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DRAYTON PLAINS  
BUSINESS AND ECONOMIC  
DEVELOPMENT LOAN  
FUND PROGRAM

Section 108 Loan Guarantee Fund Application

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# Waterford Township, Michigan

## DRAYTON PLAINS BUSINESS AND ECONOMIC DEVELOPMENT LOAN FUND PROGRAM SECTION 108 LOAN GUARANTEE FUND PROGRAM APPLICATION

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## **EXECUTIVE SUMMARY**

In 2024, the Charter Township of Waterford (hereinafter, “the Township”) amended its PY 2022-2026 Consolidated Plan in response to findings and new priorities identified during the development of the 2044 Master Plan. One new priority that was identified was the need for increased economic development through redevelopment and investment within the Drayton Plains Subarea of the Township. To facilitate this, Waterford Township is pursuing a Section 108 Loan Guarantee Program that is administered by the Department of Housing and Urban Development (HUD).

The purpose of this program is to leverage approximately \$1.81 million in Section 108 Loan funds to facilitate loans to small and mid-sized businesses to encourage economic development and reinvestment through job creation and retention, assistance to low- and moderate-income households, and to provide an overall positive economic benefit to the community. Loan funds can be leveraged for a variety of purposes that include, but are not limited to, property and equipment acquisition, operating costs, and technical assistance and training. Due to limited funding, construction related costs will not be eligible for this program.

Eligibility for the program requires properties and businesses to be located within the Drayton Plains Subarea and meet one of several National Objectives and Activities as required by HUD. Waterford Township and its consultants will review each proposed project and will submit to HUD a full explanation of the project to include compliance with eligible activities and national objectives and compliance with underwriting guidelines.

## **INTRODUCTION**

### **A. ADMINISTERING AGENCY**

Waterford Township will be the administering agency for the Section 108 Loan Program. The Township is a U. S. Department of Housing and Urban Development (HUD) entitlement community, and, as such, has been the recipient of Community Development Block Grant (CDBG) funds since 1974.

The Township legislature is comprised of seven elected officials. The elected Township Supervisor, Treasurer, and Clerk run day-to-day operations and are joined by an additional four members to form the Township Board of Trustees which approve all HUD projects and priorities.

The Development Services Department oversees building permits, inspections, code enforcement, business licensing, planning and zoning, and is the designated agency for administering the Township's Community Development Block Program (CDBG).

### **B. GEOGRAPHIC AND DEMOGRAPHIC CHARACTERISTICS**

Waterford Township is in the northwest portion of the Detroit metropolitan area and comprises 35 square miles of land and water in the geographic center of Oakland County. The cities of Lake Angelus, Pontiac, and Auburn Hills are to the Township's east, while Commerce and West Bloomfield Townships are to the south, all of which are urbanized. Springfield, Independence and Orion Townships are to the north and White Lake Township is to the west. Dixie Highway, M-59, and Telegraph Road traverse the Township and connect it with other communities in the region. Employment centers are located within driving distance to the east and south in Troy, Southfield, and Auburn Hills. Access to Interstate 75 is immediately available to the north and east.

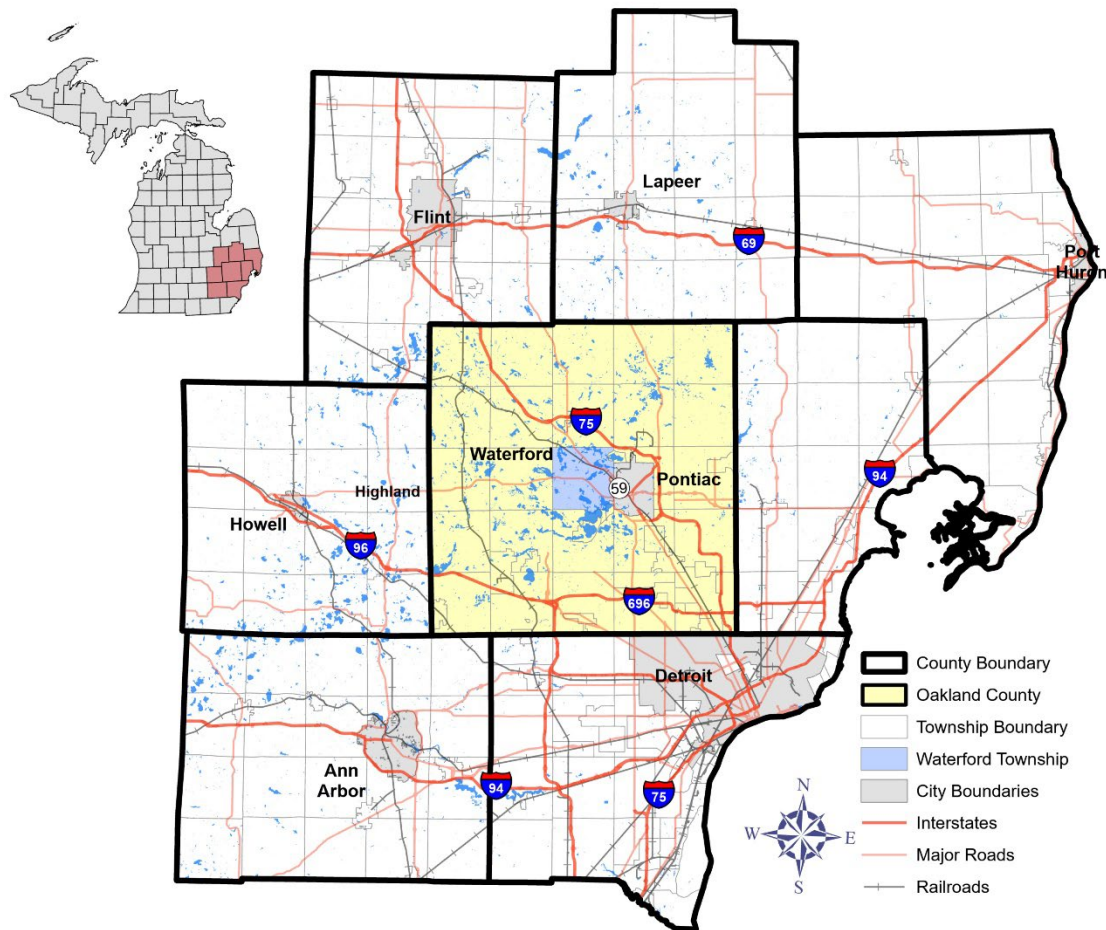
According to the U.S. Decennial Census, the population of Waterford Township is 70,565.

