

THE CITY OF PROVIDENCE  
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

# RESOLUTION OF THE CITY COUNCIL

No. 402

Approved August 10, 1988

RESOLUTION AUTHORIZING THE CITY COUNCIL OF THE CITY OF PROVIDENCE, RHODE ISLAND, TO AMEND THE STATEMENT OF OBJECTIVES AND FUNDING UNDER THE HOUSING AND COMMUNITY DEVELOPMENT ACT AS PROPOSED AND APPROVED ON JULY 12, 1988, AS RESOLUTION NUMBER 347, TO INCLUDE THE USE OF LOAN GUARANTEE ASSISTANCE FUNDS IN ACCORDANCE WITH SECTION 108 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974, AS AMENDED.

WHEREAS, the City of Providence is eligible to receive Community Development Block grant Entitlement Funds for Fiscal Year 1988 under Section 106(a) or (h) of Title I of the Housing and Community Development Act of 1974 and the Housing and Community Development Technical Amendments Act of 1984; and

WHEREAS, The City Council of the City of Providence, County of Providence, State of Rhode Island, on July 12, 1988, by Resolution 347, authorized the City of Providence, through its official representative, the Mayor, to file a STATEMENT OF OBJECTIVES AND FUNDING with the Boston Area Office of the Department of Housing and Urban Development for the purpose of obtaining Community Development Block Grant Funds; and

WHEREAS, Section 108 of the Act authorizes submission of an application for loan guarantee assistance for those communities entitled to receive a Community Development Block Grant; and

WHEREAS, Section 108 provides a source of front-end financing for large-scale physical development projects which cannot be financed from annual grants; and

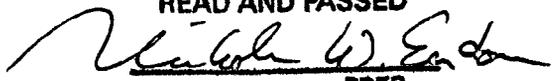
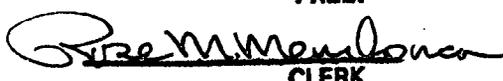
WHEREAS, the Statement of Community Development Objectives and projected use of Loan Guarantee Funds provides the necessary assurances and/or Certification of Compliance with applicable Federal Regulations and requirements; and

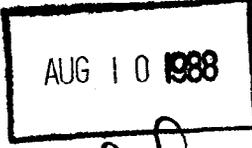
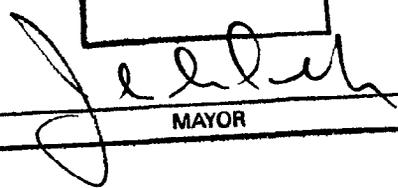
WHEREAS, the Mayor must be authorized to submit the Statement of Community Development Objectives and use of Loan Guarantee Funds with the Secretary of the Department of Housing and Urban Development and to accept and execute the Agreement.

NOW, THEREFORE, The City Council of the City of Providence, County of Providence, State of Rhode Island, hereby authorizes the City of Providence, through its official representative, the Mayor, by amending the STATEMENT OF OBJECTIONS AND FUNDING, as authorized by Resolution 347, on July 12, 1988, to include the application for loan guarantee assistance under Section 108 of the aforementioned Act.

A true copy,  
Attest:

\_\_\_\_\_  
Rose M. Mendonca  
City Clerk

IN CITY COUNCIL  
AUG 4 1988  
READ AND PASSED  
  
PRES.  
  
CLERK

**APPROVED**  
  
  
MAYOR

FILED

JUL 29 10 19 AM '88

DEPT. OF CITY CLERK  
PROVIDENCE, R.I.

WARRINGTON



## Department of Planning and Development

"Building Pride In Providence"

July 27, 1988

The Honorable Nicholas W. Easton  
Council President  
c/o City Clerk's Office  
City Hall  
Providence, Rhode Island

Dear Council President Easton:

Please find attached a Resolution of The City Council which, if approved, will amend the CDBG Statement of Objectives to allow the City to apply for Section 108 Guarantee Loans.

