



City Council

Briefing on Community Development Block Grant (CDBG) Action Plan Amendment to Include Section 108 Loan

Agenda Date: 8/22/2017
Agenda Item Number: 6.B
File Number: 17-0868

Type: decision **Version:** 2 **Status:** Passed

Title

Briefing on Community Development Block Grant (CDBG) Action Plan Amendment to Include Section 108 Loan

Recommended Action

Committee Recommendation:

Not referred to a committee.

City Manager Recommendation:

Receive the briefing and direct staff to hold a public hearing to amend the City's Community Development Block Grant (CDBG) Action Plan for Program Year (PY) 2017 to include Section 108 loan funds for the Avalon project on the former Griswold's property, and forward the amended plan to U.S. Department of Housing and Urban Development (HUD) for approval.

Report

Issue:

Whether to receive a briefing and directing staff to hold a public hearing on amending the City's CDBG PY 2017 Action Plan to include Section 108 loan funds for the Avalon project?

Staff Contact:

Leonard Bauer, Deputy Director, Community Planning and Development, 360.753.8206

Presenter(s):

Leonard Bauer, Deputy Director, Community Planning and Development
Renee Sunde, Economic Development Director, Community Planning and Development

Background and Analysis:

In 2013, HUD approved Olympia's Section 108 Loan Guarantee Fund in the amount of \$1,756,000, which is backed by a pledge of Olympia's current and future annual CDBG entitlement. This pledge facilitates the city's access to the Section 108 Loan Guarantee Program to fund eligible activities pursuant to 24 CFR 570.703 that may include acquisition, clearance, demolition, removal, site preparation, eligible housing rehabilitation, economic-development activities, or public facilities. Olympia's first loan was completed in 2014, for downtown safety improvements that provided

accessibility improvements at State Avenue and Columbia Street, and alley lighting installation throughout downtown.

As Olympia identifies project-specific Section 108 loan proposals to be funded, each project undergoes a full financial underwriting analysis. The City has contracted with the National Development Council to perform underwriting analyses for its Section 108 loan program. Section 108 loan projects must also be included in the City's CDBG Action Plan, after public review in accordance with the city's Citizen Participation Plan. This review includes a 30-day public comment period, including a public hearing. The Section 108 loan application is then submitted to HUD for review and approval. The City of Olympia's Section 108 Loan Guarantee Fund will continue to be available through September 30, 2018, or until all funds are expended.

The Avalon project will redevelop the blighted building formerly occupied by Griswold's at 308-310 4th Avenue East. The site is the first that was designated as a public-private partnership under the City's Community Renewal Area (CRA), which was adopted in 2015. The state's Community Renewal Law provides the City with tools to eliminate blight, and to use those tools to encourage private sector participation in downtown renewal in partnership with the City.

The proposed Avalon building will include approximately 5,900 square feet of leasable commercial space on the first floor. Current plans include a lease for a co-working space that would be managed through a partnership between the Thurston Economic Development Council and The Evergreen State College. Floors 2-4 of the building would include multi-family housing units. At least 51 percent of the housing units will be required to be rented at or below 80 percent of area median income, maintaining eligibility for the Section 108 loan program.

A draft Section 108 loan application will be shared with Council. It includes a summary of the proposed Section 108 loan as a part of the overall financing for the Avalon project. The developer is requesting a loan of approximately \$500,000.

Neighborhood/Community Interests (if known):

There is strong interest city-wide in downtown redevelopment projects and in the CRA process. There is also significant interest city-wide in the Avalon project due to its inclusion of affordable housing units (at or below 80% AMI) and proposed co-working space.

Options:

1. Receive the briefing and direct staff to hold a public hearing to consider amending the CDBG PY 2017 Action Plan to include Section 108 loan funds for the Avalon project.
2. Receive the briefing and do not direct staff to hold a public hearing to consider amending the CDBG PY 2017 Action Plan to include Section 108 loan funds for the Avalon project.

Financial Impact:

Section 108 loan funds may be awarded to an outside entity, or to the City for a public project. Repayment of the loan would be backed by payments from future CDBG entitlement grants, and the

Type: decision **Version:** 2 **Status:** Passed

full faith and credit of the City.

Attachments:

None