Waterford Township's population shrank by 2% between 2000 and 2020, though it is projected to grow by 5.7% by 2050. By comparison, Oakland County's population increased by 6.7% in the same timeframe and is projected to increase by 8.9% by 2050.

According to the 2023 American Community Survey, Waterford Township has a total of 31,992 housing units with a 4.2% vacancy rate and an owner-occupied rate of 72.2%. Approximately 74.2% of these units are single-family homes. In contrast, the remainder of Oakland County has a 5.3% vacancy rate, 67.3% were single-family homes, 68.2% are owner-occupied, with a 6.3% growth from

2010 to 2023.

According to the Southeast Michigan Council of Governments (SEMCOG), the five largest sectors in Waterford Township are Information & Financial Activities, Leisure & Hospitality, Retail Trade, and Natural Resources, Mining & Construction. The mean travel time for work has remained stable at 27.7 minutes compared to 26 minutes in Oakland County.<sup>1 2</sup>



*Figure 1 Waterford Township Location*

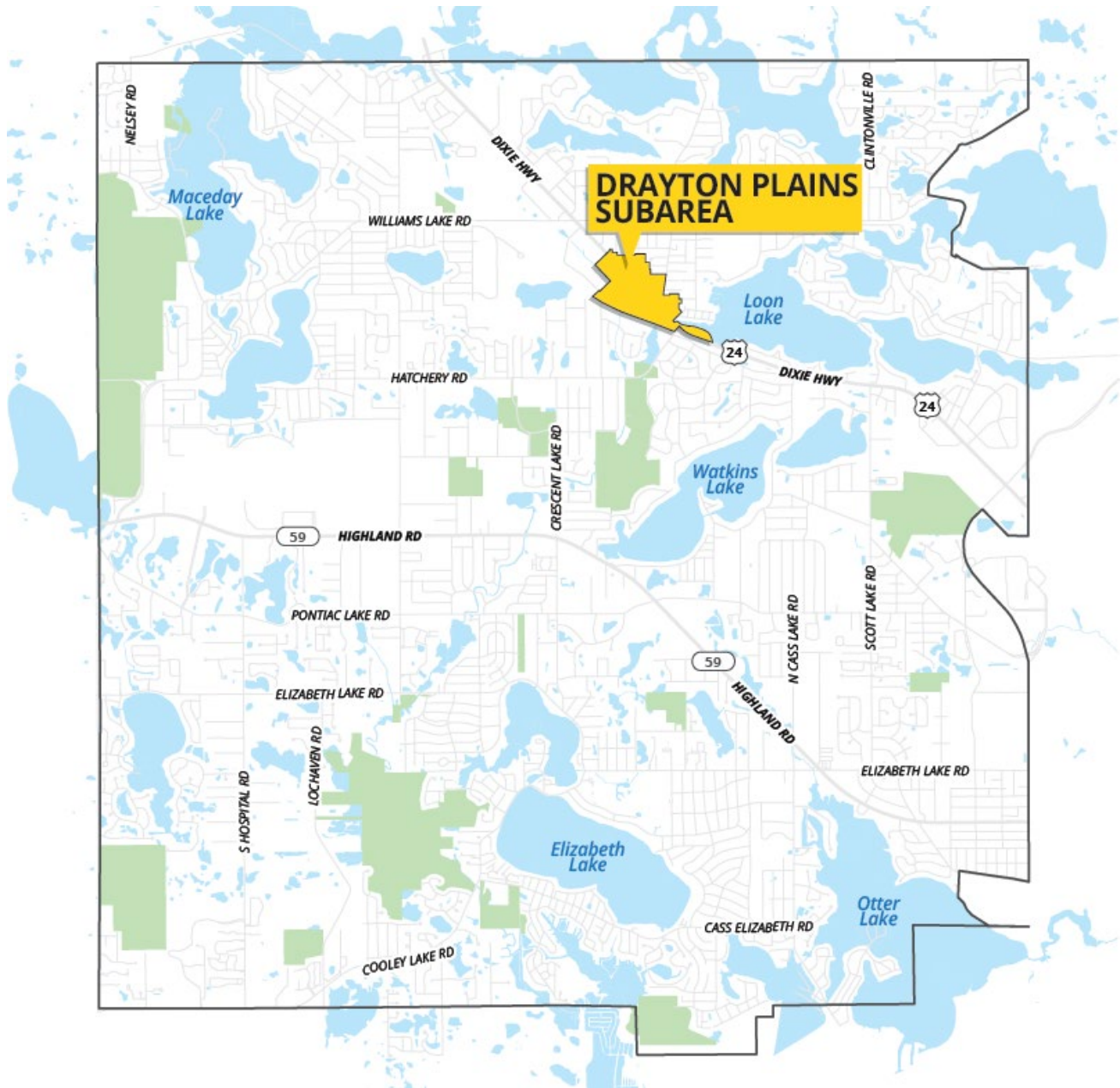
### The Drayton Plains Subarea Central Business District

