

**Community Development Block Grant (CDBG)  
Section 108 Loans  
Home Investment Partnership Program (HOME)**

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# **WHY THESE PROGRAMS MATTER**

## **Federal Investment in Norman**

- Supports Housing, Neighborhoods, and Community Services
- Primarily benefits low- and-moderate income residents
- Leverages local and private resources

These are strategic investments that are defined within the 5-Year Consolidated Plan and the Annual Action Plan



# WHAT IS CDBG?

## Flexible funding from HUD for Community Development

- Supports housing, public services, infrastructure
- Must primarily benefit low-and-moderate income households
- Must have a Citizen Participation component
- Formula allocation based upon Congressional Appropriation to the CDBG Program.
  - Two statutory formulas are used, whichever yields the higher amount is the award.
  - Formula A: Need Based: Population, Poverty, Overcrowding
  - Formula B: Distress-Based: Age, Poverty, Growth Lag
- Norman's CDBG funding is driven primarily by current need-especially poverty and population – rather than aging infrastructure. Because we are a growing community without a large stock of older housing, we benefit from a formula designed for communities experiencing present day demand rather than long term decline.
- Current allocation \$984,443



# WHAT IS AN ELIGIBLE PROJECT?

## The CDBG “Two-Sided Coin”

“WHO BENEFITS”



“WHAT ARE WE FUNDING?”

*An eligible activity alone is not enough. A national objective alone is not enough.*



# NATIONAL OBJECTIVE

## “Who Benefits”

Primarily Benefit Low-and-Moderate Income Households

- Nationwide, this is the most used Objective
- Remove Slum or Blight
  - Requires a formal designation and is usually applied in targeted redevelopment areas.
- Meet an Urgent Need
  - Serious and immediate threat to health or welfare
  - Condition occurred with the previous 18 months
  - City is unable to finance on their own and no other funding sources are available



# NATIONAL OBJECTIVE

## “Who Benefits”

### Primarily Benefit Low-and-Moderate Income Households

- Individual income eligible households (Housing Rehabilitation)
- Area Benefit – greater than 51% of households are 80% or below MFI (Target Area Neighborhood Projects); utilize census data but a manual survey is allowable
- Limited Clientele – homeless, seniors, disabled (Public Services)



# NATIONAL OBJECTIVE

## “Who Benefits”

### Remove Slum or Blight

- Not a flexible workaround – requires a very specific documentation requirement

#### What Qualifies:

- Designated area with:
  - High Vacancy
  - Deteriorated or unsafe structures
  - Failing Infrastructure
- Redevelopment of:
  - Vacant commercial buildings
  - Dilapidated housing clusters

#### What Doesn't Qualify

- A single problem property
- General neighborhood improvements
- Projects that are simply desirable or overdue

We can't label something blight just because it needs improvement – it must meet specific, documented conditions.



# NATIONAL OBJECTIVE

## “Who Benefits”

- Meet an Urgent Need

- Serious and immediate threat to health or welfare
- Condition occurred with the previous 18 months
- City is unable to finance on their own and no other funding sources are available

### What Qualifies:

- Natural Disasters
- Immediate Threats to Health and Safety
- Situations Where:
  - The condition is recent (within 18 months)
  - The need is urgent
  - No other funding source is available

### What Doesn't Qualify

- Ongoing community needs
- Aging infrastructure
- Long term housing shortages
- Homelessness (unless tied to a sudden emergency event)

Urgent Need is intended for true emergency situations, In practice, by the time you document that the need is urgent and that no other funding is available, the situation is often no longer considered “urgent” under HUD’s rules. If the situation is truly urgent, there are usually faster and more appropriate funding sources other than CDBG utilizing the Urgent Need category.



