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County Executive

# ATTACHMENT A



## *Loan Pool* *Section 108 Loan Application - DRAFT*

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**Prince George's County, Maryland**  
**Department of Housing and Community Development**

**Date: HUD Application Submission Date**

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## ***Exhibit A: Brief Narrative***

Consistent with Prince George's County's Comprehensive Housing Strategy-Housing Opportunity for All and its 2021-2025 Consolidated Plan for Housing and Community Development, the County is applying to establish a Section 108 Loan Pool of approximately \$25 million. The Loan Pool will be available to prospective borrowers county-wide and provides a ready source of long-term, fixed rate and reasonable priced financing that is not available conventionally. The Loan Pool will bridge financing gaps and enable borrowers to proceed with their respective transactions; create and retain jobs and expand the existing tax base. In addition, the Loan Pool provides a valuable source of financing to support larger scale acquisition, economic and mixed-use development, infrastructure and public facilities, and preservation of quality affordable housing.

The County anticipates the eligible activities will fund housing rehabilitation, acquisition of real property, economic development and public facilities (see Exhibit B). For each individual transaction, staff will properly document an eligible activity, a national objective and appropriateness (if applicable).

The County has developed Underwriting Guidelines to ensure the individual projects conform to a low risk profile (see Exhibit F). There are separate guidelines for income-producing properties, business loans and public facilities. In addition, there is a 1% spread over the cost of funds for private borrowers. The spread will serve as a loan loss reserve for the Section 108 portfolio.

The County will establish a delivery system for each component of the implementation process (see Exhibit G). The County has procured technical assistance in preparing the Section 108 application and in establishing a delivery system to implement the program. The Enterprise Community Partners technical assistance team has extensive experience in each component of the delivery system and will provide staff with checklists and guides for each subsystem.

As individual transactions are identified in the future, first staff will screen the proposed ventures for conformance to eligibility and credit thresholds. Those projects passing the screening process will then proceed to the completion of an Eligibility Determination to the United States Department of Housing and Urban Development (HUD). The Eligibility Determination will document how the project satisfies an eligible activity, a national objective, the Underwriting Criteria approved in the Loan Pool application and if applicable, appropriateness.

### ***Exhibit B: Eligible Activities***

The Section 108 Loan Pool is intended to utilize four potential eligible activities:

- Special Economic Development (24 CFR 570.703(i) and 24 CFR 570.203/204)
- Acquisition of Real Property (24 CFR 570.703(a))
- Housing Rehabilitation (24 CFR 570.703(h))
- Public Facilities (24 CFR 570.703(l))

As staff identifies individual projects, they will document compliance with one of the eligible activities. For transactions utilizing the eligible activity of special economic development, staff will document conformance with the appropriateness criteria, including public benefit.

### ***Exhibit C: National Objective***

The Loan Pool anticipates utilizing the national objectives of benefitting low and moderate-income citizens via job creation/ retention (24 CFR 570.208(a)(4)); eliminating slums and blight on an area basis (24 CFR 570.208(b)(1)) or housing occupancy (24 CFR 570.208(a)(3)). If applicable, the County may also utilize Low to Moderate Income (LMI) area benefit (24 CFR 570.208(a)(1) regarding public facilities or economic development projects in which the applicable service area provides goods or services to predominately LMI neighborhoods.

If applicable, the County will utilize the presumption provision. In order for a grantee to presume a job is LMI, it must document compliance with two tests. The first is that the poverty rate of the census tract must equal or exceed enumerated thresholds (greater than 20%; 30% for projects located in a Central Business District (CBD)). The second is that the grantee must document that the activity is located in an area of pervasive poverty or general distress (generally the project is located in a block group with a poverty rate above 20%). In the event the County utilizes eliminating slums and blight as a national objective, it will also document compliance with the 70% rule (70% of expenditures benefit LMI citizens over a one, two or three-year accounting period).

**Exhibit D: Sources and uses of Funds**

<b>Sources and uses of Funds</b>	
<b>USES OF FUNDS</b>	
INDIVIDUAL TRANSACTIONS	<b>\$31,250,000</b>
<b>SOURCES OF FUNDS</b>	
SECTION 108	\$25,000,000
EQUITY	\$6,250,000
<b>TOTAL</b>	<b>\$31,250,000</b>
*NOTE: Minimum numbers- Each individual project will vary according to private financing and other sources of funds.	

***Exhibit E: Repayment Schedule***

Exhibit E assumes borrowers will utilize \$20 million of the Loan Pool for real property and \$5 million for personal property (machinery and equipment primarily). Each component will reflect a maturity that is consistent with the economic life of the asset financed or the collateral securing the obligation. Accordingly, the maturity for the realty is 20 years and the term regarding the personal property is ten years.

**REPAYMENT SCHEDULE**

**AMORTIZATION**

PERSONAL PROPERTY

AMOUNT	5,000,000	10-Year	
RATE	1.85%	Treasury	0.60%
TERM	10	Spread	1.00%
AMORTIZATION PERIOD	10	Cushion	0.25%
INTEREST ONLY	1		

YEARS	1	2	3	4	5	6	7	8	9
BEGINNING BALANCE	5,000,000	5,000,000	4,484,300	3,959,060	3,424,103	2,879,249	2,324,315	1,759,115	1,183,458
PAYMENT	92,500	608,200	608,200	608,200	608,200	608,200	608,200	608,200	608,200
INTEREST	92,500	92,500	82,960	73,243	63,346	53,266	43,000	32,544	21,894
PRINCIPAL	0	515,700	525,240	534,957	544,854	554,934	565,200	575,656	586,306
ENDING BALANCE	5,000,000	4,484,300	3,959,060	3,424,103	2,879,249	2,324,315	1,759,115	1,183,458	597,153
ROUNDING	0	516,000	525,000	535,000	545,000	555,000	565,000	576,000	586,000

10	11	12	13	14	15	16	17	18	19	20	
597,153	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
608,200	0	0	0	0	0	0	0	0	0	0	5,566,299
11,047	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	566,299
597,153	0	0	0	0	0	0	0	0	0	0	5,000,000
(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	
597,000	0	0	0	0	0	0	0	0	0	0	5,000,000

**REPAYMENT SCHEDULE**

**AMORTIZATION**

REAL PROPERTY

AMOUNT	20,000,000		
RATE	1.85%	10-Year Treasury	0.60%
TERM	20	Spread	1.00%
AMORTIZATION PERIOD	20	Cushion	0.25%
INTEREST ONLY	2		