The Drayton Plains Subarea is in the northern portion of Waterford Township. The subarea primarily consists of non-residential land uses along Dixie Highway between Loon Lake and Meinrad Drive

<sup>1</sup> (Southeast Michigan Council of Governments, 2026a)

<sup>2</sup> (Southeast Michigan Council of Governments, 2026b)

and along Sashabaw Road between Dixie Highway and Seeden Street. Dixie Highway is one of the Township's two major east-west corridors and provides significant vehicular traffic to the Drayton Plains Subarea. Loon Lake is an important recreational asset, and there are opportunities to strengthen pedestrian and bicycle connections between the Drayton Plains Subarea and Loon Lake.



*Figure 2 Drayton Plains Subarea Location Map*

The Drayton Plains district is historically a commercial center. Over time, the district developed with a patchwork of development and mismatched uses through a lack of comprehensive planning. It now is a substantially underutilized commercial area that includes blighted and contaminated properties.



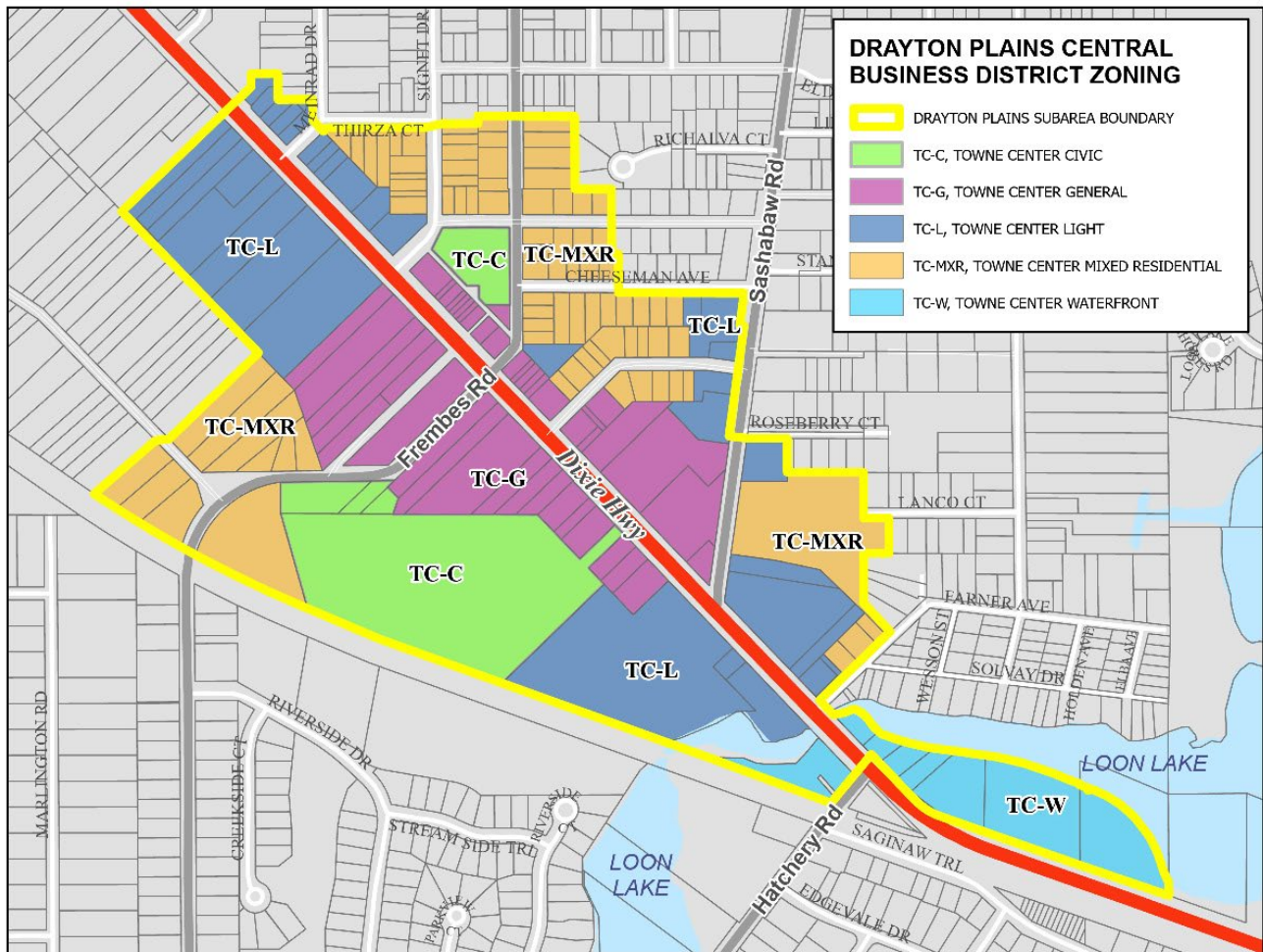


Figure 3 Drayton Plains Central Business District Boundary and Zoning Map

### C. NEEDS AND GOALS

Currently, there is no centralized downtown district. Many community members expressed they would like to see a centralized downtown styled district developed along Dixie Highway between Sashabaw Road and Shoreline Boulevard. Increased development, along with landscaping aesthetics could accent this area to make it a destination. As part of the development of the Township's 2044 Master Plan, the redevelopment and reinvestment in the Drayton Plains Subarea was identified as a priority goal by the community for economic reinvestment, redevelopment and increased housing options.<sup>3</sup>

