

A G E N D A R E P O R T

DATE September 2, 2003

ITEM Conduct Public Hearing on use of CDBG Section 108 Loan Guarantee & Brownfield Economic Development Initiative (BEDI) Grant & Approve Amendment to 2000-2005 Consolidated Plan

INITIATED BY John Kramer, Great Falls Development Authority

ACTION REQUESTED Conduct Public Hearing and Approve Motion

PREPARED & PRESENTED BY Mike Rattray, Community Development Director

REVIEWED & APPROVED BY Mike Rattray, Community Development Director

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RECOMMENDATION:

Staff recommends the City Commission conduct the public hearing to obtain citizen comments on the use of the CDBG Section 108 Loan Guarantee and the BEDI Grant and approve the amendment to the 2000-2005 Consolidated Plan that accommodates the use of these federal funds.

MOTION:

I move to close the public hearing and approve the amendment to the 2000-2005 Consolidated Plan that includes the planned use of the CDBG Section 108 Loan Guarantee and BEDI Grant.

SYNOPSIS:

The Citizen Participation Plan, which is required by the U.S. Department of Housing and Urban Development (HUD), dictates that the City hold a public hearing to receive citizen input regarding the city’s planned use of potential future CDBG Section 108 Loan Guarantee and BEDI grant funding. HUD also requires the City to amend the 5-year Consolidated Plan to accommodate the planned use of these federal funds.

The City of Great Falls has applied to HUD for \$1.8 million in BEDI grant funding and \$5.5 million in Section 108 loan guarantee funds to be used for the redevelopment of the 3rd Street Northwest riverfront corridor. The project area is 45 acres of blighted, undeveloped and contaminated commercial and industrial land located on the east side of 3rd Street Northwest to, and including the riverfront (West Bank Park), and from Central Avenue to the NW Bypass. The core property area is comprised of 14 separately owned tracts of land with ownership divided among public (Cascade County and the City of Great Falls), private, and the Burlington Northern Santa Fe Railroad.

BACKGROUND:

With the assistance of a federal EDA grant, a master development plan for the project area has been written. This redevelopment plan is intended to be incorporated into, and is consistent with the Consolidated Plan, the Missouri River Corridor Master Development Plan, and the City’s goal of providing better paying jobs for residents in Great Falls.

Redevelopment on this project will occur in phases, with the area south of 4th Street to Central Avenue being the first to be redeveloped, followed by the contiguous area to the North, which encompasses property owned by Cascade County and private owners, and last, the lands along the

railroad property right-of-way. This phasing of development is needed because of known contamination on County and private property that will take time to resolve. It is anticipated that redevelopment of the full 45 acres will take at least five years, but timing will be dependent on market demand for this type of mixed use development.

The City of Great Falls has applied for a BEDI grant in the amount of \$1.8 million dollars from HUD which, if funded for this project, may be used for but not limited to the following activities to assist in the redevelopment of the project site: land acquisition, debt service reserve to the Section 108 loan, economic development activities, payment of interest on obligations on Section 108 loans, land writedowns, site remediation costs, project reserves, and provision of financing to for-profit businesses at below market interest rates. BEDI funds must be used in conjunction with Section 108 loan guarantee funds, and must be used for CDBG eligible projects that benefit low and moderate income residents of Great Falls.

In addition to, and in conjunction with the BEDI grant application, the City of Great Falls has submitted an application for a \$5.5 million Section 108 loan guarantee from HUD. Section 108 is the loan guarantee provision of the CDBG program and provides communities with a source of financing for large-scale physical development projects. The Section 108 loan process requires the City to pledge five years of CDBG funds (current and future funds) as collateral, in case of default. Annual payments are made on the loan, and the interest rate is priced at the 3-month London Interbank offered rate plus 20 basis points. There is no pledge of the full faith and credit of the City required by HUD, and general tax revenues cannot be used to pay back the Section 108 loan. If a Section 108 loan payment to HUD is missed, then the CDBG credit line is tapped for that specific payment amount.

In the Section 108 loan application, the City has proposed repayment of the \$5.5 million loan over a 20-year term with annual level principal payments in the amount of \$275,000 plus interest. The primary source of repayment of the Section 108 loan will be the payments received from approved and funded business loans.

The Section 108 loan guarantee funding would be used for funding the Business Loan Program, which would provide loans to for-profit business, and/or for the City for the following purposes: acquisition of real property, site clearance/demolition and relocation payments, interest payments, and site and infrastructure preparations. The Business Loan Program will be used in conjunction with private developer investments to make it economically feasible to redevelop the project area along the Missouri River. Under the terms of the Business Loan Program, borrowers will be required to create new employment opportunities primarily for low to moderate income people. The City of Great Falls is projecting that the use of the \$5.5 million Section 108 funds will result in the creation of at least 157 new employment opportunities, with a majority of these opportunities offered to lower income people.

The proposed amendment to the 2000-2005 Consolidated Plan was available for review and comment for a 30-day comment period August 1 – 30, 2003. No comments were received. A request for the change in use of funds, along with City Commission approval and any comments received are sent to HUD for their approval.

Attachment: 2000-2005 Consolidated Plan Amendment
Project Site Map Available in the City Clerk's Office

AMENDMENT TO THE
CITY OF GREAT FALLS
2000/2005 CONSOLIDATED PLAN

The Consolidated Plan is a detailed illustration of the City's unified vision of community development actions and includes needs assessments for community development in the City of Great Falls, and strategies and goals to provide for those needs. It is also a requirement of the U.S. Department of Housing and Urban Development (HUD) in order for the City to receive and distribute Community Development Block Grant and HOME Investment Partnership Grant funding.

The primary objective of the Community Development Block Grant (CDBG) program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income.

The City of Great Falls is amending the Consolidated Plan to accommodate the proposed use of approximately \$1.8 million in Brownfield Economic Development Initiative (BEDI) grant funding and \$5.5 million in Section 108 loan guarantee funding. The City of Great Falls has applied to HUD for the BEDI grant and Section 108 loan guarantee funds to be used for the redevelopment of the 3rd Street Northwest riverfront corridor. The project area is 45 acres of blighted, undeveloped and contaminated commercial and industrial land located on the east side of 3rd Street Northwest to, and including the riverfront (West Bank Park), and from Central Avenue to the NW Bypass. The core property area is comprised of 14 separately owned tracts of land with ownership divided among public (Cascade County and the City of Great Falls), private, and the Burlington Northern Santa Fe Railroad. (See Attached Site Map)

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