YEARS	1	2	3	4	5	6	7	8	9
BEGINNING BALANCE	20,000,000	20,000,000	20,000,000	19,053,487	18,089,464	17,107,606	16,107,584	15,089,062	14,051,697
PAYMENT	370,000	370,000	1,316,513	1,316,513	1,316,513	1,316,513	1,316,513	1,316,513	1,316,513
INTEREST	370,000	370,000	370,000	352,490	334,655	316,491	297,990	279,148	259,956
PRINCIPAL	0	0	946,513	964,023	981,858	1,000,022	1,018,522	1,037,365	1,056,556
ENDING BALANCE	20,000,000	20,000,000	19,053,487	18,089,464	17,107,606	16,107,584	15,089,062	14,051,697	12,995,140
ROUNDING	0	0	947,000	964,000	982,000	1,000,000	1,019,000	1,037,000	1,057,000

10	11	12	13	14	15	16	17	18	19	20	
12,995,140	11,919,038	10,823,027	9,706,740	8,569,802	7,411,831	6,232,437	5,031,224	3,807,789	2,561,721	1,292,600	
1,316,513	1,316,513	1,316,513	1,316,513	1,316,513	1,316,513	1,316,513	1,316,513	1,316,513	1,316,513	1,316,513	24,437,230
240,410	220,502	200,226	179,575	158,541	137,119	115,300	93,078	70,444	47,392	23,913	4,437,230
1,076,103	1,096,011	1,116,287	1,136,938	1,157,971	1,179,394	1,201,213	1,223,435	1,246,069	1,269,121	1,292,600	20,000,000
11,919,038	10,823,027	9,706,740	8,569,802	7,411,831	6,232,437	5,031,224	3,807,789	2,561,721	1,292,600	0	
1,076,000	1,096,000	1,116,000	1,137,000	1,158,000	1,179,000	1,201,000	1,223,000	1,246,000	1,269,000	1,293,000	20,000,000

## ***Exhibit F: Additional Security***

The primary security for the Section 108 Loan Pool is the underwriting guidelines that follow in this exhibit. The portfolio will conform to the low risk profile. Moreover, the County will add a spread of 1% over its cost of funds to private borrowers. At current rates, this equates into the present value equivalent of a 7% to 8% loss reserve.

### ***Underwriting Guidelines- Businesses***

#### Definition

User transactions involve projects in which debt service is repaid from cash flow generated by an operating business- either from the production of a good or from the provision of a service. Whether a retail store, a wholesaler, a manufacturer or an accounting firm, all transactions, large and small, are analyzed in the same disciplined manner.

Numerically, business projects are defined as follows (a C-Corp):

Net Sales

Less: Cost of Goods Sold (Usually Nominal in a Service Business)

Equals: Gross Margin

Less: Operating Expenses

Equals: Operating Profit

Less Non-Operating Expenses

Equals: Earnings Before Tax

Less: Taxes

Equals: Net Profit After Tax

#### Project Review

Staff will review transactions on two levels: 1) upfront evaluation to determine whether the loan should be made (credit and federal eligibility) and 2) an annual review to determine whether reserves, collateral and additional security are sufficient. The annual credit review will ensure that the reserves are consistent with risk profiles over time.

## Credit Criteria

There are six credit criteria for business transactions. Although the criteria are similar for real estate projects, the process of analysis is materially different.

- Ability to Repay
- Collateral
- Commitment of Entrepreneur
- Adequacy of Balance Sheet
- Management Experience
- Character

All of the criteria are important and a material deficiency in any criterion may be sufficient to decline a loan request. In general, compilation financial statements are sufficient although small firms may only have tax statements available.

### ***Ability to Repay***

The ability to repay is generally determined by the debt coverage ratio. It is defined as gross cash flow divided by proposed and existing debt service. Unless a loan is subordinated in repayment to the Section 108 obligation, the debt service of all loans is included in the denominator.

In calculating gross cash flow, the analyst will include existing net profit after tax (if a C-Corp) plus depreciation. Moreover, the analyst can add any after-tax savings related to the proposed transaction, including discretionary expenses, rent savings, reduction of taxes due to increased depreciation and interest expenses, extending the maturities or maturation of existing debt, etc. Conversely, the analyst must net out the after-tax effect of any increased expenses, such as ad valorem tax, insurance, etc.

Since gross cash flow must fund additional capital expenditures and incremental working capital needs in addition to debt service (particularly for growing companies), the analyst must ensure the business has sufficient cash flow and/or additional debt capacity to fund all cash needs.

For existing businesses, the analyst will spread financial statements and observe trends in sales and profit growth, analyze operating costs as a percentage of sales and on an incremental basis, reconcile net worth from one period to the next and trace changes in cash position between statements.

## ***Collateral***

As a second means of repayment, staff will require specific liens on assets for all loans. The County will require verification of value from independent, qualified parties. Concerning appraisals for real estate, the analyst will ensure that the appraiser is acceptable to any co-lending conventional lender. The appraiser must be state certified and have experience with projects similar in size and scope to the subject. The borrower will pay for the appraisal; however, staff or a conventional lender will commission the document. The County will recognize the lower of cost or value and will scrutinize the methodology the appraiser utilizes to derive a reconciled value.

In general, staff will evaluate the adequacy of the collateral by using a loan to value ratio. The thresholds are enumerated for each classification of asset financed in the risk profiles.

## ***Commitment***

Third party borrowers must evidence commitment through the investment of equity and the pledge of corporate and personal guarantees for any owner or principal with an ownership interest equal to or greater than 20%. The County will have discretion in accepting limited guarantees or in very rare occasions, waiving the requirement for personal guarantees.

## ***Adequacy of the Balance Sheet***

The analyst will spread the balance sheet over time and will evaluate several quality indicators. The analyst will relate all of the measures to peers in their respective industries with any material disparities requiring further inquiry.

In addition to the following measures, the analyst will reconcile net worth and changes in sources and uses of cash between financial statements. Since the company's survival is dependent upon its capacity to generate cash, the analyst must ensure that all cash needs (debt service, working capital, capital expenditures) are met.

## **Receivables**

The analyst will calculate day's receivable and request an aging of receivables for periods of 0-30, 30-60, 60-90 and 90+ days. Unless there is a compelling reason, all receivables in excess of 90 days will be deemed uncollectable. The analyst will also evaluate the credit quality of the receivables in addition to detecting concentrations of sales and receivables to any one customer.

The Days Receivables is calculated by dividing sales into receivables and multiplying the result by the number of days in the period covered by the financial statements. The day's receivables is the average collection period of the business, which is then compared to the terms the company extends. The analyst will look at the trend over time. These two simple measures will

give the analyst a good indication of the ability of the company to collect its accounts and the quality of the receivables.

$$\text{Days Receivables} = \frac{\text{Receivables}}{\text{Sales}} \times \text{Days In Period}$$

### Inventory

The analyst will also compute a day's inventory ratio and an inventory turnover ratio. The Days Inventory is calculated by dividing inventory by cost of goods sold and multiplying the result by the number of days in the period. The Days Inventory is a rough calculation of the average number of days of cash flow relative to volume that the company has invested in inventory.