Over the past years we have relied on the UDAG Program to fund some of the major development projects. Recently there have been several changes with the program and the City no longer competes as well as it did in the past. The new ranking system would make it very difficult, if not impossible, for the City to be successful in applying for a UDAG. In addition, the funding and future of the UDAG Program is not certain. This fiscal year the President with Congress concurring, has zeroed out the UDAG Program.

In order to supplement this funding source we anticipate applying for "108" loans on a project specific basis in accordance with 24 CFR 570.702. As part of the CDBG and Statement of Objectives, this program and all specific projects will be subject to all applicable rules, regulations, and reviews governed by HUD.

Therefore, I would respectfully request that the City Council, by Resolution, amend the Statement of Objectives, as proposed and approved for the 14th CDBG fiscal year to include the authorization to apply for funds through the 108 Program.

I have enclosed an outline of the 108 Program for your review as well as the relevant section of the CFR. You will also find a copy of the proposed amendment.

Should you have any questions regarding this matter, please do not hesitate to call on me.

Respectfully,

Handwritten signature of Thomas V. Moses in black ink.  
Thomas V. Moses  
Director

TVM:n  
JAA

AMENDMENT OF THE  
1988-1989  
STATEMENT OF OBJECTIVES  
CDBG PROGRAM

This amendment will allow the City of Providence, through its authorized Representative, the Mayor, to make applications for loan guarantee assistance under Section 108, during the 14th Funding Year.

The CDBG Program, Statement of Objectives shall be amended to include as a eligible program activity

"Section 108 Loan Guarantee Assistance

In order to leverage private financing for economic development expansion and job creation projects that will benefit low and moderate individuals, Section 108 loan guarantee assistance will be applied for on a project specific basis."

**Community Development Block Grants  
(Section 108 Loan Guarantee)**

Loan guarantee assistance for community and economic development.

**Nature of Program:** Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of front-end financing for large-scale community and economic development projects which cannot be financed from annual grants and for economic development projects.

Eligible activities are (a) acquisition of real property, (b) rehabilitation of publicly owned real property, (c) housing rehabilitation, (d) economic development activities eligible under the CDBG program and (e) related relocation, clearance and site improvements. For the purposes of determining eligibility, the CDBG rules and requirements apply. As with the CDBG program, all projects and activities must either principally benefit low- and moderate-income persons, or aid in the elimination or prevention of slums and blight, or meet other community development needs having a particular urgency.

Loan guarantees under Section 108 are subject to a statutory maximum equal to three times the applicant's entitlement amount.

The principal security for the loan guarantee is a pledge by the applicant of its current and future CDBG funds. HUD may also require additional security to be furnished if it is deemed necessary.

**Grantee Eligibility:** Eligible applicants are those communities which receive entitlement grants - metropolitan cities and urban counties. The community may be the borrower or it may designate a public agency to receive the loan guarantee.

**Legal Authority:** Section 108 of the Housing and Community Development Act of 1974, (42 U.S.C. 5308).

**Administering Office:** Assistant Secretary for Community Planning and Development, Department of Housing and Urban Development, Washington, D. C. 20410.

**Information Sources:** HUD Headquarters and Field Offices.

**Current Status:** Active.

**Scope of Program:** Program is subject to annual appropriations containing limitations on commitments. In FY 88, commitments under Section 108 are limited to \$144 million.

ment Amendments of 1978 (Pub. L. 95-557) provides that, in the administration of Federal housing and community development programs, consistent with other program objectives and goals, involuntary displacement of persons from their neighborhoods should be minimized. This general policy is implemented in the Entitlement grant program through the requirements of § 570.305. It is implemented in the HUD-administered Small Cities program by means of selection criteria described in §§ 570.424(c) and 570.428(c), and in the Urban Development Action Grant program by means of the selection criterion described in § 570.459(1).

