

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

DATE August 3, 2004

ITEM Conduct Public Hearing on use of CDBG Section 108 Loan Guarantee & Brownfield Economic Development Initiative (BEDI) Grant

INITIATED BY Mike Rattray, Community Development Director

ACTION REQUESTED Conduct Public Hearing

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 funds and approve submission of the Section 108 & BEDI applications to HUD.

MOTION:

I move to close the public hearing and approve submission of the Section 108 & BEDI applications to HUD.

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 Commission to direct staff to submit the grant and loan funding applications.

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 site 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 proposes to repay the \$5,500,000 Section 108 loan over a 20 year period, paying interest only in the first three to five years. The \$5,500,000 will be drawn down as the City approves each phase of the development. The primary source of repayment of the Section 108 loan will be the payments received from the sale or lease of properties. If awarded the BEDI Grant, a loan loss reserve in the amount of \$300,000 will be set aside. Also, each phase of development will be collateralized per contract with HUD to ensure security of the loan funds.

The Section 108 loan guarantee funding would be used for providing loans to for-profit business, and/or for the City for the following purposes: acquisition of real property, interest payments, general economic development activities, and site and infrastructure installations. The Section 108 loans will be used in conjunction with private developer investments to make it economically feasible to redevelop the project area along the Missouri River. Developers 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 140 new employment opportunities, with a majority of these opportunities offered to lower income people.

The Section 108/BEDI applications were available for review and comment for the 15-day comment period July 18 – August 2, 2004. No comments were received.

Attachments: Section 108 and BEDI Applications