<sup>3</sup> (Charter Township of Waterford, 2024)

In particular, the community has identified the following objectives relating to the Drayton Plains Subarea:

- Establish a town center along Dixie Highway north and Frembes Road featuring a lively, pedestrian-friendly environment and a diverse mix of residential and commercial uses
- Promote the reuse and redevelopment of underused commercial properties to create vibrant commercial spaces and mixed-use districts.
- Allow for upper-floor residential, multifamily residential, and single-family attached developments on underutilized sites in the corridors.
- Prioritize redevelopment with a mix of commercial and residential uses in strategic nodes.
- Identify and enhance points of destination.
- Maximize the commercial corridors' economic performance through repositioning commercial activities within strategic locations and creating new mixed-use destinations, including a town center along Dixie Highway.
- Encourage additional mixed commercial and residential development at other strategic locations along key corridors.
- Transition commercial corridors' underutilized sections into a mix of multi-family and single-family attached residential to better create a critical mass of commercial activities in specific nodes.
- Support redevelopment by establishing financial incentives to assist with façade improvements, seeking grants to fund redevelopment, and coordinating with developers to redevelop opportunity sites.
- Leverage existing commercial waterfront regions through supporting business growth and variety of businesses, including dining, entertainment, commercial service establishments and outdoor dining and grow the Township's image as a destination.
- Support a range of businesses, including specialty food and drink, entertainment, and local restaurants on the Township's commercial properties. This includes encouraging the development of restaurants and outdoor dining on lakes that offer commercial opportunities



- Enhance commercial properties that offer waterfront view-scape.
- Encourage the development of active outdoor dining uses on waterfront commercial properties while ensuring that they complement the surrounding neighborhoods' character.

To facilitate the community's goals and objectives for this area, the Township's proposed Section 108 Loan Fund objectives are:

- Encourage economic development through support of private investment
- Assist small and medium-sized businesses with financing for acquisition of property, equipment, furnishings and fixtures, as well as operating costs, training, and technical assistance.
- Promote neighborhood revitalization through upgraded building stock
- Create jobs benefiting low- and moderate-income individuals
- Encourage development of higher density housing in mixed-use areas to support local economic activity.
- Broaden property tax base and thereby alleviate tax burden, which puts a particular strain on low- and moderate-income homeowners
- Align development with the PY 2022-2026 Consolidated Plan and
- Align with the goals and objectives of the Waterford Township 2044 Master Plan

The Township will follow its updated Citizen Participation Plan in all aspects of the proposed Section 108 Loan Guarantee Program.

#### **D. OVERALL SECTION 108 STRATEGY**

The Township identified economic development and blight elimination as primary goals in the 2022-2026 Consolidated plan and PY 2025 Annual Action Plan and indicated that to be seeking a Section 108 Loan Program to support those goals.

The Township will apply to leverage up to five times the annual CDBG allocation for a total of approximately \$1.81 million, in loan funds for economic development assistance in the Drayton Plains Subarea to support small and medium sized businesses. The HUD Repayment Schedule includes the following:

- A maximum 20-year repayment term, with the option of paying some loans having shorter terms.
- Repayment based on remittances from third parties assisted with loan funds.

Per the regulations at 24 CFR 570 – Subpart M, Loan Guarantees – the Township will use the Section 108 Loan Fund to fund projects located within the Drayton Plains Subarea that provide clear economic and community development benefits to the Township. The Section 108 Loan Fund will represent a new tool that the Township can use to support economic development efforts for which jobs for low- and moderate-income residents will be created, retained and/or made available. Section 108 Loan Guarantee financing will enable the Township to sustain and grow local businesses, as well as to assist low- and moderate-income persons.

The Township will give priority to proposed loan projects that include one or more of the following economic benefits: create or retain permanent full-time equivalent jobs held by/made available to low- and moderate-income persons; increase the availability of goods and services needed by nearby residents; serve as an anchor for future economic development; enhance the local tax base through increased sales and/or property taxes; and include energy-efficient building or process improvements.

The Township will establish a loan review committee. Prospective applications will be reviewed by the Township and this Section 108 Loan Review Committee, with help from a consultant with a specialty in underwriting.

For potential loan applicants, the Township intends to issue a formal Request for Proposals with a specific timeline, but will also accept rolling applications subject to funding availability. The Township, the underwriting consultant and the Loan Review Committee will ensure that applications will be evaluated according to the following criteria: reasonableness of project costs, committed financing, need for federal assistance, project feasibility and readiness, return on equity investment, development capacity, the ability of the project to repay the loan from project revenues, loan-to-value ratio, and pro rata disbursement of funds.

Primarily, the Township Section 108 loans will be made primarily to small- to medium-size businesses eligible for loans up to \$50,000. Additional consideration will be given for a small number of larger projects for up to \$500,000. The Township will generally provide all loans for the purpose of financing the “gap” between private sector lending and businesses’ equity contributions for projects. The Township’s Section 108 loans will be provided at interest rates that are lower than conventional financing. The Township intends to charge a processing fee to all applicants and a loan closing fee to all approved local borrowers. Otherwise, the primary source of repayment will be from business repayments to the loan fund. With regard to additional security, the Township will pledge its annual CDBG allocations and assign its interest in the fund loans, secured by liens on real property, equipment or accounts receivables. Subject to HUD underwriting requirements, outside guarantees as credit enhancements and additional collateral may be required.