#### Subpart L—[Reserved]

#### Subpart M—Loan Guarantees

SOURCE: 48 FR 43572, Sept. 23, 1983, unless otherwise noted.

##### § 570.700 Eligible applicants.

(a) Units of general local government entitled to receive a grant under section 106(b) of the Act (metropolitan cities and urban counties) may apply for loan guarantee assistance under this subpart.

(b) Public agencies may be designated by eligible units of general local government to receive a loan guarantee on notes or other obligations issued by the public agency in accordance with this subpart. In such case the applicant unit of general local government shall be required to pledge its current and future grants under Title I as security for the notes or other obligations issued by the public agency.

[48 FR 43572, Sept. 23, 1983; 48 FR 46778, Oct. 14, 1983]

##### § 570.701 Eligible activities.

Loan guarantee assistance under this subpart may be utilized for the following activities undertaken by the unit of general local government or its designated public agency, provided such activities are otherwise eligible under the provisions of §§ 570.201 through 570.203 and meet the requirements of § 570.200.

(a) Acquisition of improved or unimproved real property in fee or by long-

term lease, including acquisition for economic development purposes.

(1) Acquisition for economic development purposes may include agreements for the purchase of real property to be improved by the seller prior to the acquisition. Obligations to purchase under such agreements may be contingent on the procurement of interim financing by the seller, and may provide for a leaseback of the improved property to the seller, including an option to purchase after full payment of the loan guaranteed under this subpart.

(2) In the purchase of real property pursuant to paragraph (a)(1) of this section, the assisted activity includes the acquisition and/or improvements undertaken by the seller in whole or in part with interim financing obtained in reliance on the obligation to purchase the improved property with guaranteed loan funds. The agreement described in paragraph (a)(1) of this section shall specify that the obligation to purchase is contingent on compliance in the undertaking of interim financed activities with the requirements applicable to activities assisted under this subpart.

(b) Rehabilitation of real property owned or acquired by the unit of general local government or its designated public agency.

(c) Payment of interest on obligations guaranteed under this subpart.

(d) Relocation payments and assistance for individuals, families, businesses, nonprofit organizations and farm operations displaced as a result of activities financed with loan guarantee assistance.

(e) Clearance, demolition and removal, including movement of structures to other sites, of buildings and improvements on real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section.

(f) Site preparation, including construction, reconstruction, or installation of public improvements, utilities, or facilities (other than buildings) related to the redevelopment or use of the real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section.

##### § 570.702 Application requirements.

(a) *Presubmission requirements.* (1) Prior to submission of an application for loan guarantee assistance to HUD, the applicant must comply with the presubmission requirements specified in § 570.301 with respect to the activities proposed for loan guarantee assistance.

(2) If an application for loan guarantee assistance is simultaneous with the applicant's submission for its entitlement grant, the applicant may utilize the statement of community development objectives and projected use of funds prepared for its annual grant pursuant to § 570.301 by including and identifying the activities to be undertaken with the guaranteed loan funds.

(b) *Submission requirements.* An application for loan guarantee assistance shall be submitted to the appropriate HUD Area Office and shall consist of the following:

(1) A copy of the applicant's final statement of community development objectives and projected use of guaranteed loan funds.

(2) A description of how each of the activities to be carried out with the guaranteed loan funds meets one of the standards in § 570.901(b).

(3) A schedule for repayment of the loan which identifies the sources of repayment.

(4) A certification providing assurance that the applicant possesses legal authority to make the pledge of grants required under § 570.703(b)(2).

(5) Certifications required pursuant to § 570.303. For the purposes of this requirement, the terms "grant" and "CDBG" in such certifications shall also mean loan guarantee.