Inventory Turnover is defined as cost of goods sold divided by inventory and is the average number of times the inventory turned during the accounting period. The analyst will observe changes in these computations over time.

The inventory analysis is more relevant to non- service businesses since most service businesses have small or nominal amounts of inventory. If the transaction involves a relatively large manufacturing firm, the analyst may request an itemization of inventory as to raw materials, works-in-progress and finished goods. In some situations, an itemization as to product line may be needed.

The two simple measures will give the analyst a good indication of the ability of the business to manage its inventory and its quality.

$$\text{Days Inventory} = \frac{\text{Inventory}}{\text{COGS}} \times \text{Days In Period}$$

$$\text{Inventory Turnover} = \frac{\text{COGS}}{\text{Inventory}}$$

### Days Payables

The analyst will calculate Days Payables which is defined as payables divided by cost of goods sold times the number of days in the accounting period. The analyst will compare this number to the terms its suppliers extend to the company. Moreover, the analyst will request an aging of payables on a similar schedule as that specified for receivables. Unless proven otherwise, the analyst will assume that a payable in excess of 90 days is reason for the affected supplier to discontinue business with the prospective borrower. In addition, the analyst will note whether the business is exploiting discounts.

$$\text{Days Payables} = \frac{\text{Payables}}{\text{COGS}} \times \text{Days In Period}$$

### Days Accruals

The analyst will calculate Days Accruals which is defined as accruals divided by cost of goods sold times the number of days in the period. If the number is high the analyst will request an itemization and ensure that the company is not raiding its payroll withholding accounts.

$$\text{Days Accruals} = \frac{\text{Accruals}}{\text{COGS}} \times \text{Days In Period}$$

### Debt/ Worth

The analyst will determine the Debt/ Worth Ratio, which is defined as total liabilities divided by net worth of the company. Concerning officers loans, the amount may be treated as equity (subtracted from debt; added to equity) if the obligation is subordinated in both repayment and collateral. Unless there is a compelling reason, the analyst will subtract notes receivable-officers and intangible assets from net worth. Any assets reflecting value rather than cost will be reduced to book value (or adjusted basis for real estate deals) unless justified.

Since the anticipated market for the loans are small and medium sized businesses and since many small to mid-market companies hold assets personally, there are no minimum standards for this measure. The analyst and loan committee must use their judgment to ensure that the principals are not bleeding the company, that debt is reasonably managed; that the corporate guaranty has value and that there is adequate security for the loan.

$$\text{Debt to Worth} = \frac{\text{Debt} - \text{Subordinated Officer's Loan}}{\text{Net Worth} + \text{Subordinated Officer's Loan}}$$

### Schedule of Debt

The analyst will obtain a schedule of installment debt including the original amount, outstanding balance, maturity, interest rate, debt service, balloon payments and security for the loan. The analyst will note any pending balloon payments and whether assets (uses) are matched to loans (sources) as to maturity.

The analyst will spread the financial statements and discern trends over time. Moreover, the analyst will review the reconciliation of net worth and the changes in cash position from year to

year, which traces the sources and uses of cash. The analyst must ensure that the company is generating sufficient cash sources to repay all cash needs (debt service, working capital and capital expenditures). In general, compilation statements are sufficient for review although small firms may only have tax returns. The analyst should not employ any measure as an absolute as many are relative to specific SIC codes and other factors.

### ***Management Experience***

The management team should have direct experience in all phases of business: marketing, finance, production and operations. The management team includes not only owners and principals but also outside contractors and anyone who materially participates in the business.

### ***Character***

The principals of the company should have a good credit history, no recent bankruptcies and their past should suggest that he/ she will proceed on the project in a reasonable, legal and professional manner.

### **Risk Profiles**

#### Low to Moderate Risk

Low to moderate risk loans will comprise the entire Section 108 portfolio. Low to moderate risk business transactions will primarily fund real estate projects for existing, expanding companies.

- Ability to Repay

The low to moderate risk project has a minimum debt coverage ratio of 1.20. Accordingly, there is \$1.20 of cash flow available for each \$1 of existing and proposed debt service. The business must be in existence at least three years and meet the debt coverage ratio for the past year from historical cash flow although the analyst may include net after-tax savings associated with the transaction. In addition to repaying debt, the analyst must ensure there is sufficient cash flow or additional debt capacity to fund incremental cash needs for working capital and capital expenditures.

- Collateral

The County will utilize the following *maximum* loan to value ratios for low risk projects:

Real Estate:	Up to 80%
Personal Property:	Up to 75%

Inventory	Up to 60%
Receivables	Up to 75%

- Commitment

Low to moderate risk transactions will require general liens in the form of corporate and personal guarantees. In general, all principals with a 20% ownership in the project must sign personally, with the loan committee having the discretion to allow limited guarantees.

- Balance Sheet

The low to moderate risk transaction has a balance sheet which indicates that the company adequately manages its receivables, inventory, debt and accruals. Moreover, management reinvests sufficient profit back into the company and generates adequate cash flow to fund its operating and non-operating cash needs.

- Management

The low to moderate risk company must evidence that the management team has direct experience in all phases of the business- marketing, pricing, operations, financial, personnel, etc.

- Character

The principal and the business should have a good credit history and sound reputations.

### ***Underwriting Guidelines-Investor/ Real Estate Deals***

#### Definition

Real estate/ investor transactions involve projects in which debt service is paid from cash flow generated from leasing property to third party tenants. Real estate lending incorporates many types of projects: retail, industrial, warehousing, office space, multi- family residential, for example. Although retail projects are different from office buildings, each transaction is analyzed in the same manner. Since the property generates income, real estate/ investor projects are also called income-producing properties.

Numerically, real estate projects are defined as follows:

Gross Rents  
 Less: Vacancy Factor  
 Equals: Collected Rents  
 Less: Operating Expenses (Incurred by Owner of Property)

Equals: Net Operating Income (NOI)

Net Operating Income funds three subsequent claims in the following priority: 1) debt service, 2) replacement reserves and 3) return on and of equity.

### Project Review

Staff will review projects on two levels: 1) upfront evaluation to determine whether the loan should be made (credit and federal eligibility) and 2) an annual review to determine whether reserves, collateral and additional security are sufficient and consistent with the risk characteristics of the project. The annual credit review ensures that minimum reserves, which reflect the current risk profile, are maintained over time.

In general, an annual review should be beneficial to the County since two factors should progress in their favor over time: 1) rents, NOI and value should increase and 2) the Section 108 loan balance decreases. Combined with a fixed rate on Section 108 debt, a performing project becomes more secure as the loan ages.