# ELIGIBLE ACTIVITIES

## “What Are We Funding?”

There are total of seventeen eligible activities for CDBG funding

Acquisition of Real Property	Loss of Rental Income	Microenterprise Assistance
Disposition	Privately-Owned Utilities	Special Activities by CBDO's
Public Facilities and Improvements	Rehabilitation	Homeownership Assistance
Clearance	Construction of Housing	Planning and Capacity Building
Public Services	Code Enforcement	Program Administration Costs
Relocation	Special Economic Development Activities	



# INELIGIBLE ACTIVITIES

**“What can we not fund?”**

Below are the primary ineligible activities for CDBG funding:

- Buildings for General Government Conduct
- General Government Expenses
- Political Activities
- Purchase of Equipment/Personal Property
- Operating and Maintenance Expenses
- Income Payments
- New Housing Construction



# KEY REQUIREMENTS

- Must meet both the National Objective as well as the Eligible Activity Test
- Reimbursed-based funding
- 15% cap on Public Services
- 20% cap on Administration
- Annual reporting and monitoring
- Federal Compliance required, use of CDBG funds can trigger other Federal Requirements; Davis Bacon Wage Rates, Section 3, Title X Lead Based Paint, Uniform Relocation Act, etc.



# WHY COMPLIANCE MATTERS

- Protects the City from repayment risk. Activities that are determined to be ineligible require repayment to HUD from a non-federal source
- HUD may require substantial modification to projects to achieve compliance
- HUD can restrict future flexibility on projects
- Ensures continued access to federal funds
- Maintains program credibility

## TOP COMPLIANCE RISKS

- Income qualification errors
- National Objective documentation
- Environmental and process compliance

HUD Performs an annual Risk Assessment on both the CDBG and HOME Programs to determine if additional oversight and/or monitoring is required.



# **CURRENT PROGRAMS**

- TOTAL FUNDING \$984,443
- ADMINISTRATION \$188,040
- PUBLIC SERVICES \$58,000
- HOUSING REHABILITATION \$538,403
- NEIGHBORHOOD IMPROVEMENTS \$60,000
- ACQUISITION FOR AFFORDABLE HOUSING \$140,000



# HOUSING REHABILITATION

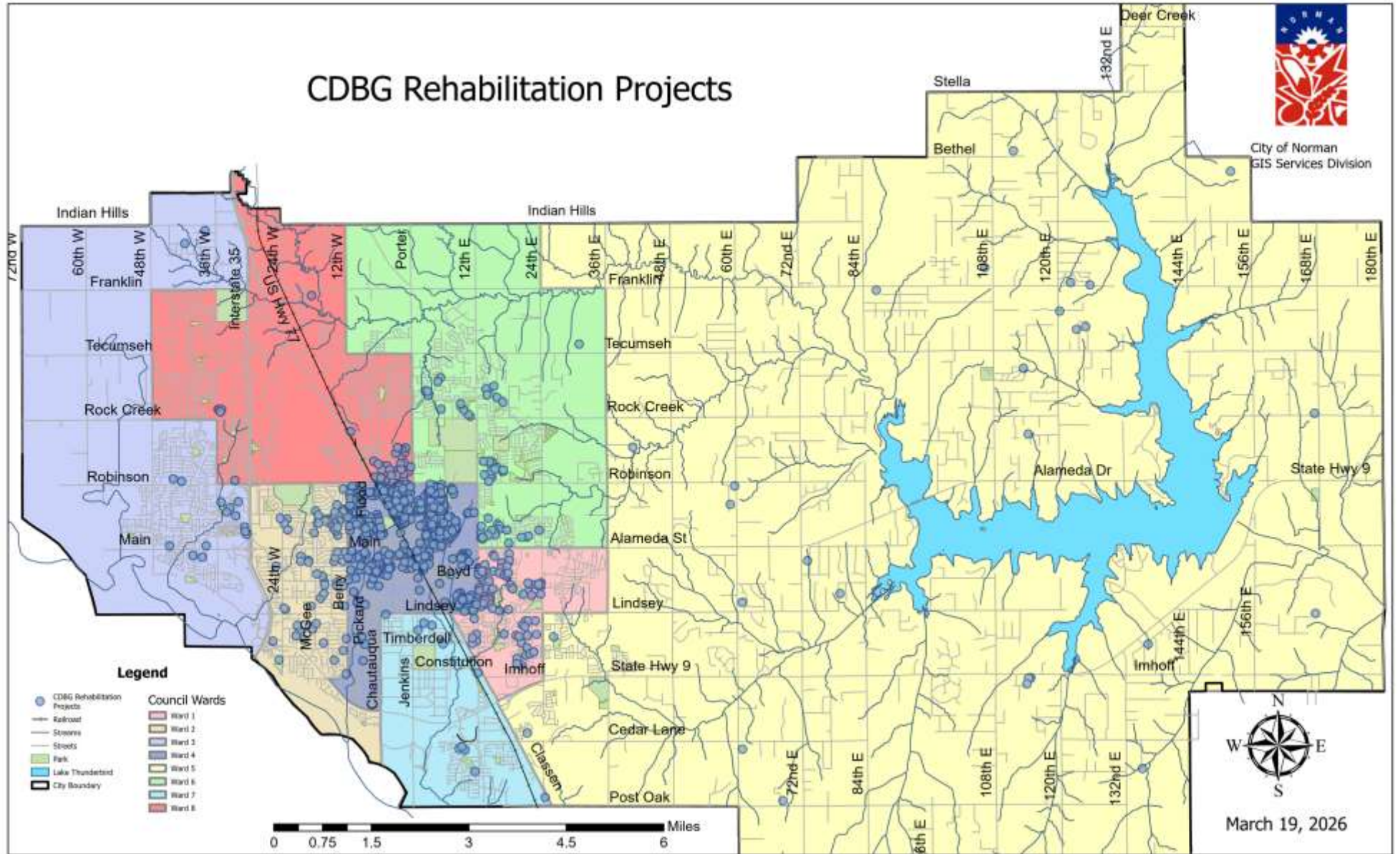
- Since 1977 there have been 1,334 rehabilitation projects completed which total an investment of \$11,695,196
- Prior to 1988 the CDBG regulations required that the rehabilitation activities only take place within the target area.
- The total impact of all the housing programs that the CDBG and HOME Programs equates to over 2,500 units that total over \$18 million dollars.