(c) *Economic feasibility and financial risk.* The Secretary will make no determination with respect to the economic feasibility of projects proposed to be funded with the proceeds of guaranteed loans; such determination is the responsibility of the applicant. In determining whether a loan guarantee constitutes an acceptable financial risk, the Secretary will consider the applicant's current and future entitlement block grants as the primary source of loan repayment. Approval of a loan guarantee under this subpart is not to be construed, in any way, as in-

dicating that HUD has agreed to the feasibility of a project beyond recognition that block grant funds should be sufficient to retire the debt.

(d) *HUD review and approval of applications.* (1) HUD will normally accept the grantee's certifications. The Secretary reserves the right, however, to consider relevant information which challenges the certifications and to require additional information or assurances from the grantee as warranted by such information.

(2) The Area Office shall review the application for compliance with requirements specified in this subpart and forward the application together with its recommendation for approval or disapproval of the requested loan guarantee to HUD Headquarters.

(3) The Secretary may disapprove an application, or may approve loan guarantee assistance for an amount less than requested, for any of the following reasons:

(i) The Secretary determines that the guarantee constitutes an unacceptable financial risk. Factors that will be considered in assessing financial risk shall include, but not be limited to, the following:

(A) The length of the proposed repayment period;

(B) The ratio of expected annual debt service requirements to expected annual grant amount;

(C) The applicant's status as a metropolitan city or urban county during the proposed repayment period; and

(D) The applicant's ability to furnish adequate security pursuant to § 570.703(b).

(ii) The guarantee requested exceeds the maximum loan amount specified under § 570.703(a).

(iii) Funds are not available in the amount requested.

(iv) The applicant's performance does not meet the standards prescribed in § 570.909.

(v) Activities to be undertaken with the guaranteed loan funds are not listed as eligible under §§ 570.201 through 570.203 and 570.701 (a) through (f).

(4) The Secretary will notify the applicant in writing that the loan guarantee request has either been ap-

proved, reduced or disapproved. If the request is reduced or disapproved, the applicant shall be informed of the specific reasons for reduction or disapproval. If the request is approved, the Secretary shall issue an offer of commitment to guarantee obligations of the applicant or the designated public agency subject to such conditions as the Secretary may prescribe, including the conditions for release of funds described in paragraph (e).

(e) *Environmental review.* The applicant shall comply with HUD environmental review procedures (24 CFR Part 58) leading to certification for the release of funds for each project carried out with loan guarantee assistance. These procedures set forth the regulations, policies, responsibilities and procedures governing the carrying out of environmental review responsibilities of applicants.

For the purposes of this paragraph, the "release of funds" shall be deemed to occur at the time of guarantee of notes or other obligations by the Secretary.

#### § 570.703 Loan requirements.

(a) *Maximum loan amount.* No guarantee or commitment to guarantee shall be made with respect to any note or other obligation if the total outstanding notes or obligations guaranteed under this subpart on behalf of the applicant and each public agency duly designated by the applicant would thereby exceed an amount equal to three times the amount of the entitlement grant made pursuant to § 570.304 to the applicant.

(b) *Security requirements.* To assure the repayment of notes or other obligations and charges incurred under this subpart and as a condition for receiving loan guarantee assistance, the applicant (or the applicant and designated public agency, where appropriate) shall:

(1) Enter into a contract with HUD, in a form acceptable to the Secretary, for repayment of notes or other obligations guaranteed hereunder;

(2) Pledge any grant made or for which the applicant may become eligible under this part; and

(3) Furnish, at the discretion of the Secretary, such other security as may

be deemed appropriate by the Secretary in making such guarantees, including increments in local tax receipts generated by the activities assisted under this part or disposition proceeds from the sale of land or rehabilitated property.

(c) *Use of grants for loan repayment.* Notwithstanding any other provision of this part:

(1) Grants allocated to an applicant under this part (including program income derived therefrom) are authorized for use in the payment of principal and interest due (including such servicing, underwriting, or other costs as may be authorized by the Secretary) on the notes or other obligations guaranteed pursuant to this subpart.