## **SECTION 108 APPLICATION SUBMISSION REQUIREMENTS**

### **A. COMMUNITY DEVELOPMENT OBJECTIVES**

The Section 108 loan fund will result in increased lending for economic and community development in the Township, thus furthering the Township's Economic Development Goals as listed in the PY 2022-2026 Consolidated Plan, as amended.

### **B. NATIONAL OBJECTIVE:**

*24 CFR 570.208 (a)(4); 24 CFR 570.208 (a)(1-2); 24 CFR 570.208(b)(2); 24 CFR 570.209(b)*

In accordance with HUD's CDBG regulatory requirements at 24 CFR 570 – including 24 CFR 570, Subpart M, Loan Guarantees – most Section 108 funded activities will be based upon the “benefit to low- and moderate-income persons” National Objective. As such, at least seventy percent of CDBG funds, including Section 108 dollars, will be utilized to the benefit of low- and moderate-income persons. The Township will:

- Primarily use the following CDBG National Objective activity subcategory:
  - Low/Mod Job Creation/Retention (LMJ) – Each 108 project will create or retain permanent jobs, at least 51 percent of which (computed on a full-time equivalent basis) will be held by or made available to LMI persons, per 24 CFR 570.208 (a)(4).
  - If a loan project creates or retains jobs to satisfy the LMJ National Objective, the Township will enter into a jobs agreement with the Obligor and/or other appropriate parties ensuring the incorporation of job requirements and reporting in tenant lease agreements to support compliance with 24 CFR 570.209(b).
- Secondly, the Township's proposed Section 108 Loan Fund also has the potential to:
  - Work in low- and moderate-income areas and/or serve a low- and moderate-income limited clientele, per 24 CFR 570.208 (a)(1-2).
  - Help eliminate Blight on a spot basis, per 24 CFR 570.208(b)(2).

### **C. ELIGIBLE ACTIVITIES**

Assistance and support must meet a national objective and one of the following eligible activities under 24 CFR 570.703. Construction costs triggering Davis Bacon requirements will not be

considered permitted activities. None of the projects assisted with the proposed Section 108 Loan Fund will be used for the ineligible activities listed in 24 CFR 570.207(a).

- 24 CFR 570.703 Guaranteed Loan Funds
  - (a) Acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes.
  - (b) Rehabilitation of real property owned or acquired by the public entity or its designated public agency.
  - (c) Payment of interest on obligations guaranteed under this subpart.
  - (d) Relocation payments and other relocation assistance for individuals, families, businesses, nonprofit organizations, and farm operations who must relocate permanently or temporarily as a result of an activity financed with guaranteed loan funds, where the assistance is:
    - (1) Required under the provisions of [§ 570.606\(b\)](#) or [\(c\)](#); or
    - (2) Determined by the public entity to be appropriate under the provisions of [§ 570.606\(d\)](#).
  - (e) Clearance, demolition, and removal, including movement of structures to other sites and remediation of properties with known or suspected environmental contamination, of buildings and improvements on real property acquired or rehabilitated pursuant to [paragraphs \(a\)](#) and [\(b\)](#) of this section. Remediation may include project-specific environmental assessment costs not otherwise eligible under [§ 570.205](#).
  - (f) Site preparation, including construction, reconstruction, installation of public and other site improvements, utilities or facilities (other than buildings), or remediation of properties (remediation can include project-specific environmental assessment costs not otherwise eligible under [§ 570.205](#)) with known or suspected environmental contamination, which is:
    - (1) Related to the redevelopment or use of the real property acquired or rehabilitated pursuant to [paragraphs \(a\)](#) and [\(b\)](#) of this section, or
    - (2) For an economic development purpose.

- (g) Payment of issuance, underwriting, servicing, trust administration and other costs associated with private sector financing of debt obligations under this subpart.
- (h) Housing rehabilitation eligible under [§ 570.202](#).
- (i) The following economic development activities:
  - (1) Activities eligible under [§ 570.203](#); and
  - (2) Community economic development projects eligible under [§ 570.204](#).
- (j) Construction of housing by non-profit organizations for homeownership under section 17(d) of the United States Housing Act of 1937 (Housing Development Grants Program, [24 CFR part 850](#)).
- (k) A debt service reserve to be used in accordance with requirements specified in the contract entered into pursuant to [§ 570.705\(b\)\(1\)](#).
- (l) Acquisition, construction, reconstruction, rehabilitation or historic preservation, or installation of public facilities (except for buildings for the general conduct of government) to the extent eligible under [§ 570.201\(c\)](#), including public streets, sidewalks, other site improvements and public utilities, and remediation of known or suspected environmental contamination in conjunction with these activities. Remediation may include project-specific environmental assessment costs not otherwise eligible under [§ 570.205](#).
- (m) In the case of applications by public entities which are, or which contain, “colonias” as defined in section 916 of the Cranston-Gonzalez National Affordable Housing Act ([42 U.S.C. 5306 note](#)), as amended by section 810 of the Housing and Community Development Act of 1992, acquisition, construction, reconstruction, rehabilitation or installation of public works and site or other improvements which serve the colonia.
- (n) Payment of fees charged by HUD pursuant to [§ 570.712](#).



