County of Cook, Illinois

SECTION 108 LOAN GUARANTEE PROGRAM APPLICATION FOR THE

BUILT IN COOK LOAN FUND

(Broadening Urban Investment to Leverage Transportation)

(Submittal - September 26, 2012)

Toni Preckwinkle, President
Cook County Board of Commissioners

Prepared by: **The Department of Planning and Development of the Bureau of Economic Development**

TABLE OF CONTENTS

SUMMARY

The County of Cook ("County") seeks to establish a loan pool not to exceed $30 million under the Section 108 Loan Guarantee Program administered by the U.S. Department of Housing and Urban Development (HUD) under 24 CFR 570, Subpart M – Loan Guarantees. These funds, if approved, will be utilized throughout suburban Cook County under a range of eligible activities targeted to support development, businesses, and low/moderate-income households and deliver positive economic benefits for the County. This document, consisting of a narrative as well as required attachments, constitutes the formal application to HUD for Section 108 Loan Guarantee funds. It is being submitted to HUD concurrently with a related Substantial Amendment to the 2010-2014 Consolidated Plan.

APPLICATION NARRATIVE

ADMINISTERING AGENCY

The County of Cook currently receives Community Development Block Grant (CDBG), Emergency Solutions Grant (formerly known as the Emergency Shelters Grant) (ESG), and HOME Investment Partnerships Program (HOME) funding on an annual entitlement basis from the U.S. Department of Housing and Urban Development (HUD). The County is governed by the County Board President and the 17-member Board of Commissioners, who are elected to a four-year term. The President and Board approve all HUD-funded projects. The Community Development Advisory Council (CDAC) also reviews and approves proposed projects prior to Board review. The Department of Planning and Development within the newly formed Bureau of Economic Development (formerly known as the Bureau of Community Development) is the designated agency administering HUD funds on behalf of Cook County.

The mission of the Bureau is to: "foster economic development and job growth within Cook County to promote sustainable community investment, business growth, attraction, and retention, affordable housing, regional planning, and workforce development". In addition to the Department of Planning and Development, the Bureau includes the following departments: Capital Planning and Policy, Real Estate Management, Building and Zoning, and Cook County Works (which is currently transitioning to the Chicago Cook Workforce Partnership).

The mission of the Department of Planning and Development is to develop sustainable and vibrant urban communities by: "fostering economic opportunities and business development, preserving and expanding the supply of decent, affordable housing, promoting fair housing, and supporting programs that address the problems of homelessness."

GEOGRAPHIC AND DEMOGRAPHIC CHARACTERISTICS

The County is located in northeastern Illinois and encompasses 132 incorporated municipalities including the City of Chicago and suburban communities that account for approximately 85 percent of the County's 946 square miles. Within the remaining 15 percent of unincorporated land, unincorporated suburban areas represent 6.5 percent of the County's land area and 2 percent of its total population. There are efforts underway to consolidate unincorporated areas with adjacent municipalities to more effectively utilize local resources. Cook County is the most populous county in the State of Illinois and ranks second nationwide. It is the economic and cultural hub of the state and represents approximately 42 percent of the state's economic activity.

ECONOMIC DEVELOPMENT CHALLENGES AND OPPORTUNITIES

The "Great Recession" Undermines Residents' Quality of Life

Since adoption of Cook County's 2010-2014 Consolidated Plan, economic conditions within the County have deteriorated significantly. The "Great Recession" has negatively impacted the lives of countless County residents and their families. The County's Consolidated Plan was adopted on August 15, 2010 and is heavily reliant on data from the 2000 U.S. Decennial Census. More recently released data from the 2010 Decennial Census and the annual American Community Survey (ACS) illustrate the economic toll of the downturn.