### Credit Criteria

There are five credit criteria for real estate projects. Although similar to business financing, there are differences in the criteria. The major difference is in analyzing cash flow available for debt service.

The five criteria are as follows:

- Ability to Repay
- Collateral
- Development Team Capacity/ Experience
- Developer Commitment
- Character

Although lenders disagree as to which of the criterion is the highest priority, all are important and a substantive deficiency of any of the five may be sufficient to decline a loan request.

### ***Ability to Repay***

The ability to repay is usually defined as Net Operating Income divided by debt service. Generally called the Debt Coverage Ratio, this simple calculation indicates the cushion that a prospective project has in paying debt service.

Cash flow is the first source of repayment for the Section 108 indebtedness. Unless a loan is subordinated in repayment to the proposed loan, the debt service of all loans is included in the denominator.

In calculating Net Operating Income, the analyst must determine rents, vacancy and operating expenses. The analyst should complete fundamental analysis using the following methodology:

- Observe the Market (Economic Data, Demographic Information, Absorption, Etc.)
- Find Comparable Properties
- Adjust Comparables to Subject
- Select the "Most Comparable" and Weight Accordingly
- Determine Rents, Vacancy and Operating Expenses
- Solve For NOI
- Calculate DCR

### ***Collateral***

In the event that cash flow is insufficient to pay Section 108 debt service (and the developer does not voluntarily use other resources to keep the loan current), the loan becomes delinquent. Consequently, the County must now rely on a secondary means of repayment. To repay the loan, the County must obtain a judgment and liquidate the specific lien on the asset pledged as collateral.

For real estate/ investor transactions, the asset pledged is obviously real estate. The lender loans a percentage of the value of all assets pledged as collateral. Accordingly, loan to value is defined as the loan divided by the value. In calculating loan to value, the analyst includes all loans not subordinated in collateral to the Section 108 loan. The loan to value measures the collateral cushion to the lender and indicates how much the collateral can be discounted before the lender incurs a loss on liquidation.

### ***Development Team Capacity/ Experience***

The development team for a project could include the following members:

- Contractor
- Architect/ Engineer
- Leasing Agent
- Property Manager
- Syndicator
- Construction Manager
- Mortgage Banker (Arranges Permanent and Construction Loans)

- Provider of Feasibility Study
- Developer

The development team should have experience in all phases of the development. Many large developers can perform some of these functions in-house; others contract out for these services. (In no circumstance should the developer complete the feasibility study; only independent third parties should complete this task.)

Each member of the development team should have successfully completed a project comparable to the subject. In addition, each member of the development team should be established and possess resources sufficient to ensure completion of their respective task.

### ***Developer Commitment***

In business loans, personal and corporate guarantees are routine. If a project lacks cash flow to repay the debt service and liquidation of specific liens is insufficient to pay the outstanding balance on the loan, the lender secures a deficiency judgment and attempts to collect on general liens such as personal and corporate guarantees. Consequently, guarantees are the third source of repayment.

It is difficult to rely on general liens for repayment. Homestead exemptions, rights of redemption, bankruptcy laws, state law, allocation of assets between spouses, etc. complicate the issue further.

Real estate projects have separate complexities. For intricate tax reasons, it is difficult for developers to corporately or personally guarantee permanent mortgages, especially if the ownership form is a limited partnership or limited liability corporation (which are common) and the project involves significant tax benefits. Despite the complication, developers can indicate commitment in the following ways:

#### **Guarantee Completion of Construction**

The developer should guarantee that he/ she will complete construction on the project according to the specifications agreed upon.

#### **Absorb Cost Overruns**

The developer should absorb any cost overruns on the project, regardless of cause.

#### **Guarantee Cash Shortfalls**

If NOI is insufficient to pay debt service and fully fund replacement reserves, the developer should guarantee any cash flow shortfalls. Functionally, this provision is very similar to a

recourse mortgage.

### Defer Development Fee

Developers earn fees for performance. Accordingly, the bulk of the developer fee should be paid only after the project is built, the property is leased and debt coverage threshold is obtained. If the deal is syndicated, the investor agreement frequently contains this provision.

The analyst must evaluate financial strength of the entity extending the guarantees and determine their respective value. Among the factors affecting this analysis are other contingent liabilities of the same or related guarantor, means of valuing assets, tax considerations and state and federal laws governing allocation of assets between spouses.

### **Character**

A review of a developer's character includes such items as a credit history, a Dun and Bradstreet or similar report, prior bankruptcies, past criminal activity, past or pending litigation, professional standing and relationships within the community.

Regardless of the economics of a transaction, a developer with a chronic history of defaults, late payments, bankruptcy, broken promises and litigation with previous lenders may negate all of the positive aspects of the deal. Nevertheless, the analyst must use prudent judgment in evaluating the information. Credit reports and rumors frequently contain inaccurate information, and the existence of a prior blemish does not necessarily mean the developer is not credit worthy.

### Risk Profiles

#### **Low to Moderate Risk Projects**

Low to moderate risk loans will comprise the entire Section 108 loan portfolio. Low to moderate risk transactions have the following characteristics:

- Ability to Repay

The low to moderate risk project has a Debt coverage Ratio of at least 1.20 to 1. Thus, there is \$1.20 of projected NOI for every \$1 of new and existing debt service. There is a strong market for the net leasable area and/or there is significant pre-leasing of qualified tenants; therefore, the analyst has a high degree of confidence in projecting NOI.

A low to moderate risk real estate transaction allows a reasonable amount of time for the project to achieve a stabilized rate of occupancy and allocates an appropriate leasing reserve in

the budget. Moreover, the developer annually funds a replacement reserve to eventually renew those components of the property that wear out periodically (roof, HVAC, appliances, etc.) Furthermore, the budget is complete, reasonable and is based on a guaranteed maximum price for costs related to construction.

In addition to providing the lender with an adequate investment, a low to moderate risk project also provides adequate benefits to investors and the developer. Accordingly, the developer earns a reasonable fee if the property performs and the investors receive a market return on invested capital.

- Collateral

The loan to value should not exceed 80%.

The appraisal should be completed by an appraiser certified by the state and with a professional affiliation such as SRA or MAI. Moreover, the appraisal should conform to FIRREA standards. In general, the appraisal should determine fair market value and fee simple ownership. In addition, the appraiser should have experience evaluating comparable properties. Although the developer incurs the cost, the appraisal should be completed on behalf of the County or a conventional co-lender.

The analyst should always scrutinize the appraisal critically and not merely open the summary page and accept the reconciled value without question. The analyst should review the three approaches to value, note the assumptions and limiting conditions and made adjustments where appropriate.