**D. GUIDELINES AND OBJECTIVES FOR EVALUATING AND SELECTING PROPOSED PROJECTS**

All eligible Section 108 projects (under Section 570.203 & 570.204) must meet the evaluation and selection requirements of Section 570.209 to ensure that proposed projects are reasonable and sound. While the guidelines listed under 570.209(a) are not mandatory, they do outline best practices for underwriting Section 108 projects. The Township will develop underwriting guidelines consistent with Section 570.209; these are more fully described in the Township Underwriting Guidelines section of this application. Each Section 108 loan fund project for which Section 570.209 applies will follow these guidelines and will also meet the public benefit standards.

## **SECTION 108 UNDERWRITING GUIDELINES**

### **A. PROJECT MANAGEMENT**

The Section 108 Loan Fund will be managed by the Waterford Township Development Services Department, which will preliminarily underwrite all loans with assistance from the Loan Review Committee and a consultant specializing in underwriting prior to submittal to HUD.

### **B. LOAN TERM, INTEREST RATE & FEES/COSTS**

Section 108 loans cannot exceed a loan term of 20 years, and no loan will exceed the overall 20-year term of this loan fund; no loan will exceed the useful life of the asset being financed.

Township notes guaranteed under Section 108 during the interim financing period will bear a floating rate based on the three-month Treasury Auction Bill (3-Month T-Bill) High rate plus 35 basis points (0.35). The current rate is indicated as 3.57 percent.<sup>4</sup>

The Township will charge the borrower up to 1% over the initial floating rate on the Township's note. After inclusion in a public offering arranged by HUD, the Township will carry a fixed rate for each maturity of principal pursuant to the public offering. Preferred loan terms limits are:

- Working Capital – Up to a maximum of 10 years.
- Machinery and Equipment – Up to a maximum of the economic life of the machinery and equipment or 20 years, whichever is less.
- Renovation – Up to a maximum of 20 years.
- Acquisition of land, buildings or new construction – Up to 20 years.

As detailed below, the Township will charge a processing fee to all applicants and a loan closing fee to all approved local borrowers. Borrowers will also be responsible for other fees including but not limited to those noted below. Most of the fees will go into a Loan Loss Reserve to protect the Township against risk.

- Processing Fee: A non-refundable fee of \$500 is payable at the time an application is submitted.
- HUD Section 108 Credit Subsidy Loan Fee: The applicant will pay a percentage of the total

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<sup>4</sup> (Department of the Treasury Bureau of Financial Services, 2026)

Section 108 loan amount due at the time of closing as determined by HUD. The current fee is 0.58 percent.<sup>5</sup>

- Other Fees:

The applicant will be responsible for all other fees, including bank, Small Business Association (SBA), and institutional lender fees, appraisal and environmental fees, legal fees from outside firms, and any other fees. Applicants will receive a Good Faith Estimate of the projected Township fees, which may or may not be adjusted at closing.

### **C. UNDERWRITING CONSULTANT**

Prior to involving the Section 108 Loan Review Committee (described in the next section), Township Development Services staff and the Township's underwriting consultant will perform a preliminary analysis of the past, interim and projected financial statements, tax reports, payroll information, debt schedule, business plan, copies of agreements such as purchase options (where applicable) or financing commitments, project budget/proforma, and any other required documentation.

The purpose of this analysis will be to ensure a proposed project carries out an economic development objective in an appropriate manner. The guidelines under 570.209(a) are not mandatory but serve as a framework for financially underwriting economic development projects. The Township's process, outlined below, is consistent with 570.209. Each project assisted with the Section 108 Loan fund to which Section 570.209 is applicable will comply with these guidelines.

This preliminary review will reveal:

- If the project meets the HUD guidelines for eligible activities and at least one of the national objectives, per this application;
- If the applicant has the capacity to carry out the proposed project;
- If the applicant has the capacity and integrity to pay the debts to a first lender (if applicable) and the Section 108 loan; and
- If the applicant has the capacity of fulfilling all of the requirements of the Section 108 Loan Program.

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<sup>5</sup> (Office of the Assistant Secretary for Community Planning and Development, HUD., 2025)

The Township and the consultant will hold a site meeting with the applicant at the applicant's location early in the process to gain insight into the business, answer the applicant's questions and request any needed information. The meeting will take place prior to application submittal in order to help the applicant determine whether or not a Section 108 loan is right for that particular business and project. If the preliminary review is positive, the applicant will be allowed to fill out a Loan Application Form with supporting documentation as detailed below.

### History and Business

An evaluation will be made on how long the applicant has been in business and the type of goods or services that the business provides. It is necessary to analyze the request with respect to the specific type of business because different businesses have different financing needs and payment terms, as well as other unique factors. (The balance sheet and operating ratios vary considerably from industry to industry.)

### Project Description

The Township will ask the applicant to provide a detailed description of the proposed loan project including but not limited to budgets sufficient to determine cost reasonableness.

### Resumes

The Township will analyze resumes, as they provide insight into the background and qualifications of the principals and key management personnel. One factor that is important is that key staff persons have adequate past experience in a related business.

### Financial Statements

The Township will ask the applicant to provide historical financial statements and Federal Income Tax returns. If the most recent annual statement is more than two months old, an interim statement not more than 60 days old also will be required. When applicable, statement analyses should include a trend analysis; the ability to repay debt, both short and long term; and the adequacy of working capital.

### Projected Financial Statements

The Township will ask the applicant to provide three- year projections that include balance sheets and a profit & loss statement. The projections will need to include the impact of the proposed financing and the underlying assumptions used to create the projections. For example, it should be

clear that projected cash flow will service the proposed debt.