Cook County's median household income, for example, declined from $60,091 in 1999, to $53,406 in 2009, to $51,466 in 2010. This reflects a percentage decrease of 14 percent in eleven years, more than 1 percent per year.[i] Unemployment is still almost twice the 2000 rate of 5 percent, though it recently dropped from 11.8 percent in 2010 to 9.5 percent in 2012.[ii] Job creation since 1990 has significantly lagged behind the Chicago metropolitan area and the nation.[iii]

The poverty rate in the County has increased steadily from 13.5 percent in 1999, to 15.9 percent in 2009, to 16.7 percent in 2010.[iv] Poverty rates have increased every year from 2007 to 2010.[v] According to the 2006-2010 ACS, that figure increases to 37.3 percent for female heads of household with related children under 18 years.[vi]

The severity of Cook County's housing crisis has received national attention. The New York Times cited RealtyTrac's report that metropolitan Chicago area has the nation's largest inventory of foreclosed property, with more than 118,776 homes in May 2011 that were either owned by banks or were in foreclosure because the owners could no longer afford their monthly mortgage payments.[vii] According to RealtyTrac, 69,103 homes were in foreclosure in July, 2012.[viii] By 2010, the median home value in Cook County had dropped 14 percent to $244,000 from $281,000 in 2007.[ix] The collapse of the homeownership market has produced a tighter rental environment for the four out of ten residents (41.8 percent) who do not own their home.[x]

Challenges to Regional Economic Recovery

Cook County's economy is undergoing demonstrable shifts in the employment sector with a shift toward management and service jobs, and away from sales and production. Based upon the 2010 Census, service and management/ professional occupations grew by 4 and 2.4 percent respectively while declines characterized the production/transportation/material moving (-2.6 percent) and construction/extraction sectors (-.7 percent). [xi]

The percentage of jobs in education, health, and social services increased from 2007 to 2010. Food services and hospitality workers in Cook County remained stable during the period while manufacturing, a historic cornerstone of the County's economy, trended downward from a high of 11.7 percent in 2007 to 10.7 percent in 2010.[xii] Construction remained a small part of the overall workforce but declined from 6 percent in 2007 to 4.7 percent in 2010, a decline produced largely by stagnant real estate markets.[xiii]

The Chicago Metropolitan Agency for Planning (CMAP) identifies freight and logistics as a priority sector for the region's economy and cites that the Chicago metropolitan terminal ranked as the top western hemisphere port when measured by the 12.85 million twenty foot equivalent unit (TEU) containers processed here. Metropolitan Chicago's freight cluster accounts for 204,350 jobs or 4 percent of the region's total employment. Over the last decade, this cluster has grown by 7 percent, considerably faster than the average for all other occupations. The bulk of the transportation, real estate and human assets essential to this industry cluster—six Class I railroads, 21 rail-to-truck intermodal facilities, eight interstate highways, a connected network of truck routes, sufficient vacant and/or underutilized land for redevelopment and a ready workforce—are all concentrated in Cook County.

Cook County is part of the Chicago Metropolitan Statistical Area (MSA), as defined by the U.S. Census Bureau. The Chicago MSA includes fourteen counties—DeKalb, DuPage, Grundy, Kane, Kendall, Lake, McHenry, and Will counties in Illinois; Jasper, Lake, Newton, and Porter counties in Indiana, and Kenosha County in Wisconsin. Its population of 9.6 million (2009 estimate) makes it the third most populous MSA in the nation.[xiv]

Recently completed economic analysis reveals that since 2000, the 14-county Chicago metropolitan region's Gross Regional Product (GRP) failed to keep pace with the nation—producing a "lost decade" that complicates economic recovery. These changed circumstances have disproportionately affected low- and moderate-income suburban communities and necessitate the development of new tools and mechanisms to prime Cook County's economic development pump.[xv]

SECTION 108 STRATEGY: PRIMING COOK COUNTY'S ECONOMIC DEVELOPMENT PUMP

Introduction

The County will use the Section 108 Loan Pool, in accordance with 24 CFR 570, Subpart M – Loan Guarantees, to fund projects located within suburban Cook County that provide clear economic and community development benefits to low- and moderate-income persons and their communities. The Section 108 Loan Pool will represent a new tool that the County can use to support economic development efforts in targeted slow growth areas with market potential as well as in stronger market areas where new jobs will be made available to low- and moderate-income residents. Funds will be utilized to support a wide range of CDBG-eligible activities contingent upon evolving local needs, and available resources.

