



October 1, 2018

To: Randy McCaslin, Deputy City Manager

From: Michael E. McNair, Director of Community Development & Housing

Subject: Estimated Section 108 eligible borrowing capacity

When the 2018 HUD allocations were finally released late last spring, there was inadequate time to make significant adjustments to the action plan before submitting it to HUD. Additionally, the city's 2018 CDBG allocation increased by \$105,997 thereby increasing our eligible borrowing capacity for section 108 funds increased as well. The current eligible borrowing capacity for High Point, based on our 2018 CDBG grant agreement is estimated to be \$996,960. Calculations of the estimated balance are below:

2018 CDBG allocation of \$932,192 x 5 = \$4,660,960
Outstanding principal balances = \$3,664,000
Estimated section 108 eligible borrowing capacity = \$4,660,960 – 3,664,000 = \$996,960

Council had previously authorized a loan commitment of HOME program funds in the amount of \$650,000 to Wynnefield Properties to construct Avondale Trace apartments (72 units). Given the increase in our section 108 borrowing capacity, the City would be able to reprogram the HOME funds committed to the apartments to help address additional affordable housing needs. Staff recommends preparing an application to HUD that would allow us to utilize section 108 funds in the Avondale Trace development instead of the HOME funds.