructure



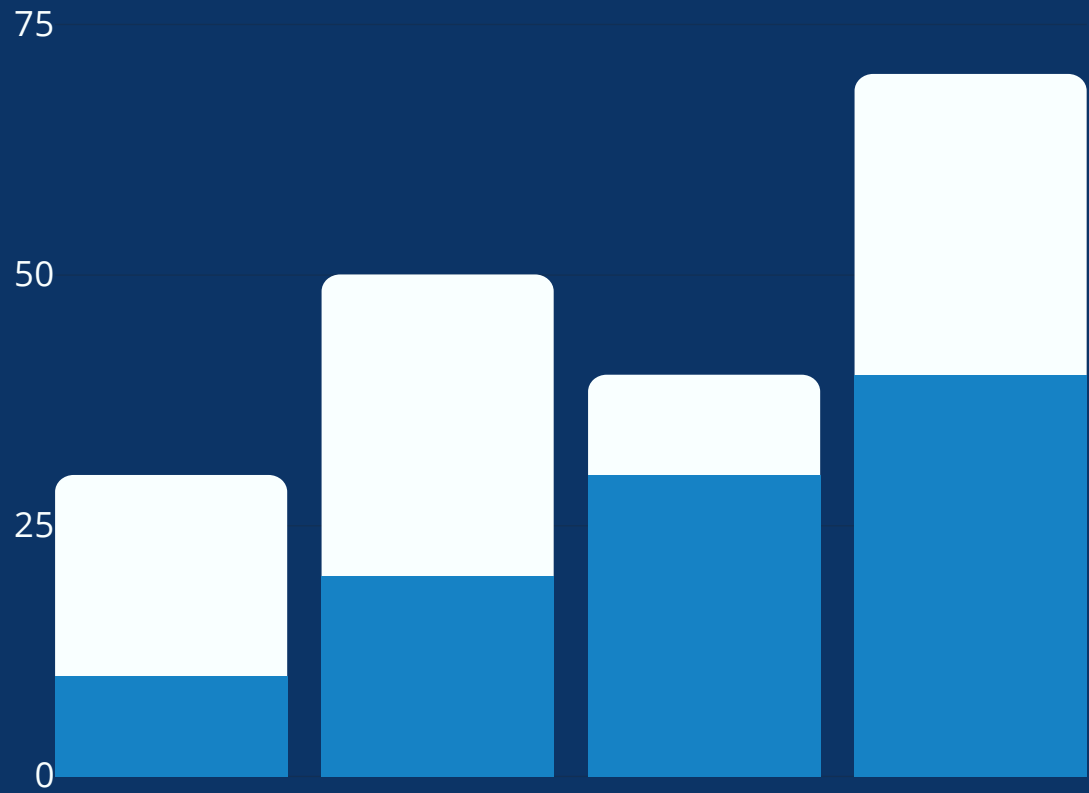
Watershed Protection Efforts

BIG PICTURE BENEFITS OF LOCALIZED STRATEGIES

- ✓ Environmentally sustainable
- ✓ Build climate resilience
- ✓ Often more affordable
- ✓ Advance social equity
- ✓ Protect public health
- ✓ Create local, green jobs



TIME FOR A POLL



TAP INTO RESILIENCE TOOLKIT



Do you have a sustainability vision for your city?

Our toolkit is here to help.

tap into resilience
A WaterNow Alliance Initiative

Localized Infrastructure Decision-Making Framework
To explore lessons learned from TIR Case Studies click through WaterNow's **10-part decision-making framework** for deploying localized water infrastructure strategies at larger scale as best fit a community's particular needs.

What are my financing options?
To learn about accessing capital dollars and other revenue streams to pay for decentralized water infrastructure and solutions to common legal, financial and accounting questions that arise when increasing investments in these environmentally friendly programs click through the "What are my financing options" sections.

Localized water infrastructure implementation strategies
To learn about common challenges – and corresponding solutions – for public utilities deploying decentralized strategies on public property not directly owned or controlled by the water utility ("public non-utility property") and private property click through the "Localized water infrastructure implementation strategies" section.

Toolkit Quick Reference Library
Click here for **quick references** to Toolkit resources, example documents, and case studies.

Ask an Expert
Connect with Tap into Resilience **expert panelists**.
[Ask an Expert](#)

Visit tapin.waternow.org/toolkit to view full toolkit

HUD Section 108 Loan Guarantee Program

Section 108 of Housing and Urban Development (HUD) is a loan program, which can be used to address community resilience projects aimed at benefiting low- and moderate- income communities. For organizations looking to improve water systems, this includes waterfront fortification, green infrastructure improvements, and water infrastructure improvements.

Click through the sub-sections below to learn about [how the program works](#), [who's eligible for fund](#) and [the types of projects that can be funded](#), read about [example projects](#) that have received funding under this HUD program, and [access additional resources](#).

How does HUD's Section 108 Program Work?

Section 108 Eligibilities

Example Section 108 Projects

Additional Resources

Section 108 Eligibilities



Section 108 loan guarantee funding is available to a number of eligible public entities including:

- ✓ States
- ✓ Metropolitan cities and urban counties (i.e., Community Development Block Grant entitlement recipients)
- ✓ Cities with a population of less than 50,000 or counties with a population of less than 200,000 that are assisted in the submission of applications by States that administer the Community Development Block Grant Program

Projects to be funded under Section 108 must either primarily benefit low-moderate income people, aid in elimination or prevention of slums/blight, or meet urgent needs of the community.