The County is concurrently submitting a proposed Substantial Amendment to the 2010-2014 Consolidated Plan to HUD to allow for broader economic development uses of funds including Section 108 financing. Specifically, Section 108 Loan Guarantee financing will enable Cook County to support large scale projects and activities on an accelerated timeline not feasible with current resources for a broader economic development impact including support to sustain and grow local businesses as well as create and retain jobs for low- and moderate-income persons.

The Cook County Section 108 Loan Guarantee, if HUD-approved, will support the ***BUILT (Broadening Urban Investment to Leverage Transportation) in Cook Loan Fund.***

Funding Request

Cook County may apply for Section 108 Loan Guarantee funds up to five times its current approved Community Development Block Grant (CDBG) entitlement allocation. The County is currently requesting $30 million in Section 108 Loan Guarantee funds, in accordance with 24 CFR 570, Subpart M – Loan Guarantees, to establish a loan pool. The requested amount is less than the maximum allowable.

Target Area

Section 108 Loan Guarantee funds will be restricted for the benefit of the current suburban community membership of the Cook County Urban County. Communities currently opting out of the Urban County will be ineligible for assistance. Presently, the Urban County includes all suburban municipalities under 50,000 in population, unincorporated areas, and the City of Chicago Heights. The City of Chicago and City of Evanston receive significant CDBG entitlement fund allocations direct from HUD and are unlikely to join the Cook County Urban County. Under an initiative jointly led by HUD Region V and Cook County executive leadership, efforts are currently underway to solicit the addition of the following communities to the Urban County: Arlington Heights, Des Plaines, Hoffman Estates, Mount Prospect, Oak Lawn, Oak Park, Palatine, Schaumburg, and Skokie.

National Objectives and Public Benefit Standards

In accordance with HUD's CDBG regulatory requirements at 24 CFR 570 including 24 CFR 570, Subpart M – Loan Guarantees, all Section 108 funded activities will be based upon the "benefit to low- and moderate-income persons" or "LMI" national objective, also known as the "primary" national objective. As such, at least seventy (70) percent of CDBG funds including Section 108 dollars will be utilized to the benefit of low- and moderate-income persons. The County will employ one of the following allowable national objective activity subcategories as applicable by eligible activity type:

- **Low/Mod Area Benefit (LMA)** - Activity will benefit all residents in a particular area, where at least 51 percent of the residents are LMI persons
- **Low/Mod Limited Clientele (LMC)** - At least 51 percent of the beneficiaries of the activity have to be LMI persons
- **Low/Mod Job Creation/Retention (LMJ)** – Activity will create or retain permanent jobs, at least 51 percent of which (computed on a full-time equivalent basis) will be made available to or held by LMI persons

Performance Measurement Framework

In accordance with HUD's performance measurement framework, all Section 108 funded activities will be based upon the "economic opportunity" objective as well as the related outcome of "improved availability/accessibility" as noted below:

Objectives/Outcomes	**Availability**	**Accessibility**	**Sustainability**
Economic Opportunities	$30,000,000	$0	$0

Utilizing the 24 CFR 570.209(b) CDBG individual public benefit standard of $50,000 required to create or retain a single full-time equivalent, permanent job, it is anticipated that the proposed Section 108 Loan Guarantee financing will create at least 600 jobs. If HUD approves a lesser amount of Section 108 Loan Guarantee funds, this goal will be adjusted proportionally.

Eligible Uses and Potential Projects

The County is proposing a broad use of Section 108 financing based upon various eligible activities provided they meet the requirements of 24 CFR 570 including 24 CFR 570, Subpart M – Loan Guarantees. The County understands that guaranteed loan funds may not be used to reimburse the CDBG program account or line of credit for costs it has previously incurred and paid with CDBG grant funds or program income.

In addition to the eligible uses outlined below related to specific project types, the County may also utilize Section 108 funds for the following purposes:

§570.703(c): Payment of interest on obligations guaranteed under this subpart.
§570.703(g): Payment of issuance, underwriting, servicing, trust administration and other costs associated with private sector financing of debt obligations under this subpart.
§570.703(k): A debt service reserve to be used in accordance with requirements specified in the contract entered into pursuant to §570.705(b)(1).