#### Personal Financial Statements

The Township will ask the applicant to provide personal financial statements from everyone having twenty percent (20%) or more ownership of the business, along with personal Federal income tax returns for the most recently filed three years. Personal guarantees are generally required from principals of the applicant.

#### Appraisal

Appraisal reports will be required for proposed loan projects involving acquisition and construction. The applicant should provide a copy of the appraisal ordered by the participating lender (bank, SBA, or independent institutional lender).

#### Credit History

Independent credit investigations are conducted on the applicant and the principals. This includes real estate searches, Uniform Commercial Code searches with the Secretary of State and personal credit reports on the principals. This credit investigation is used, in part, to verify the accuracy of the information provided by the applicant and the principals, and to find out if there are any undisclosed judgments, liens, etc.

#### Evidence of Site Control and Zoning

Applicants for loans must demonstrate evidence of ownership or site control. Evidence would include an executed option or purchase and sale agreement. Applicants must submit proof of, or an application for, zoning compliance.

Involving Township staff and the underwriting consultant, each application for a Section 108 loan project will go through the following financial analysis process:

#### Ability to Repay

The analysis will identify the primary, secondary and, when necessary, tertiary sources of repayment for the loan. Projects will have at least a 1.20 projected debt coverage ratio, although a slightly lower debt coverage ratio may be considered if the project's financial condition ratio (e.g., having a favorable lessee with a long lease term) supports this lower ratio.

Key repayment risks will be analyzed in detail, including an analysis of project financial

assumptions compared to actual market conditions. The analysis will compare anticipated lease rates to similar properties, where applicable, and compare anticipated vacancy rates to similar properties, where applicable. The analysis will also describe the projected leasing time frame to achieve project stabilization and whether reserves exist to ensure that delays are avoided. If there should be a balloon payment at the end of the loan term, the analysis will describe the projected financial condition of the property on the maturity date, the project's ability to make the final payment, and efforts to mitigate risk. Debt service reserves may also be required. Furthermore, the Township will reference appropriate supporting documentation to support the analysis; for example, a recent appraisal and a 15-year operating pro forma.

### Collateral

Loan to Value Ratios should be (taking into account all loans for the proposed project):

- Land and building: 80%
- Used machinery and equipment: 80%
- New machinery and equipment: 80%
- Receivables: 70%
- Inventory: 50%

### Development Team Capacity & Experience

Projects funded shall have a development team that has both the capacity and experience to complete the project as demonstrated by past projects and financial strength. Resumes will be checked and past project successes or failures will be considered, especially with regard to government-funded projects that contained specific requirements such as Davis-Bacon and Related Acts.

### Developer/Owner Commitment

The commitment from the developer/owner should include adequate equity, guarantees of completion, guarantees to fund shortfalls, and guarantees of minimum cash flow.

### Gauging Character

Steps will be taken, in an objective fashion, to gauge the character of a borrower. The credit history of a borrower will be evaluated as part of these criteria.



### Proposed Costs

The Township underwriting process will include comparing estimated development costs to costs of similar properties, while also seeking to determine whether estimated development costs have been prepared by a credible third party such as a contractor or other cost estimator. In addition, the Township's loan commitments for financing construction or rehabilitation will rely upon a final guaranteed maximum price contract for development within the proposed budget.

### Commitment of Funds

Potential borrowers seeking a Township Section 108 loan should have commitments of construction and permanent financing. If private financing includes a right to adjust the interest rate after a specific amount of time, the underwriting analysis will state the effect of such a change on the potential Section 108 loan. Loan documents should contain adequate lender protections for the Township, subject to reasonable conditions of other lenders having priority over the Section 108 loan.

### Need for Public Assistance

The underwriting process will determine whether the potential loan project can be developed feasibly with private financing alone or whether it does indeed require public financial assistance to make the development feasible.

### **D. SECTION 108 LOAN REVIEW BOARD**

With each proposed Section 108 Loan Funds project, the Township Development Customer Services Department will call together the Section 108 Loan Review Board (Loan Review Board) to consider the proposal. Consisting of five persons, the Loan Review Committee will be comprised of the Township Supervisor (Chair), the Development Services Director, the Budget Director, Community Development Grant Coordinator, and one member at-large to be designated by the Township Supervisor. The specific duties and processes for the underwriting consultant will be determined at a later date, but it is clear that staff and the underwriting consultant will write a report on each loan applicant and forward this to the Loan Review Committee.

The Loan Review Committee will review each application with the required financial information to determine:

- a. The number of jobs to be created/retained (relative to the amount of the loan);

- b. The amount of Section 108 loan fund participation necessary (relative to the amount of jobs being created);
- c. The ability of loan applicant to repay the loan; and
- d. The collateral or security available.

Loan Review Board members will meet and discuss each loan application. At the conclusion of the meeting, Loan Review Board members will vote whether to approval or reject the proposed loan project. If a loan project is approved by the Township Board, it will then be advertised for a 30-day public comment period and, after this period (assuming public comments are adequately addressed), it can be submitted to HUD for approval. No loan shall be made without the favorable recommendation of the Loan Review Committee.

#### **E. HUD PUBLIC BENEFIT REQUIREMENTS**

The Township's Section 108 Loan Fund will ensure that the Public Benefit standards are met. One low- and moderate-income full-time equivalent job will be created or retained for every \$35,000 invested in the aggregate; or one low- and moderate-income income full-time equivalent job will be created or retained for every \$50,000 invested for an individual activity. For the Township's proposed \$1.81 million Section 108 loan fund, using individual standards, the Township will have to create and/or retain a total of 37 jobs if all funds are lent out (52 jobs if using the aggregate standards).