Typical water resilience projects include:

- ✓ Waterfront Fortification
- ✓ Green Infrastructure Improvements
- ✓ Water Infrastructure Improvements

Other eligible projects include:

- ✓ Public works and site improvements in colonias
- ✓ Rehabilitation of publicly owned real property
- ✓ Construction, reconstruction, or installation of public facilities (including street, sidewalk, and other site improvements)
- ✓ Acquisition of real property

For purposes of determining eligibility, the Community Development Block Grant rules and requirements also apply.

For more information about eligibilities check out HUD's "Current Availability" database that provides information on existing borrowing capacity for Community Development Block Grant (CDBG) Entitlement Communities and States looking to apply for Section 108 guaranteed loans.



tapin.waternow.org/toolkit

**August 18: Leveraging
WaterSMART Grants for
Innovative Water
Infrastructure Investments**

<https://bit.ly/WNAWS2021>

**MARK YOUR
CALENDARS**



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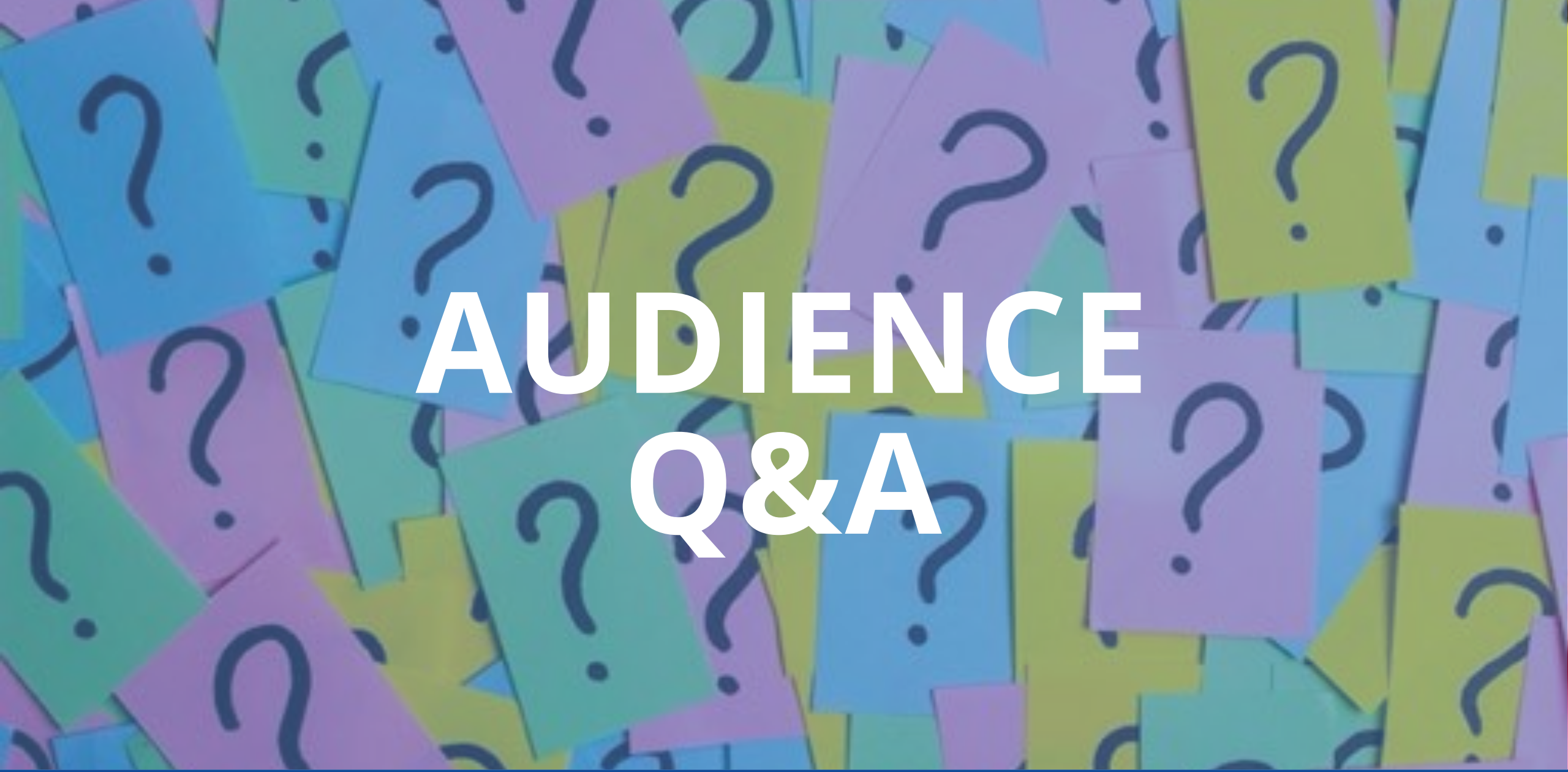
JOIN THE ALLIANCE

LEARN MORE AND SIGN UP

www.waternow.org/join-the-leaders



WATERNOW ALLIANCE

The background of the slide is a dense, overlapping collage of colorful sticky notes in shades of blue, green, purple, and yellow. Each sticky note features a large, dark blue question mark. The text 'AUDIENCE Q&A' is centered over this background in a large, white, sans-serif font.

AUDIENCE Q&A

WATERNOW ALLIANCE



THANK YOU

FOR MORE INFORMATION EMAIL
CAK@WATERNOW.ORG

WATERNOW ALLIANCE