Federal ED Finance Tools

- Overview of 4 key agencies
- HUD 108 Program
- EB5 Program
- State Small Business Credit Initiative
HUD Programs

1. **HUD 108 Program Loan**
   - **City Government Loan**
     - **Business or Development Project**

2. **HUD 108 Program Loan Guarantee**
   - **City Government Loan Guarantee**
     - **Lender**
       - **Business or Development Project**

3. **HUD CDBG Grant**
   - **City Government**
     - **RLF**
       - **Direct loan or grant**
     - **Business or Development Project**
EDA Programs

Comprehensive ED Strategy (CEDS)

EDA Public Works Grant
  Government or ED District
    Development Project

EDA TA Grant
  Government or ED District
    Project or Organization for TA activity

EDA Economic Adjustment Grant
  Government or ED District
    RLF
      ED Program or Project
        Business or Development Project
SBA Programs

- 7A Program Loan Guarantee
  - Lender
  - Small Business

- 504 Program Loan Guarantee
  - Certified Development Corporation
  - Lender
  - Small Business

- SBIC/SSBIC Program
  - Licensed SBIC or SSBIC
  - Small Business
US Treasury CDFI Programs

CDFI Core Program → Match Funds → CDFI → Household, Business or Development Project

CDFI TA or Emerging CDFI Program → CDFI → Household, Business or Development Project

NMTC Program → CDE Allocatee

NMTC Investor → Other Funders

“Project” CDE → Business or Development Project
## EDA FY2016 Appropriation

<table>
<thead>
<tr>
<th>Program</th>
<th>Appropriation ($ millions)</th>
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<td>Public Works</td>
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<td>Economic Adjustment</td>
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<td>Technical Assistance</td>
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<td>Assistance to Coal Mining Communities</td>
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<td>Salaries and Expenses</td>
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<td><strong>Total</strong></td>
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### CDBG FY2016 Appropriation

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<td>HUD 108</td>
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### HHS FY2016 Appropriation

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CDFI Fund FY2016 Appropriation

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<td>Bank Enterprise Awards</td>
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<td>Native American CDFIs</td>
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<td>Administration</td>
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<td>Healthy Food Financing</td>
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<td>Small Dollar Loan Program</td>
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<td>Total</td>
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</table>
HUD 108 Program

- Allows use of 5X city’s annual CDGB funding for project and businesses loans
- Maximum 20 year term; base interest rate at federal financing rate
- CDBG funds provide repayment guarantee if project or business fails to repay loan
- If loan is fully repaid, locality has no cost
HUD 108 as Loan Guarantee

- HUD 108 is typically used to fund a direct loan to a project, often subordinate to private debt
- Alternative HUD 108 structure: loan guarantee insuring private debt
  - Stand-by commitment to fund losses approved by city and HUD
  - HUD 108 guarantee only funded if loan default occurs
- Advantages to local government
  - Reduce guarantee (and city exposure) as project reaches financial thresholds
  - Stronger collateral: have lender’s position if default
Worcester MA HUD 108 Program

- Used HUD 108 to establish $29 million loan guarantee program
- Guarantees conventional private loans for up to 80% of LTV
- Example:
  - 93,000 multi-tenant biotech R&D building
  - $11.7 million guarantee to AFL-CIO Building Trust
  - Guarantee declined to 20% when building was fully occupied and reached DSCR target
EB-5 Immigrant Investor Program

○ Provides visas to immigrants who invest in the US businesses (new or troubled)
  ● 10,000 visas annually under program
○ Minimum $1 million investment required
  ● $500 K in target areas with high unemployment (150% of US average)
○ Create at least 10 jobs or maintain jobs at troubled business for at least 2 years
○ Typical investments for 5-years at below market rate
Regional Centers: Philadelphia Example

- Regional Center Pilot Program
  - Larger regional approach to pool investor fund to finance projects and businesses
  - Allows direct and indirect jobs to count toward 10 jobs

- PIDC with CanAM enterprises gained Regional Center designation in 2003

- Raised $281 million to finance 20 projects
  - Navy yard building improvements
  - Manufacturing firms
  - Health care and educational facilities
  - Hotels, restaurants
  - Convention Center

- 2nd center created by state DOC in 2007
State Small Business Credit Initiative (SSBCI)

- $1.5 billion program created by Small Business Jobs Act of 2010
- Grants to state governments to expand supply of capital to small firms
- Funds used for 5 program types:
  - Direct loan guarantees
  - Capital access guarantee program
  - Collateral support guarantees
  - Loan participation lending programs
  - Venture capital funds
- Funds close to fully deployed ($1.3 B)
SSBCI Grants by Program Type

Figure 7.

Funds Allocated by Program Type
(As of March 31, 2016)

- Loan Participation: $474 m
- Venture Capital: $442 m
- Collateral Support: $264 m
- Loan Guarantee: $232 m
- CAP: $45 m

This data is in the public domain.
SSBCI Funding Deployment by Program Type

Figure 8.

Percentage of SSBCI Funds Deployed by Program Type
(Cumulative through March 31, 2016)

This data is in the public domain.