The Township will give priority to proposed loan projects that include one or more of the following economic benefits: create or retain permanent full-time equivalent jobs held by low- and moderate-income persons; increase the availability of goods and services needed by nearby residents; serve as an anchor for future economic development; enhance the local tax base through increased sales and/or property taxes; and include energy-efficient building or process improvements. The Township also will favor businesses located in underserved areas.

**F. TOWNSHIP SECTION 108 REPAYMENT SCHEDULE**

The Township will act as borrower and will issue the debt obligations. The Township intends to charge a processing fee to all applicants and a loan closing fee to all approved local borrowers. Otherwise, the primary source of repayment will be from business repayments to the loan fund. Regarding additional security, the Township will pledge its annual CDBG allocations and assign its interest in the fund loans, secured by liens on real property, equipment or accounts receivables. The Township will follow this repayment schedule (though changes to the schedule over time are imminent):

Payment Date	Payment #	Payment Amount	Remaining Balance
August 1, 2027	1	\$133,000	\$1,749,000
August 2, 2027	2	\$133,000	\$1,686,000
August 3, 2027	3	\$133,000	\$1,620,000
August 4, 2027	4	\$133,000	\$1,551,000
August 5, 2027	5	\$133,000	\$1,480,000
August 6, 2027	6	\$133,000	\$1,406,000
August 7, 2027	7	\$133,000	\$1,329,000
August 8, 2027	8	\$133,000	\$1,249,000
August 9, 2027	9	\$133,000	\$1,165,000
August 10, 2027	10	\$133,000	\$1,079,000
August 11, 2027	11	\$133,000	\$989,000
August 12, 2027	12	\$133,000	\$895,000
August 13, 2027	13	\$133,000	\$798,000
August 14, 2027	14	\$133,000	\$697,000
August 15, 2027	15	\$133,000	\$592,000
August 16, 2027	16	\$133,000	\$482,000
August 17, 2027	17	\$133,000	\$369,000
August 18, 2027	18	\$133,000	\$251,000
August 19, 2027	19	\$133,000	\$128,000
August 20, 2027	20	\$133,000	\$0

**G. PLEDGE OF CDBG GUARANTEE**

The Township hereby assures HUD that if the Township fails to make a required payment on its note, as an entitlement community the Township has the legal authority to pledge future CDBG grants so that HUD can deduct that payment from the Township's CDBG Line of Credit. In accepting this loan guarantee, the Township will pledge all HUD entitlement grants made to the Township, or for which the Township may become eligible, as security for the loan guarantee.

## **OTHER SECTION 108 LOAN FUND COMPONENTS**

### **A. HUD PERFORMANCE MEASUREMENTS**

The Township's Section 108 Loan Fund will meet the following HUD objective and outcomes:

Performance Measurements:

*Creating Economic Opportunities.* This objective applies to the types of activities related to economic development, commercial revitalization and/or job creation.

*Sustainability: Promoting Livable or Viable Communities.* This outcome applies to projects where the activity or activities are aimed at improving communities or neighborhoods, helping to make them livable or viable by providing benefit to persons of low- and moderate- income.

### **B. PROCUREMENT**

In accordance with HUD regulations, Section 108 financed projects for private, for-profit businesses are exempt from HUD procurement policies.

### **C. RELOCATION**

Section 108-funded activities that result in the displacement of persons or businesses will trigger the Uniform Relocation Act compliance requirements.

### **D. ENVIRONMENTAL ASSESSMENT**

All proposed projects are subject to an environmental review. The environmental submission will be the same as required by the first lender. For projects that do not require the participation of another lender, the Township will request from the borrower an Environmental I Assessment and if needed, an Environmental II Assessment. The borrower will pay for the environmental assessment(s) and the Township will reimburse the borrower the cost of such assessment(s) with the loan proceeds, at closing.

- Projects that require funding for land and building pursuant to HUD guidelines will be required to have a Phase I Environmental Assessment and if applicable, a Phase II Environmental Assessment.
- Projects that require funding for machinery/equipment and working capital pursuant to HUD guidelines are exempt from the Phase I and Phase II Environmental Assessments.

### **E. LOCATIONS**

Section 108 Loan Guarantee funds will only be eligible within the Drayton Plains Subarea as shown in Figure 2 and Figure 3.

### **F. OTHER PROGRAM INFORMATION**

All Section 108- funded projects are required to comply with federal, state and local statutes, regulations and requirements, including but not limited to: Davis-Bacon and Related Acts, Workers Compensation, Section 3 of the Housing and Community Development Act, and insurance requirements.

### **G. CONTACT INFORMATION**

The contact persons for the Waterford Township Section 108 Loan Program are:

<u>Program Contact</u>	<u>Local Elected Official</u>	<u>Congressional Representative</u>
Scott Alef Waterford Township Community Development Grant Coordinator 5200 Civic Center Dr., Waterford, MI 48329 248-674-6247 salef@waterfordmi.gov	Anthony Bartolotta Waterford Township Supervisor 5200 Civic Center Dr., Waterford, MI 48329 (248) 674-6201 <a href="mailto:abartolotta@waterfordmi.gov">abartolotta@waterfordmi.gov</a>	Haley M. Stevens U.S. House of Representatives Michigan Congressional District 11 2411 Rayburn House Office Building Washington, DC 20515 (202) 225-8171

## REFERENCES

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