



APPLICATION FOR SECTION 108 FINANCING

Issued by:
City of Fayetteville
Economic & Community Development Department
433 Hay Street
Fayetteville, NC 28301

CITY OF FAYETTEVILLE DEPARTMENT OF ECONOMIC & COMMUNITY DEVELOPMENT

2024 APPLICATION FOR SECTION 108 FINANCING

Project Name: _____

Please submit one signed original and one copy of this application, together with the application fee of \$_____ and any attachments to:

For questions, contact:

City of Fayetteville
Economic & Community Development Dept.
433 Hay Street
Fayetteville, NC 2830
Attention: Director of Economic & Community Development Department

Christopher Cauley
(910) 433-1590
ChristopherCauley@FayettevilleNC.gov

I. General Information and Application Process

The City invites qualified developers to submit information regarding projects eligible to receive Section 108 Loan financing. The City’s Section 108 Loan Program Policy enables the City to finance certain projects in an amount of up to three (3) times the City’s annual allotment under the Community Development Block Grant (CDBG) Program. To provide such financing, the City must apply for a Section 108 loan from the Department of Housing and Urban Development (HUD). The City may then issue the proceeds from the HUD loan as a loan to a third-party developer for an approved project. Any project receiving financing under the Section 108 Loan Program must include elements that principally benefit low- and moderate-income persons, aid in the prevention or elimination of slums or blight, or address conditions that pose a serious and immediate threat to the health and safety of City residents.

The City shall determine projects eligible for Section 108 financing in accordance with the City’s Section 108 Policy. Applications for Section 108 financing will be considered on a case-by-case basis. Not all projects are eligible to receive Section 108 financing and not all projects eligible to receive Section 108 financing will receive such funding. Qualified projects must, at a minimum, include public benefits to the City such as increased employment opportunities, economic diversity, affordable housing, public infrastructure, public facilities, and/or environmental improvements in areas identified by the City as needing additional public and private investment and development. The City will only consider projects for Section 108 financing that may not be financially feasible without Section 108 financing.

After a developer submits the application materials requested below, City staff will review the materials and make an initial determination regarding whether the proposed project satisfies the requirements of the Section 108 policy. If the project proposal meets the basic requirements,

City staff may then schedule a meeting with the developer to discuss specific issues in the project proposal. If City staff then determine that the proposed project includes public benefits that serve the City's needs and contribute value commensurate with the value of the proposed Section 108 loan, then staff will make a recommendation to the City Manager about moving forward with the City's application to HUD for Section 108 funding. Any loan commitment the City issues under its Section 108 Loan Program Policy is contingent upon HUD's approval of the City's Section 108 loan application.

For all projects initially accepted for Section 108 financing, the City and the developer/project owner must craft a citizen participation plan, cooperate on the City's application to HUD, and enter appropriate agreements in accordance with the City's Section 108 Loan Program Policy.

II. Application Requirements

1. Statement of Interest

The Developer's statement of interest should provide a brief account of how the proposed project will satisfy the three (3) threshold requirements identified in the City's Section 108 Policy. Specifically, the statement should explain how the project will serve CDBG national objectives and will only be able to move forward with the public benefits if the City provides Section 108 financing.

2. General Description of the Project

This general description of the project should include the location of the proposed development (noting, in particular, whether it is located in one of the City's development priority areas), any preliminary drawings or plans, and identify the public benefits to be included in the proposed project. Where a proposed development includes affordable housing, the description should include a breakdown of unit types, the percentage of area median income attached to different unit types, and the number of each unit type in the proposed project.

This general description should specifically identify elements of the project expected to generate income.

3. Financial Assistance Being Sought from the City.

The applicant shall describe the total financial assistance it seeks from the City and include a preliminary development budget for the Project. The City may, in its discretion, provide non-Section 108 financial assistance to qualifying projects in addition to Section 108 financing.

4. Developer Qualifications

The applicant should provide a list of relevant experiences, a development portfolio, and an ownership chart of the developer. The applicant should note:

- prior experience in completing and managing development projects of similar scope and complexity to the proposed project;
- experience in partnering with the City of Fayetteville or other municipalities on development projects; and
- experience working with the local community to garner support for development projects.

In addition, the applicant should specifically answer the following questions:

- Have you or a project for which you are a Principal been involved within the past ten (10) years in a bankruptcy, adverse fair housing settlement, adverse civil rights settlement, or adverse federal or state government proceeding and settlement? If yes, please explain.
- Have you or a publicly subsidized project for which you are a Principal been in a mortgage default or arrearage of three months or more within the last five (5) years?
- Have you, within the last ten (10) years, been debarred or received a limited denial of participation or other form of censure by any federal or state agency from participating in a development program?

5. Ownership Structure of the Project

The applicant must provide a description of the ownership structure of the proposed project and a corresponding ownership chart, including the name of the participating entities, types of entities, states of formation of entities, and ownership percentages.

6. Financing Structure of the Project

The applicant must provide an overview of how the project will be financed. It must identify the financing “gap” the applicant expects to close through Section 108 financing.

7. Preliminary Development Budget

The applicant must provide a preliminary budget, including a sources and uses chart. This budget should support the applicant’s estimate of the cost of the public benefits to be included in the project.

8. Preliminary Development Schedule

The applicant must provide a development schedule, including dates by which the developer expects to secure necessary financing, close on equity and debt financing, and begin and conclude construction. If the proposed project will proceed in phases, please provide a preliminary schedule of those phases.

9. Developer’s Readiness to Proceed

The applicant must provide a detailed description of the developer's readiness to proceed as of the date of this application. This description should address the status of site control and any other entitlements necessary to close on the acquisition and commencement of construction.

10. City of Fayetteville Commitments

The applicant should address specific plans for how the construction and management of the proposed project will serve the purposes of the City's Small Local Business Enterprises' initiative and the City's Small Disadvantaged Business Enterprise Program for Construction, Procurement, and Professional Services. Please include a description of steps the applicant has already taken to include local business enterprises in project development.

III. Fees

Under the City's Section 108 Policy, the City may assess reasonable fees, including attorney's fees, for the negotiation and drafting of a Section 108 agreement pursuant to a successful Section 108 application, as well as for the City's costs in monitoring compliance with the requirements of the Section 108 agreement during construction and the operation of the project.