- Development Team Capacity/ Experience

Each member of the development team should have experience in successfully completing a project comparable to the proposed transaction. Moreover, each member of the development team should be established and have adequate resources to guarantee the completion of their respective task.

- Developer Commitment

The developer should show commitment to the project. If the ownership entity is a limited partnership (or other entity which usually conveys a large percentage of ownership), the developer can evidence commitment by guaranteeing the completion of construction, absorbing budget shortfalls, guaranteeing cash flow shortfalls and deferring developer fees. Moreover, the entity issuing the guarantee has sufficient resources at risk in the event of a deficiency.

If the developer retains significant ownership, the developer can sign a recourse note or a limited guarantee in proportion to his interest in addition to the guarantees and deferrals

enumerated above.

- Character

The developer should have a favorable credit history; moreover, the developer's past suggests that he/ she will proceed on the project in a legal, reasonable and professional manner.

### Effect of Size

Although small deals are analyzed in essentially the same manner as larger transactions, large projects should undergo more intense scrutiny and higher standards since larger loans pose potentially more risk to the community.

Accordingly, localities should require the following for projects whose costs exceed \$1 million:

#### *Developer Financial Statements*

In most projects, the financial statements of the developer should be completed by a CPA and reflect current market appraisals which are assessed by an independent, qualified appraiser. Moreover, the net worth calculation should reflect the equivalent of cash and net out sales expenses and taxes. Furthermore, the developer should sign and date the financial statements.

#### *Cost Certification*

In a cost certification, an independent third party reviews the disbursements of funds and certifies that the distributions occurred in a manner that is consistent with the approved project budget.

#### *Feasibility Studies*

For larger projects, the community should obtain a market or feasibility study from an independent, third party who is experienced in the type of project involved in the financing request.

### Other Considerations

#### *Analysis of the Budget*

The analyst must scrutinize the budget for completeness, reasonableness and consistency with comparable projects. It is the starting point for determining the need for financing, for addressing the financial aspects of appropriateness and for calculating the amount of equity needed to complete the project. Both overstated and understated budgets pose risks to the community.

An inflated budget usually increases the amount of the loan without increasing value commensurately. This increases the risk to the locality and the developer frequently captures the excess as an increment in the development fee.

An understated budget poses different risks. In extreme situations, there are not enough funds to complete the project. Alternatively, the developer compromises on the quality (which may effect rents) of the project or diverts his attention to transactions with more lucrative potential for compensation.

### *Environmental Issues*

Although HUD policy requires an environmental release prior to the disbursement of funds, the analyst should be aware of issues such as a Phase I environmental review, flood plain, earthquake prone areas and other related environmental issues. In addition, the project must conform to all applicable zoning ordinances.

### *Site Control*

The developer must have site control for a period sufficient to complete predevelopment work and to allow for the Section 108 application and review process.

## **Underwriting Guidelines - Public Facilities**

If the County undertakes a public facility, it is likely that the asset will not generate income (an exception is a supplemental ad valorem tax for industrial parks or other non-LMI entities). In that event, the County will pledge income streams or assets that are sufficient to adequately secure the Section 108 obligation.

- If an income stream is the security, staff will evaluate the historical cash flow and secure a projection of future cash flows for the term of the Section 108 loan. Staff will then discount the future cash flows to a present value using the interest rate forecast for the Level # 2 loan plus a 50 basis point premium. The discounted present value must equal 125% of the Section 108 loan amount (equivalent to an 80% Loan to Value).
- If assets are the security, the County will secure a qualified appraisal of the property. The property must not be “specialized” and the value should adjust for any deficiencies or “cost to cure”. The asset have a minimum value sufficient to conform to an 80% Loan to Value ratio.
- An alternative to the above is having the County make the Section 108 loan a “general obligation” of the County.

## ***Exhibit G: Delivery System***

The County will establish a delivery system for its Section 108 Loan Pool. The system will consist of the following components. Each component is also a subsystem. The County will utilize a combination of internal staff, consultants and/or subcontractors to provide the needed services. The County will incorporate checklists to ensure conformance to Section 108 provisions, underwriting guidelines and program close-out. Accordingly, the County will closely monitor the activities in order to detect any problems or deficiencies early.

### Marketing

The County will market the program to potential sources of transactions- developers, businesses, bankers, commercial realtors, attorneys and other persons who are aware of prospective projects. The effort will include presentations to small groups individually and marketing materials including brochures, e-mail transmissions and direct mail.

### Screening

Once staff identifies a prospective transaction, it will request the potential borrower to submit sufficient information to screen the project for eligibility (eligible activity, national objective and appropriateness) and conformance to the Underwriting Guidelines (Exhibit F). Accordingly, staff will spend time only on those projects that have a reasonable chance of success (both eligible and having low risk).

### Packaging

If the prospective transaction passes screening, staff will then proceed to preparing the Eligibility Determination.

### Approving

The County presumes the Area Office will make the evaluation of the Eligibility Determination. HUD central will approve the Loan Pool Application.

### Closing

Once approved, the Level # 1 transaction goes to HUD Central for closing both the interim loan and the conversion to permanent financing at the public offering. HUD Central prepares the majority of the Level # 1 documents and most are boilerplate.

Regarding the Level # 2 transaction, the County will acquire the services of an experienced attorney to prepare the closing documents. The documents will vary with the type of transaction but usually include a Loan Agreement, a Note, Jobs Agreement (if applicable), Deed of Trust or Mortgage, UCC filing (if applicable) and some form of General Lien (guarantee).

### Disbursement

The County will establish policies and procedures to disburse Section 108 funds for both Level # 1 and Level # 2 transactions. Staff will create the Loan Guarantee Custodian Account with the Custodial lender to accept disbursements (wire transfers) from the Fiscal Agent.

The County will establish procedures to adequately document disbursements to the third-party borrower and to ensure that value is added to the project and to reduce risk to the County.

### Portfolio Management

The County will develop a portfolio management subsystem to properly document conformance to public benefit and national objective provisions, collect and account for loan repayments and to preserve the value of the collateral securing the Section 108 loans. Moreover, staff will establish the Repayment and Loss Reserve Custodial Accounts with the Custodial Lender.

The County is using technical assistance from Enterprise Community Partners whose team includes subcontractors who have extensive experience with the origination and delivery of the Section 108 program. The technical assistance team will provide staff with checklists and guides to assist in establishing and implementing each component of the delivery system.

### Organizational Chart

Primary County staff that will administer the Loan Pool include:

- Aspasia Xypolia, Director DHCD
- LeShann Murphy, Senior Project Manager DHCD
- Pam Wilson, Housing Development Manager DHCD
- Adam Kulikowski, Senior Underwriter DHCD

The County reserves the option of delegating selected functions of the delivery system to contractors or subrecipients provided they evidence sufficient capacity and HUD does not object.

