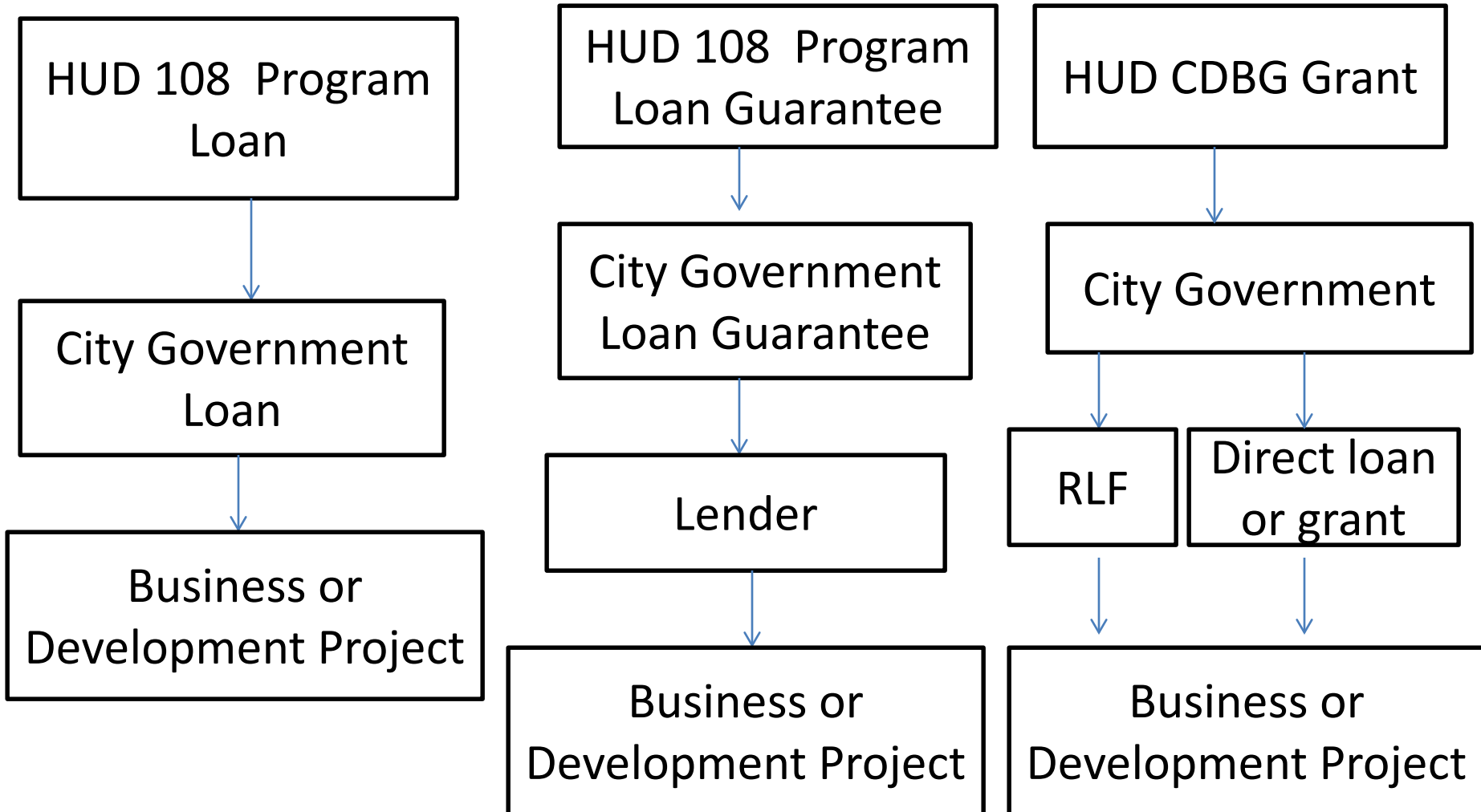




Federal ED Finance Tools

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

HUD Programs



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

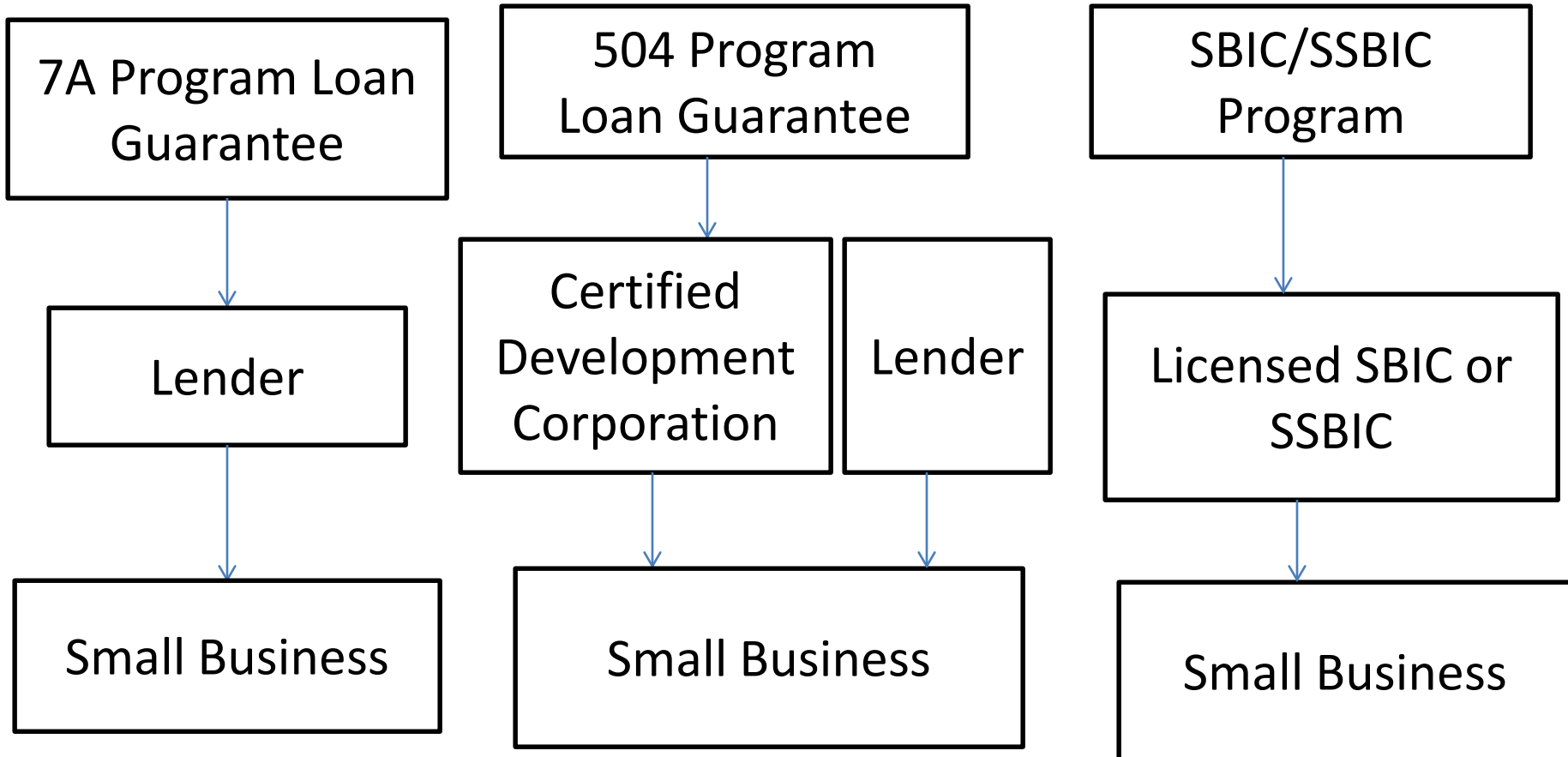


ED Program or Project

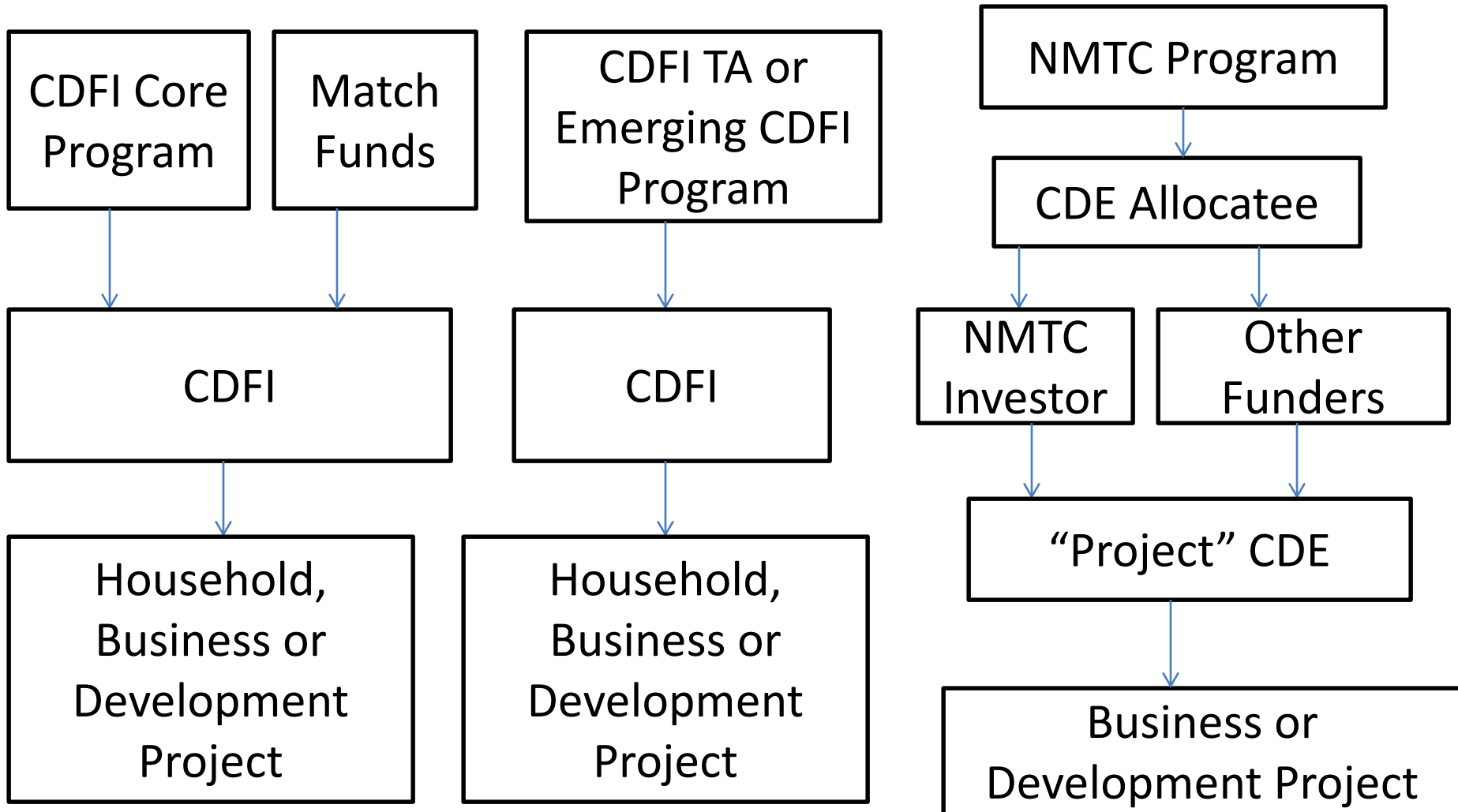


Business or Development Project

SBA Programs



US Treasury CDFI Programs



EDA FY2016 Appropriation

Program	Appropriation (\$ millions)
Public Works	100
Economic Adjustment	35
Planning	32
Technical Assistance	10.5
Research and Evaluation	1.5
Trade Adjustment Assistance	13
Regional Innovation Strategies & Science Park Guarantees	15
Assistance to Coal Mining Communities	15
Salaries and Expenses	30
Total	261

CDBG FY2016 Appropriation

Program	Appropriation (\$ millions)
CDBG	3,066
HUD 108	300

HHS FY2016 Appropriation

Program	Appropriation (\$ millions)
Community Economic Development Grants	19

CDFI Fund FY2016 Appropriation

Program	Appropriation (\$ millions)
CDFI Program	153.4
Bank Enterprise Awards	19
Native American CDFIs	15
Administration	23.1
Healthy Food Financing	22
Small Dollar Loan Program	0
Total	230.5