# CDBG Rehabilitation Projects



City of Norman  
GIS Services Division



# CDBG SECTION 108 LOAN PROGRAM

- Loan guarantee program tied to the CDBG Program
  - Borrow against future CDBG allocations, must have a dedicated repayment income stream
  - Used mainly for larger redevelopment projects
  - Still must meet a National Objective and an Eligible Activity

When Section 108 is useful

- Catalytic redevelopment projects
- Infrastructure supporting development
- Mixed use or multi-unit housing
- Projects needing upfront capital
- Leveraging private investment



# SECTION 108 CONSIDERATIONS

- Loan repayment required
  - Future CDBG funds are pledged as security
  - Can borrow up to 5 times you CDBG allocation ( $\$984,443 * 5 = \$4,922,215$ )
  - Slightly higher interest rate than municipal bonds
  - Requires strong underwriting and Council authorization

FEATURE	SECTION 108 LOAN	GO BONDS	MUNICIPAL BONDS
Project Specific Financing	Yes	Yes	No
Repayment Source	Project revenue or CDBG	Taxes/General Revenue	Project Revenue/User Fees
Preserves Debt Capacity	Yes	No	No
Voter Approval	No	Yes	Usually Not
Flexibility	High	Low	Moderate



# SAMPLE 108 PROJECTS

The City of Norman has never undertaken a Section 108 Project. Oklahoma City has utilized Section 108 funding most often for economic development and redevelopment projects that create jobs and attract private development. In comparison, OKC receives about \$14 million annually of CDBG funding.

- Fred Jones Manufacturing Plant Redevelopment; OKC used Section 108 to help finance the redevelopment of a historic industrial building into a hotel and cultural space.
  - Section 108 Loan \$6.9 Million; National Objective: LMI Benefit; Eligible Activity: Economic Development (Job Creation); 138 jobs created
- This was a combined financing which included state and federal historic rehabilitation tax credits, TIF financing, and private capital as part of the overall finance stack. The Section 108 Loan allowed the City to borrow at a reduced interest rate to make the financing package more attractive.