## ***Exhibit H: Appropriateness***

Since the County will likely utilize the eligible activity of special economic development, individual transactions may be subject to the appropriateness criteria enumerated in 24 CFR 570.209.

### **Financial Aspects**

The County will document compliance with each economic development transaction according to “Guidelines and Objectives for Evaluating Project Costs and Financial Requirements” specified in 24 CFR 570.209(a):

#### Reasonableness of the Proposed Project Costs and Financial Feasibility

Each use of loan funds shall be evaluated to ensure the reasonableness of proposed project costs. The scope of this evaluation will depend on the size and nature of each project. Care will be taken to use third party evaluations of costs wherever appropriate, and particular attention will be exercised when an activity involves a non-arm’s-length transaction.

#### Commitment of all Sources of Funds

The County shall review every project to verify that all sources of funding are committed prior to disbursement of Section 108 Loan funds.

#### Substitution of CDBG funds for Private Sources

County staff will evaluate all projects to ensure conventional debt and equity within the capital structure are reasonable. Moreover, staff will document that Section 108 funds are not substituting for private funds and that the Section 108 funds bridge a Financing gap, a Rate of Return gap or a Locational gap.

#### Feasibility of the Project

Staff will document that with the inclusion of the Section 108 funds in the capital structure, all transactions conform to the Underwriting Guidelines enumerated in Exhibit F. Accordingly, all transactions will comply with a low to moderate risk profile.

#### Return on Owner's Equity

The County will document whether the Return on Equity is excessive. The type of transaction may affect the analysis and may include pre-tax evaluations, after-tax calculations, net present

value or internal rate of return. This component is difficult to apply to small and medium businesses and may not be applicable.

### Pro Rata Disbursement Policy

It is the intent of the Section 108 Loan Pool to disburse funds on a pro rata basis with other funds being used in specific projects. In those situations where pro rata disbursement is not followed (such as acquisition of real property), staff will justify the procedure and seek alternative means to mitigate risk.

### **Public Benefit**

The County will also document the conformance of economic development transactions to “Standards for Evaluating Public Benefit” enumerated in 24 CFR 570.209(b).

Under the provisions of 24 CFR 570.209(b)(2)(v)(F), the grantee may elect to waive the aggregate standard if the assistance is provided to a business located in a census tract with a minimum of 20% of its residents below the threshold for poverty.

For the majority of transactions, staff will employ the number of jobs as the criterion for documenting public benefit; however, in limited situations, the group reserves the option of utilizing the number of low and moderate-income persons the project serves.

**Exhibit I: Certifications**

**SECTION 108 LOAN GUARANTEES  
ENTITLEMENT PUBLIC ENTITY CERTIFICATIONS**

In accordance with Section 108 of the Housing and Community Development Act of 1974, as amended, (the Act”) and with 24 CFR § 570.704(b) the public entity certifies that:

(i) it possesses the legal authority to submit the application for assistance under 24 CFR Part 570, Subpart M (“Subpart M”) and to use the guaranteed loan funds in accordance with the requirements of Subpart M.

(ii) Its governing body has duly adopted or passed as an official act a resolution, motion or similar action authorizing the person identified as the official representative of the public entity to submit the application and amendments thereto and all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the public entity to act in connection with the application to provide such additional information as may be required.

(iii) Before submission of its application to HUD, the public entity has:

(A) Furnished citizens with information required by § 570.704(a) (2) (i);

(B) Held at least one public hearing to obtain the views of citizens on community development and housing needs; and

(C) Prepared its application in accordance with § 570.704 (a) (1) (iv) and made the application available to the public.

(iv) It is following a detailed citizen participation plan which meets the requirements described in § 570.704 (a) (2).

(v) The public entity will affirmatively further fair housing, and the guaranteed loan funds will be administered in compliance with:

(A) Title VI of the Civil Rights Act of 1964 (Pub. L. 88-352, 42 U.S.C. 2000d et seq.); and

(B) The Fair Housing Act (42 U.S.C. 3601-20).

(vi) In the aggregate, at least 70 percent of all CDBG funds, as defined at § 570.3(e), to be expended during the one, two, or three consecutive years specified by the public entity for its CDBG program will be for activities which benefit low and moderate income persons, as described in criteria at § 570.208(a).

(vii) It will comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low and moderate- income housing described in § 570.606.

(viii) It will comply with the requirements of § 570.200(c) (2) with regard to the use of special assessments to recover the capital costs of activities assisted with guaranteed loan funds.

(ix) It will comply with the other provisions of the Act and with other applicable laws.

(x) (Where applicable, the public entity may also include the following additional certification.) It lacks sufficient resources from funds provided under Subpart M or program income to allow it to comply with the provisions of § 570.200(c) (2), and it must therefore assess properties owned and occupied by moderate income persons, to recover the guaranteed loan funded portion of the capital cost without paying such assessments in their behalf from guaranteed loan funds.

***Certification of Efforts to Obtain Other Financing***

The City of Houston hereby assures and certifies with respect to its application for a loan guarantee pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, that it has made efforts to obtain financing for the activities described herein without the use of such guarantee, it will maintain documentation of such efforts for the term of the loan guarantee, and it cannot complete such financing consistent with the timely execution of the project without such guarantee.

***Certification of Legal Authority to Pledge Grants***

The public entity hereby certifies and assures with respect to its application for a loan guarantee pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, that it possesses the legal authority to make the pledge of grants required under 24 CFR 570.705(b)(2).

\_\_\_\_\_  
Signature of Public Official

\_\_\_\_\_  
Date

Name:

Title:

# Certification Regarding Debarment and Suspension

U.S. Department of Housing  
and Urban Development

## Certification A: Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions

1. The prospective primary participant certifies to the best of its knowledge and belief that its principals;

a. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal debarment or agency;

b. Have not within a three-year period preceding this proposal, been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State, or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statements, or receiving stolen property;

c. Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State, or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and

d. Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State, or local) terminated for cause or default.

2. Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

### Instructions for Certification (A)

1. By signing and submitting this proposal, the prospective primary participant is providing the certification set out below.

2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. The prospective participant shall submit an explanation of why it cannot provide the certification set out below. The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.

3. The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause of default.

4. The prospective primary participant shall provide immediate written notice to the department or agency to whom this proposal is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.

5. The terms **covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded**, as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the department or agency to which this proposal is being submitted for assistance in obtaining a copy of these regulations.

6. The prospective primary participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction.

7. The prospective primary participant further agrees by submitting this proposal that it will include the clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines this eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List.

9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

10. Except for transactions authorized under paragraph (6) of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause of default.

