

CITY OF SAN ANTONIO

DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT

*Interdepartmental Correspondence*

TO: Mayor and City Council

FROM: Andrew W. Cameron, Housing & Community Development Director

COPIES TO: Milo Nitschke, Ramiro Cavazos, and Trey Jacobson

SUBJECT: Section 108 Loan Program Policy

DATE: December 6, 2002

**Summary and Recommendation**

The HUD Section 108 Loan Guarantee Program is a financing tool for Economic Development Projects that requires the municipality to pledge its future CDBG entitlement funds as security. San Antonio has approved three 108 Loans. Two loans were approved in 1984 and both defaulted in 1988 and the third was approved in 1998 and is current. Recent demands for municipal funding support coupled with a shortage of Economic Development project funding resources, led to the development of a policy to govern the distribution of the 108 resources. It also serves to protect future CDBG funds, which is a major component of the City's revitalization funding strategy. Staff recommends approval.

**Additional Information**

Staff has developed a policy recommendation that divides the City's 108 funding strategy into two categories. The majority of our efforts would be to provide incentives for fully secured projects. The policy also allows for projects that are consistent with the City's revitalization strategy, and demonstrate financial potential but may not meet the typical financial structure required for economic development projects.

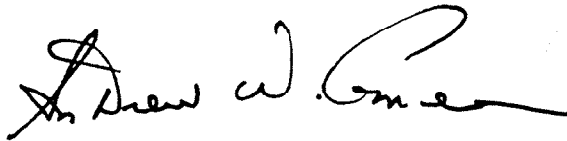
In addition, staff is recommending that a limit of 60% of the City's 108 funding capacity be available for project funding. This would guarantee the availability of CDBG Entitlement funding in the unlikely event that all projects fail.

### Coordination

The City Housing and Community Development Department, Economic Development Department and Finance Department developed the policy. The policy has been reviewed by the Housing and Neighborhood Action Team, the Management Review Team and on September 12, 2002, the Urban Affairs reviewed the policy and directed staff to make this presentation to the City Council.


### Fiscal Impact

If approved, this item will not impact any of the City's general fund revenues.




Andrew W. Cameron, Director  
Department of Housing and  
Community Development

Approved:



Jelynnie LeBlanc Burley  
Assistant City Manager



Terry M. Brechtel  
City Manager