# 108 PROJECT BLENDING

Dell Oklahoma City Campus is a great example of how the tools can be layered Economic Development deal structured around job creation. Section 108 wasn't used alone to construct the building; it was layered with private investment and other tools to support a larger economic development strategy.

- CDBG-funded job creation incentives (\$5.5 million)
- Section 108 job creation payments as overall part of public financing (\$5.5 million)
- Tax Increment Financing (TIF) for infrastructure
- Land contribution from the City
- Additional State and Federal incentives



# 108 PROJECT RISK

- Repayment Risk
  - Loan must be repaid regardless of the project success
  - Back up repayment source:
    - Future CDBG allocations
  - Potential impact:
    - Reduced funding for other programs
- Project Performance Risk
  - Revenue projections may not materialize
  - Leasing, occupancy, or market conditions may change
- Compliance Risk
  - Must meet national objective
  - Must follow all HUD requirements

These risks should be managed just like every other investment the City of Norman makes through conservative underwriting, structured repayment sources, and ensuring the project meets federal requirements before funds are committed.



**QUESTIONS?**



# HOME INVESTMENT PARTNERSHIPS PROGRAM

## Federal Housing Production Program

- Focused on affordable rental or homeownership
- Creates long term affordability
- Requires a 25% match; this is defined as third party funds utilized as part of a HOME activity. Currently we have over 3 million of HOME match documented. This is banked match, not actual cash.

## FYE 2026 Allocation \$441,285

- Administration (10% cap) \$44,000
- Community Housing Development Organization-CHDO; 15% minimum allocation \$67,000
- Development of Affordable Housing \$330,285



# HOME PROGRAM IN PRACTICE

- Rental Housing Development – In partnership with the Norman Affordable Housing Corp and Norman CHDO 2015, 44 properties have been developed, are debt free, rented at affordable rates, and generate approximately \$100,000 of program income that is utilized in upcoming projects.
- Downpayment Assistance – Past activities included down payment assistance for 547 households. Current funding includes assistance for eight households within a target area.
- Past funding has been utilized for Tenant Based Rental Assistance for households exiting homelessness.
- Received \$1,562,714 of HOME ARP funding in 2022



# CHDO AND HOME REQUIREMENTS

- CHDO Set-Aside for development of a minimum of 15% of annual allocation
- Low-and-moderate income restrictions (<80% MFI)
- Long term affordability requirements (5 to 20 Years)
- Ongoing compliance monitoring



# HOW THESE HUD TOOLS CAN WORK TOGETHER

Each of these tools serves a different role, but they are most effective when used together strategically

- **CDBG: The Foundation Tool** - Gives us the flexibility to invest in neighborhoods – whether it is housing rehabilitation, infrastructure, or public services. It is the tool we use to stabilize areas and support existing residents.
- **Section 108: The Catalyst** - Allows us to take on larger redevelopment projects by bringing future resources forward. It is best used for Catalytic projects where upfront investment is needed to unlock broader impact.
- **HOME: The Housing Production Tool** – HOME is much more targeted. It's specifically designed to produce and preserve affordable housing, often through partnerships with developers, including CHDO's with long term affordability requirements.
- Individually each program has limits – but together, they allow us to deliver more comprehensive and impactful projects.



# HOW THESE TOOLS COULD WORK TOGETHER FOR NORMAN

The redevelopment of Griffin Memorial Hospital is the type of project where layering these tools becomes important – Using CDBG for neighborhood investment, Section 108 for catalytic financing, and HOME to support long term-housing outcomes.

The CDBG Program can support site improvements or surrounding neighborhood investment, Section 108 could provide upfront financing to help reposition the site and support larger scale redevelopment. And HOME can be used to ensure that a portion of the housing remains affordable over the long term.

Together that approach allows us to not only leverage private investment but to move a complex project forward while aligning with both community goals and federal requirements.



# QUESTIONS?