**Certification B: Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions**

1. The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.
2. Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

**Instructions for Certification (B)**

1. By signing and submitting this proposal, the prospective lower tier participant is providing the certification set out below.
2. The certification in this clause is a material representation of fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective lower tier participant shall provide immediate written notice to the person to which this proposal is submitted if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
4. The terms **covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded**, as used in this clause, have the meanings set out in the Definitions and Coverage sections of rules implementing Executive Order 12549. You may contact the person to which this proposal is submitted for assistance in obtaining a copy of these regulations.

5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency with which this transaction originated.

6. The prospective lower tier participant further agrees by submitting this proposal that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the Nonprocurement List.

8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized under paragraph (5) of these instructions, if a participant in a lower covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies including suspension and/or debarment.

Applicant		Date
Signature of Authorized Certifying Official		Title

# Applicant/Recipient Disclosure/Update Report

U.S. Department of Housing and Urban Development

OMB Approval No. 2506-0214 (exp. 2/28/2022)

**Instructions.** (See Public Reporting Statement and Privacy Act Statement and detailed instructions on page 2.)

**Applicant/Recipient Information** Indicate whether this is an Initial Report  or an Update Report

1. Applicant/Recipient Name, Address, and Phone (include area code):	2. Amount of HUD Assistance Requested/Received
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3. HUD Program Name

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5. State the name and location (street address, City and State) of the project or activity:

### Part I Threshold Determinations

1. Are you applying for assistance for a specific project or activity? These terms do not include formula grants, such as public housing operating subsidy or CDBG block grants. (For further information see 24 CFR Sec. 4.3). Yes <input type="checkbox"/> No <input type="checkbox"/>	2. Have you received or do you expect to receive assistance within the jurisdiction of the Department (HUD), involving the project or activity in this application, in excess of \$200,000 during this fiscal year (Oct. 1 - Sep. 30)? For further information, see 24 CFR Sec. 4.9 <input type="checkbox"/> Yes <input type="checkbox"/> No
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If you answered "No" to either question 1 or 2, **Stop!** You do not need to complete the remainder of this form. **However,** you must sign the certification at the end of the report.

### Part II Other Government Assistance Provided or Requested / Expected Sources and Use of Funds.

Such assistance includes, but is not limited to, any grant, loan, subsidy, guarantee, insurance, payment, credit, or tax benefit.

Department/State/Local Agency Name and Address	Type of Assistance	Amount Requested/Provided	Expected Uses of the Funds

(Note: Use Additional pages if necessary.)

### Part III Interested Parties. You must disclose:

- All developers, contractors, or consultants involved in the application for the assistance or in the planning, development, or implementation of the project or activity and
- any other person who has a financial interest in the project or activity for which the assistance is sought that exceeds \$50,000 or 10 percent of the assistance (whichever is lower).

Alphabetical list of all persons with a reportable financial interest in the project or activity (For individuals, give the last name first)	Type of Participation in Project/Activity	Financial Interest in Project/Activity (\$ and %)

(Note: Use Additional pages if necessary.)

### Certification

**Warning:** If you knowingly make a false statement on this form, you may be subject to civil or criminal penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosures of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation. I certify that this information is true and complete.

Signature:	Date: (mm/dd/yyyy)
X	

**Public reporting burden** for this collection of information is estimated to average 2.0 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection information unless that collection displays a valid OMB control number.

**Privacy Act Statement.** Except for Social Security Numbers (SSNs) and Employer Identification Numbers (EINs), the Department of Housing and Urban Development (HUD) is authorized to collect all the information required by this form under section 102 of the Department of Housing and Urban Development Reform Act of 1989, 42 U.S.C. 3531. Disclosure of SSNs and EINs is voluntary. HUD is authorized to collect this information under the Housing and Community Development Act of 1987 42 U.S.C.3543 (a). The SSN or EIN is used as a unique identifier. The information you provide will enable HUD to carry out its responsibilities under Sections 102(b), (c), and (d) of the Department of Housing and Urban Development Reform Act of 1989, Pub. L. 101-235, approved December 15, 1989. These provisions will help ensure greater accountability and integrity in the provision of certain types of assistance administered by HUD. They will also help ensure that HUD assistance for a specific housing project under Section 102(d) is not more than is necessary to make the project feasible after taking account of other government assistance. HUD will make available to the public all applicant disclosure reports for five years in the case of applications for competitive assistance, and for generally three years in the case of other applications. Update reports will be made available along with the disclosure reports, but in no case for a period generally less than three years. All reports, both initial reports and update reports, will be made available in accordance with the Freedom of Information Act (5 U.S.C. §552) and HUD's implementing regulations at 24 CFR Part 15. HUD will use the information in evaluating individual assistance applications and in performing internal administrative analyses to assist in the management of specific HUD programs. The information will also be used in making the determination under Section 102(d) whether HUD assistance for a specific housing project is more than is necessary to make the project feasible after taking account of other government assistance. You must provide all the required information. Failure to provide any required information may delay the processing of your application, and may result in sanctions and penalties, including imposition of the administrative and civil money penalties specified under 24 CFR §4.38.

**Note:** This form only covers assistance made available by the Department. States and units of general local government that carry out responsibilities under Sections 102(b) and (c) of the Reform Act must develop their own procedures for complying with the Act.

## Instructions

### Overview.

A. Coverage. You must complete this report if:

- (1) You are applying for assistance from HUD for a specific project or activity and you have received, or expect to receive, assistance from HUD in excess of \$200,000 during the during the fiscal year;
- (2) You are updating a prior report as discussed below; or
- (3) You are submitting an application for assistance to an entity other than HUD, a State or local government if the application is required by statute or regulation to be submitted to HUD for approval or for any other purpose.

B. Update reports (filed by "Recipients" of HUD Assistance):

**General.** All recipients of covered assistance must submit update reports to the Department to reflect substantial changes to the initial applicant disclosure reports.

### Line-by-Line Instructions.

#### Applicant/Recipient Information.

All applicants for HUD competitive assistance, must complete the information required in blocks 1-5 of form HUD-2880:

1. Enter the full name, address, city, State, zip code, and telephone number (including area code) of the applicant/recipient. Where the applicant/recipient is an individual, the last name, first name, and middle initial must be entered.
2. Applicants enter the HUD program name under which the assistance is being requested.
3. Applicants enter the amount of HUD assistance that is being requested. Recipients enter the amount of HUD assistance that has been provided and to which the update report relates. The amounts are those stated in the application or award documentation. NOTE: In the case of assistance that is provided pursuant to contract over a period of time (such as project-based assistance under section 8 of the United States Housing Act of 1937), the amount of assistance to be reported includes all amounts that are to be provided over the term of the contract, irrespective of when they are to be received.
4. Applicants enter the name and full address of the project or activity for which the HUD assistance is sought. Recipients enter the name and full address of the HUD-assisted project or activity to which the update report relates. The most appropriate government identifying number must be used (e.g., RFP No.; IFB No.; grant announcement No.; or contract, grant, or loan No.) Include prefixes.