The Section 108 loan pool investment strategy will be built around four forms of urban development that make for a more sustainable approach for capturing growth:

- **Transit-Oriented Development (TOD),** which is generally accepted to be more compact mixed use development within a half mile of passenger rail service that allows households to spend less on transportation by reducing the number of cars owned and how far they are driven;

- **Cargo-Oriented Development (COD),** which is the freight rail counterpart to TOD that aggregates logistics providers, warehouse and distribution facilities, and freight-dependent manufacturers around the rail-to-truck intermodal terminals or rail lines directly serving industrial businesses that are capturing an increasing share of goods moving across the U.S.;

- **Mixed-Use Hospitality and Service Sector Developments,** accessible by transit are known job creators that cater to both residents and the out-of-town tourist trade;

- **Business Development Loans,** for business start-ups and/or expansions.

Following are descriptions of five project types that the County expects to include in its Section 108 Loan Pool. Any projects selected by the County shall meet underwriting criteria including project readiness, proven development capacity, and anticipated completion within a reasonable time frame from the approval date.

Transit-Oriented Development (TOD): The vast majority of the 384 train stations in the Chicago region—306—are located in Cook County and provide the foundation for a countywide strategy to foster more sustainable growth. The Chicago Transit Authority (CTA), the region's rapid transit operator, along with Metra, the metropolitan area's commuter rail provider, offer passenger service at 108 stations located in suburban Cook.[xvi] Suburban Cook County contains numerous rail stations that are ripe for redevelopment as the more densely developed mixed-use districts typical of TOD. While many communities have station area plans, only a small percentage of municipalities with such plans have successfully translated their blueprints into buildings. A Section 108 guarantee and/or loan can provide the added security and gap financing to enable a greater number of communities to implement their plans.

TOD Project Type Eligibility Citations:

§570.703(a): Acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes.

§570.703(b): Rehabilitation of real property owned or acquired by the public entity or its designated public agency.

§570.703(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 required under the provisions of §570.606(b) or (c); or determined by the public entity to be appropriate under the provisions of §570.606(d).

§570.703(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.

§570.703(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: related to the redevelopment or use of the real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section, or for an economic development purpose.

§570.703(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.

Cargo-Oriented Development (COD): Both the south and west suburbs of Cook County boast the basic building blocks that are critical to infill COD. In the south, development sites are larger and the planned expansion of Canadian National's Gateway Terminal in Harvey holds the potential for serving as a private stimulus for the coordinated construction of related and/or freight-dependent businesses and manufacturers that tend to co-locate around rail intermodal facilities or rail lines. West Cook, in contrast, has a stronger industrial base still in place so that redevelopment opportunities are of a smaller scale. Both sub-regions offer the prospect of implementing TOD and COD as tandem strategies for community revitalization since the passenger trains that serve them operate along freight rail corridors. South Suburban Mayors and Managers Association (SSMMA), with help from the Center for Neighborhood Technology (CNT), has prepared the Green TIME Zone framework plan to identify and implement priority TOD and COD projects in conjunction with a scattered site logistics park, a foreign trade zone, and possibly, a U.S. Customs House. The West Central Municipal Conference is at an early stage of developing a comparable plan for West Cook also with CNT assistance.

COD Project Type Eligibility Citations:

§570.703(a): Acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes.

§570.703(b): Rehabilitation of real property owned or acquired by the public entity or its designated public agency.

§570.703(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 required under the provisions of §570.606(b) or (c); or determined by the public entity to be appropriate under the provisions of §570.606(d).

§570.703(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.

§570.703(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: related to the redevelopment or use of the real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section, or for an economic development purpose.

§570.703(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.

Advanced and/or Green Manufacturing: Converting established industrial plants and their skilled "blue" workforce to advanced "green" manufacturing is a high priority of Cook County. A development strategy that focuses on specific industry clusters will help advance regional specializations, support long term growth, and promote regional prosperity. Industry clusters of particular importance to Cook County include freight/logistics, advanced manufacturing, and biomed/biotech. The developing cluster of green energy/technology businesses and institutions will be fundamental to facilitating economic growth. Special emphasis will be placed upon projects with "green" or other innovative features for "value-added" manufacturing operations.

