

AGENDA



Thursday, January 13, 2011

Public Hearings and Possible Actions
RECOMMENDATION FOR COUNCIL ACTION
Item No. 72

Subject: Conduct a public hearing to receive citizen comments on the City's intent to apply to the U.S. Department of Housing and Urban Development (HUD) for up to \$8,000,000 of Section 108 funds and up to \$2,000,000 in Brownfields Economic Development Initiative (BEDI) Grant to carry out eligible economic development activities pursuant to 24 CFR 570.703 (h)(2) and 570.204. Under the HUD Regulations the City proposes to make loans to for-profit entities to create job opportunities for persons of low and moderate income at a minimum of one job per \$35,000 of HUD assistance, pursuant to 20 CFR 570.703 (i).

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Kevin Johns, Director/EGRSO, 974-7802; Dusty McCormick, Economic & Business Development Liaison/EGRSO, 974-6390

The purpose of this public hearing is to receive citizen comments on the City's intent to apply to the U.S. Department of Housing and Urban Development (HUD) for up to \$8,000,000 of Section 108 funds and up to \$2,000,000 in Brownfields Economic Development Initiative (BEDI) Grant to carry out eligible economic development activities pursuant to 24 CFR 570.703 (h)(2) and 570.204. Under the HUD Regulations the City proposes to make loans to for-profit entities to create job opportunities for persons of low and moderate income at a minimum of one job per \$35,000 of HUD assistance, pursuant to 20 CFR 570.703 (i).

Loans will be made available for fixed asset financing and working capital. The loan amounts shall be the least amount necessary, but in no instance more than 40% of the project cost. Borrowers will be required to inject at least 10% equity in the project and all businesses must have been in operation for more than two years, except in the case of real estate development where a track record of several years will be required.

The City proposes to carry out underwriting guidelines in compliance with HUD Regulations including 24 CFR 570.704 3(i), 570.704 (iii) and 570.209 (a) which shall include debt service coverage ratios of 1.2 to 1, 80% Loan to Value ratios, evaluations of historical and projected financial statements, personal guarantees and appropriate liens on fixed assets, receivables and inventory.

In accordance with 24 CFR 570.704 (b) (2) the source of the repayment shall be the borrower, and repayment ability shall be determined as described above. In the event that foreclosure provisions are inadequate to fully compensate the program, the City shall establish a debt reserve fund and, should such fund be inadequate, under 570.705(b)(2) a pledge of block grant funds shall have been made.

The City will comply with 570.208 and 570.208 (b)(v) (a) to assure that a good faith effort is made that 51% of the job opportunities created are made available to persons of low and moderate income. In addition, under Section 3 of the HUD Regulations a good faith effort shall be made to employ persons who reside in the community in which the economic development activities are undertaken.

All other Federal provisions including Davis Bacon, various environmental conditions and other conditions of the HUD Regulations will be followed.