#### Part I. Threshold Determinations - Applicants Only

Part I contains information to help the applicant determine whether the remainder of the form must be completed. **Recipients filing Update Reports should not complete this Part.**

If the answer to *either* questions 1 or 2 is No, the applicant need not complete Parts II and III of the report, but must sign the certification at the end of the form.

#### Part II. Other Government Assistance and Expected Sources and Uses of Funds.

A. Other Government Assistance. This Part is to be completed by both applicants and recipients for assistance and recipients filing update reports. Applicants and recipients must report any other government assistance involved in the project or activity for which assistance is sought. Applicants and recipients must report any other government assistance involved in the project or activity. Other government assistance is defined in note 4 on the last page. For purposes of this definition, other government assistance is expected to be made available if, based on an assessment of all the circumstances involved, there are reasonable grounds to anticipate that the assistance will be forthcoming.

Both applicant and recipient disclosures must include all other government assistance involved with the HUD assistance, as well as any other government assistance that was made available before the request, but that has continuing vitality at the time of the request. Examples of this latter category include tax credits that provide for a number of years of tax benefits, and grant assistance that continues to benefit the project at the time of the assistance request.

The following information must be provided:

1. Enter the name and address, city, State, and zip code of the government agency making the assistance available.
2. State the type of other government assistance (e.g., loan, grant, loan insurance).
3. Enter the dollar amount of the other government assistance that is, or is expected to be, made available with respect to the project or activities for which the HUD assistance is sought (applicants) or has been provided (recipients).
4. Uses of funds. Each reportable use of funds must clearly identify the purpose to which they are to be put. Reasonable aggregations may be used, such as "total structure" to include a number of structural costs, such as roof, elevators, exterior masonry, etc.

B. Non-Government Assistance. Note that the applicant and recipient disclosure report must specify all expected sources and uses of funds - both from HUD *and any other source* - that have been or are to be, made available for the project or activity. Non-government sources of

funds typically include (but are not limited to) foundations and private contributors.

### Part III. Interested Parties.

This Part is to be completed by both applicants and recipients filing update reports. Applicants must provide information on:

1. All developers, contractors, or consultants involved in the application for the assistance or in the planning, development, or implementation of the project or activity and
2. any other person who has a financial interest in the project or activity for which the assistance is sought that exceeds \$50,000 or 10 percent of the assistance (whichever is lower).

**Note:** A financial interest means any financial involvement in the project or activity, including (but not limited to) situations in which an individual or entity has an equity interest in the project or activity, shares in any profit on resale or any distribution of surplus cash or other assets of the project or activity, or receives compensation for any goods or services provided in connection with the project or activity. Residency of an individual in housing for which assistance is being sought is not, by itself, considered a covered financial interest.

The information required below must be provided.

1. Enter the full names and addresses. If the person is an entity, the listing must include the full name and address of the entity as well as the CEO. Please list all names alphabetically.
2. Enter the type of participation in the project or activity for each person listed: i.e., the person's specific role in the project (e.g., contractor, consultant, planner, investor).
3. Enter the financial interest in the project or activity for each person listed. The interest must be expressed both as a dollar amount and as a percentage of the amount of the HUD assistance involved.

**Note** that if any of the source/use information required by this report has been provided elsewhere in this application package, the applicant need

not repeat the information, but need only refer to the form and location to incorporate it into this report. (It is likely that some of the information required by this report has been provided on SF 424A, and on various budget forms accompanying the application.) If this report requires information beyond that provided elsewhere in the application package, the applicant must include in this report all the additional information required.

Recipients must submit an update report for any change in previously disclosed sources and uses of funds as provided in Section I.D.5., above.

#### Notes:

1. All citations are to 24 CFR Part 4, which was published in the Federal Register. [April 1, 1996, at 63 Fed. Reg. 14448.]
2. Assistance means any contract, grant, loan, cooperative agreement, or other form of assistance, including the insurance or guarantee of a loan or mortgage, that is provided with respect to a specific project or activity under a program administered by the Department. The term does not include contracts, such as procurements contracts, that are subject to the Fed. Acquisition Regulation (FAR) (48 CFR Chapter 1).
3. See 24 CFR §4.9 for detailed guidance on how the threshold is calculated.
4. "Other government assistance" is defined to include any loan, grant, guarantee, insurance, payment, rebate, subsidy, credit, tax benefit, or any other form of direct or indirect assistance from the Federal government (other than that requested from HUD in the application), a State, or a unit of general local government, or any agency or instrumentality thereof, that is, or is expected to be made, available with respect to the project or activities for which the assistance is sought.
5. For the purpose of this form and 24 CFR Part 4, "person" means an individual (including a consultant, lobbyist, or lawyer); corporation; company; association; authority; firm; partnership; society; State, unit of general local government, or other government entity, or agency thereof (including a public housing agency); Indian tribe; and any other organization or group of people.

# Certification of Consistency with the Consolidated Plan

U.S. Department of Housing  
and Urban Development

I certify that the proposed activities/projects in the application are consistent with the jurisdiction's current, approved Consolidated Plan. (Type or clearly print the following information:)

ApplicantName: \_\_\_\_\_

ProjectName: \_\_\_\_\_

Location of the Project: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name of the Federal  
Program to which the  
applicant is applying: \_\_\_\_\_

Name of  
Certifying Jurisdiction: \_\_\_\_\_

Certifying Official  
of the Jurisdiction  
Name: \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

***Exhibit J: Pre-submission Requirements***

Prince George's County has included the proposed Loan Pool in its 2021-2025 Consolidated Plan and Annual Action Plans. Accordingly, the activity conforms to the public notices, public hearings, the Citizen Participation Plan and other provisions enumerated in 24 CFR 570.704(a).

## **FOR MORE INFORMATION**

Copies of the Loan Pool Section 108 Loan Application are available on the County's website at [www.princegeorgescountymd.gov/sites/dhcd/resources/plansandreports](http://www.princegeorgescountymd.gov/sites/dhcd/resources/plansandreports). To obtain a copy of the Application, contact the Community Planning and Development Division at: 301-883-5570 or 301-883-5540.

**Prince George's County Department of Housing & Community Development**

**Aspasia Xypolia, Director**

**Tamika C. Gauvin, Deputy Director**

**9200 Basil Court, Suite 500**

**Largo, Maryland 20774**

**Telephone: (301) 883-5570 or TDD: (301) 883-5428**



Prince George's County affirmatively promotes equal opportunity and does not discriminate on the basis of race, color, gender, religion, ethnic or national origin, disability, or familial status in admissions or access to benefits in programs or activities.