Commercial/Retail Development: Prospective tenants of a hotel/commercial/ office development may need Section 108 guarantee assistance to complete tenant improvements to occupy the space. Hotel/commercial/office developers tend to be large job generators, particularly of lower-skilled positions. Mixed-use jobs, which include transportation, retail, and commercial services, professional services, arts and entertainment, and healthcare provide a wide range of salaries starting at $15,000 for service workers and up to $100,000 for professionals with the average estimated at $27,900 ($14 hourly) in 2005 dollars.[xvii]

Manufacturing & Commercial/Retail Development Project Type Eligibility Citations:

§570.703(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.

§570.703(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: related to the redevelopment or use of the real property acquired or rehabilitated pursuant to paragraphs (a) and (b) of this section, or for an economic development purpose.

§570.703(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.

Business Development Loans: The tightening of credit associated with the Recession has made financing for business start-ups and expansions of small to mid-size firms difficult. Section 108 loan funds will be made available to new and expanding companies that are forecasted to create living wage jobs for low- and moderate-income residents of Cook County. Cook will promote these enterprise development loans to industry clusters such as transportation, logistics, warehouse and distribution; food processing; and metal manufacturers in which Cook County demonstrates stronger performance than the nation.

Business Development Project Type Eligibility

Citations:

> **§570.703(i):** The following economic development activities: activities eligible under §570.203; and community economic development projects eligible under §570.204.

Administrative Capacity

As a long-term HUD formula grantee, Cook County has significant experience managing affordable housing and community development programs and projects. The Bureau of Economic Development along with the County as a whole, under new and innovative leadership continues to work to strengthen internal and external capacity. Towards this end, existing staff across all programs and at all levels continue to participate in training provided by HUD, the National Development Council (NDC), and others.

Recognizing the need to improve internal underwriting capacity, Cook County intends to supplement existing staff resources with contractual support until program demand and the related project pipeline are clarified in the context of local market conditions. If the Section 108 Loan Guarantee financing is approved, it is anticipated that related underwriting will be outsourced to the most qualified and capable firm or firms in the short term until such time when loan demand justifies having that capacity as a part of County government. Exploration and identification of potential contractual providers is currently in process. It is anticipated that competitive procurement of underwriters will be initiated upon submittal of the Section 108 application to HUD with vendor selection and contract execution contingent upon HUD approval. All administrative costs associated with the Section 108 Loan Guarantee will be supported by a combination of Cook County corporate dollars as well as CDBG administrative funds (within the regulatory cap) as available and eligible. Loan origination fees as well as receipted program income will also support administrative costs only as allowable under the program.

Resources Leveraged

The Section 108 Loan Pool will be another tool to continue to leverage private investments and support public-private partnerships that benefit the targeted geographic areas and the County as a whole. Where possible, Cook County will leverage existing Emergency Solutions Grant (ESG) (formerly known as Emergency Shelters Grant), HOME Investment Partnerships Program (HOME), and Neighborhood Stabilization Program (NSP) funds. Specifically, CDBG funds may be utilized as seed capital in sustainable development funds for economic development purposes.

Recently, Cook County approved a Land Bank Advisory Committee which has been charged with reviewing the feasibility of creating a Cook County Land Bank, a critical tool to help combat the foreclosure crisis, bring vacant property back to productive use, and eradicate blight. The committee is tasked with advising the County regarding a responsible, legal, and effective model as well as the potential budget, target areas, and scope of service for a Land Bank entity. The committee will also evaluate methods and recommend initiatives to market existing tax incentives in conjunction with broader strategies for community revitalization and economic growth. It is anticipated that the Land Bank initiative will be eligible for support under the Section 108 loan pool and will further leverage dollars for broader community impact.

Additionally, the County aims to support and supplement ongoing community, housing, and economic development efforts, active funding resources, and other existing assets throughout suburban Cook. The weighted scoring criteria to be developed for review of prospective loan applications will include preferences for projects which encompass one or more of these components. A few of these initiatives are outlined below.