(2) The Secretary may apply grants pledged pursuant to paragraph (b)(2) of this section to any amounts due under the note or other obligation guaranteed pursuant to this subpart, or to the purchase of such obligation, in accordance with the terms of the contract required by paragraph (b)(1) of this section.

(d) *Debt obligations.* Notes or other obligations guaranteed pursuant to this subpart shall be in the form and denominations prescribed by the Secretary. Such notes or other obligations shall be issued and sold only to the Federal Financing Bank under such terms as may be prescribed by the Secretary and the Federal Financing Bank.

(e) *Taxable obligations.* Interest earned on obligations guaranteed under this subpart shall be subject to Federal taxation as provided in section 108(j) of the Act.

All applicants or designated public agencies issuing guaranteed obligations must bear the full cost of interest.

(f) *Loan repayment period.* As a general rule, the repayment period for a loan guaranteed under this subpart shall be limited to six years. However, a longer repayment period may be permitted in special cases where it is deemed necessary to achieve the purposes of this part.

(g) *Loan guarantee fee.* (1) Each application approved under § 570.702(d) shall be subject to a loan guarantee

fee. The loan guarantee fee shall be payable upon submission of a note or other obligation to HUD for inspection and guarantee. Grants allocated under this part may be used for payment of the fee.

(2) The Secretary shall establish the loan guarantee fee by publishing a notice of the fee in the FEDERAL REGISTER. The Secretary may periodically revise the amount of the fee established under this section by placing a notice of the amount of the new fee in the FEDERAL REGISTER.

(3) The amount of the loan guarantee fee shall be determined by multiplying the average number of the Office of Community Planning and Development (CPD) staff hours required to process a loan guarantee application and to service a guaranteed loan by the anticipated cost per staff hour. These factors shall be determined in accordance with the following procedures:

(i) The average number of staff hours required to process a loan guarantee application and to service a guaranteed loan shall be determined by means of Departmental studies and other relevant data. Disapproved loan guarantee applications and the number of staff hours required to process disapproved loan guarantee applications will not be considered in this determination.

(ii) Based on HUD budget estimates for the current fiscal year, the cost per staff hour shall be determined by dividing the total amount budgeted for salaries and related expenses for CPD activities by the total estimated number of staff hours budgeted for CPD activities.

[48 FR 43572, Sept. 23, 1983, as amended at 50 FR 5751, Feb. 12, 1985]

#### § 570.704 Federal guarantee.

The full faith and credit of the United States is pledged to the payment of all guarantees made under this subpart. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligations for such guarantee with respect to principal and interest, and the validity of such guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligations.

#### § 570.705 Applicability of rules and regulations.

The provisions of Subparts A, C, D, J, K and O shall apply to this subpart, except to the extent they are specifically modified or augmented by the provisions of this subpart.

#### Subpart N—Urban Renewal Provisions

SOURCE: 41 FR 20524, May 18, 1976, unless otherwise noted.

#### § 570.800 General.

This subpart contains regulations governing the use of funds available under this part for the completion of urban renewal projects and neighborhood development programs; deductions authorized to be made from such funds for the repayment of temporary loans outstanding in connection with such projects and programs; and procedures for the financial settlement of projects and programs meeting the requirements of this subpart. For purposes of this subpart:

(a) A "project" or "urban renewal project" means an urban renewal project or neighborhood development program being carried out in the jurisdiction of the unit of general local government under a contract with HUD pursuant to the provisions of Title I of the Housing Act of 1949, as amended.

(b) A "temporary loan" means any outstanding direct loan or pledge of temporary loan rights for private market financing, including accrued interest, authorized under the HUD contract for the project.

(c) An "unearned grant" means that portion of the total project grant allocation, including any relocation and rehabilitation grant allocation, in excess of the grants payable with respect to the costs incurred and any remaining unliquidated, contingent, or disputed claims or obligations.

(d) A "surplus grant" means the unearned grant remaining after full repayment of the temporary loans.