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

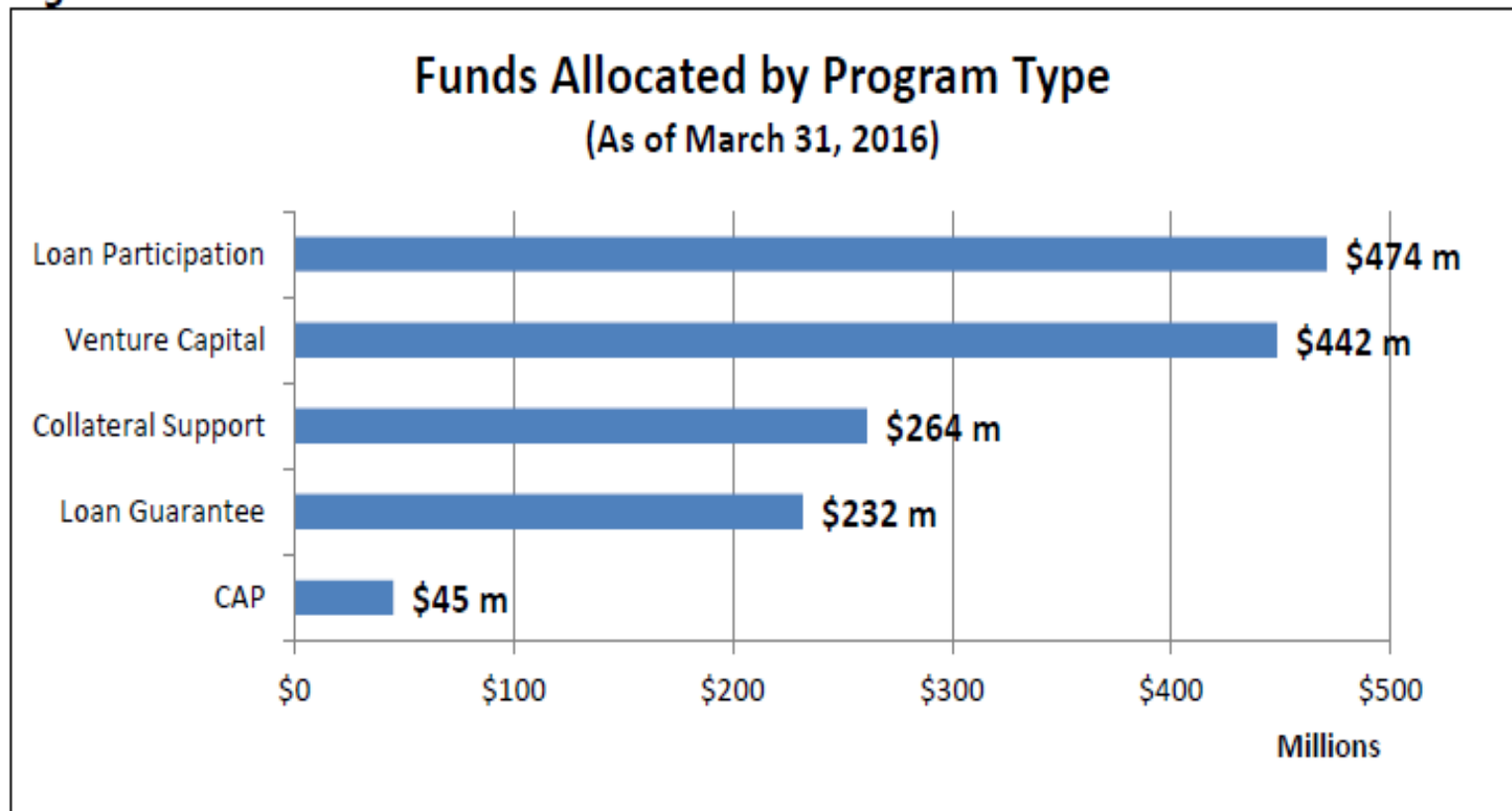
- Regional Center Pilot Program
 - Larger regional approach to pool investor fund to finance projects and businesses
 - Allows direct and indirect jobs to count toward 10 jobs
- PIDC with CanAM enterprises gained Regional Center designation in 2003
- Raised \$281 million to finance 20 projects
 - Navy 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

