



City of Seattle
Office of Economic Development

Memo

Date: June 7, 2011
To: Regional Development and Sustainability Committee
From: Steve Johnson and Ken Takahashi
Re: Resolution – Application for HUD Section 108 Loan Fund

At City Council's Regional Development and Sustainability ("RDS") Committee meeting on June 7th, OED will make a presentation regarding a proposed resolution to authorize an application for a \$10 million Section 108 loan fund.

Explanation of HUD 108 Loan Program:

- In the HUD Section 108 loan program, the City borrows loan proceeds from the U.S. Department of Housing and Urban Development ("HUD") and re-lends such loan proceeds to private projects. HUD loan funds help make private projects feasible through below-market interest rates and flexible underwriting standards.

Background of City's 108 Loan Program:

- OED has been an active and successful participant in the Section 108 loan program with over \$24 million in outstanding loans made since 2002 to multiple projects. All loans are in good standing with no defaults. To qualify for a 108 loan, a private project needs to create public benefits satisfying federal requirements such as affordable housing for mixed-use projects or creation of permanent jobs for commercial projects.
- Recent Section 108 loan projects include the Cadillac Hotel (renovation of an earthquake damaged historic building in Pioneer Square into the Klondike Gold Rush Museum and commercial offices for the National Park Service); Bush Hotel (renovation of an historic building in Chinatown-ID into affordable commercial space; and Alpha Cine (relocation of a motion picture film laboratory to Southeast Seattle).

Proposed Resolution and What it Achieves:

- If approved, the Resolution would authorize OED to submit a new loan application to HUD, establishing a \$10 million Section 108 loan fund to assist multiple projects. OED is evaluating several projects for the loan fund including the following:
 - \$3 million loan for renovation of former INS building (INSCAPE Project) --- *RDS Committee Meeting presentation on June 21st*
 - \$2 million loan for development of commercial/non-residential portion of SPD East Precinct Lot (12th Avenue Arts Project)
 - TBD amount: working space for artists required to move from 619 Western