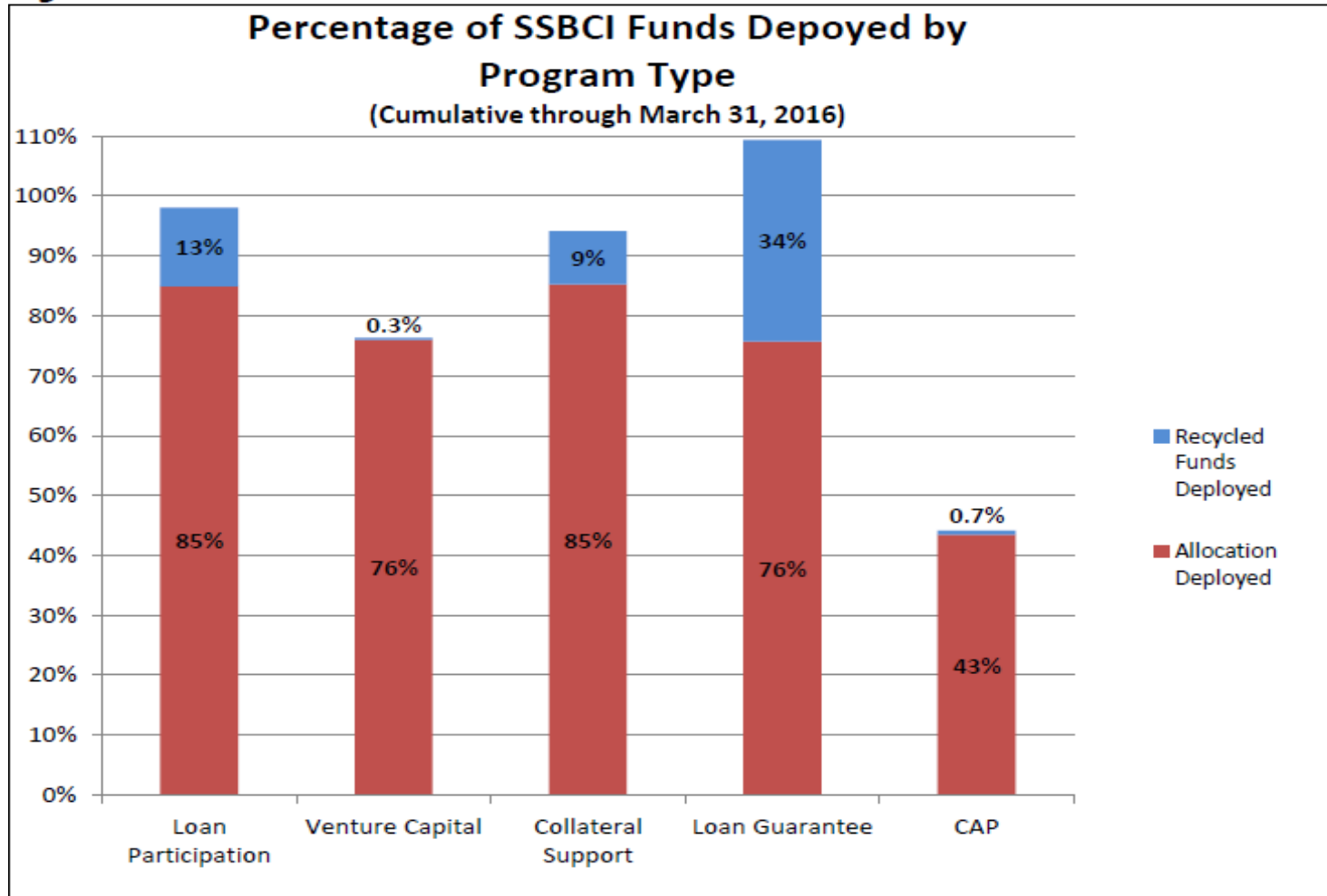
Figure 7.



This data is in the public domain.

SSBCI Funding Deployment by Program Type

Figure 8.



This data is in the public domain.

MIT OpenCourseWare
<https://ocw.mit.edu>

11.437 Financing Economic Development
Fall 2016

For information about citing these materials or our Terms of Use, visit: <https://ocw.mit.edu/terms>.