Cook County will aid the implementation of a $2.4 million Sustainable Communities Challenge Grant awarded to the South Suburban Mayors and Managers Association (SSMMA) by HUD in October 2010. This inter-jurisdictional collaborative approach, spearheaded by SSMMA in conjunction with the Chicago Southland Housing and Community Development Collaborative and the Chicago Southland Economic Development Corporation (CSEDC), promotes a comprehensive redevelopment strategy linking economic development, affordable housing, and transportation.

The County will also work in coordination with another HUD Challenge Grant recipient in the western suburbs. The Village of Oak Park, on behalf of the West Cook County Housing Collaborative, a multi-jurisdictional effort of 5 municipalities, which is using its $2.9 million grant to further TOD along its rail corridors and establish a TOD fund.

Cook County also continues to seek competitive grant dollars to supplement existing funding including a recent joint submission to HUD along with the Housing Authority of the County of Cook (HACC) for a Choice Neighborhoods Planning Grant targeting a former public housing site in south suburban Robbins.

Project Selection

Similar to the existing process for CDBG funding, prospective funding applications will be reviewed upon the basis of weighted scoring criteria and related funding recommendations will be submitted for review and approval by both the CDAC and Board of Commissioners. It is anticipated that a formal Request for Applications (RFA) or Request for Proposals (RFP) will be released upon HUD approval with a specific deadline. Contingent upon the volume and quality of responses as well as the availability of funding, additional applications may be accepted on a rolling basis at the County's discretion. Depending upon timing, notice of funding recommendations will be transmitted to HUD either via a Substantial Amendment to the 2012 Annual Action Plan or through the standard submittal of the 2013 Annual Action Plan.

At a minimum, Cook County will evaluate Section 108 loan pool funding requests based upon the following criteria:

- Project costs are reasonable;
- All sources of project financing are committed;
- To the extent practicable, funds are not substituted for non-federal financial support;
- Project is financially feasible;
- To the extent practicable, the return on the owner's equity investment will not be unreasonably high; and
- To the extent practicable, funds are disbursed on a pro rata basis with other finances committed to the project

Upon HUD approval, Cook County will more fully develop and implement specific weighted scoring criteria related to assessment of market demand and capacity, development capacity, and project readiness. Draft criteria are currently under development in consultation with local stakeholders.

Financing via the County's Section 108 loan pool will be restricted to 15 percent or less in gap financing per project based upon the total development cost (TDC).

Underwriting

Preliminary underwriting standards are outlined below. Full underwriting criteria will be developed upon HUD approval of the Section 108 Loan Guarantee in advance of any solicitation of loan applications.

Proposed costs

The analysis will compare estimated development costs to costs of similar properties. Also, the analysis will determine whether estimated development costs have been prepared by a credible third party such as a contractor or other cost estimator. Finally, the County's loan commitments for financing construction or rehabilitation will be conditioned on a final guaranteed maximum price (GMP) contract for development within the proposed budget.

Commitment of Funds

Projects seeking Section 108 loans should have conditional or firm commitments of construction and permanent financing. If private financing includes a right to adjust the interest rate after a certain point in time, the County may not permit the loan. Loan documents should contain adequate lender protections (e.g., default and cure privileges) for the County, subject to reasonable conditions of other lenders having priority over the Section 108 loan. Subordination to primary financing will be permissible but assessed on a case by case basis. In addition, an equity contribution will be required; the value of which will be based upon project type and scope.

Need for Public Assistance

The analysis will determine whether the project can be developed feasibly with private financing alone or, in fact, requires public financial assistance to make the development feasible. The County will examine the reasonableness of a for-profit developer's fee compared to market rates and will cap at ten percent. If the for-profit developer has an ownership stake in the project, the County will also examine the reasonableness of the developer's return under cash on cash return and internal rate of return ("IRR"). Cash on cash return measures the developer's cash return on a cash investment (i.e., cash flow ÷ equity). IRR measures the rate at which the developer's investment grows over a long term period, taking into account periodic cash flows and property appreciation. As part of such analysis, an excessive developer fee/return may be put back into the project in the form of additional equity and/or additional reserves.

Financial Feasibility

The analysis will identify the primary, secondary and, where considered necessary, tertiary sources of repayment for the loan. Key repayment risks will be analyzed in detail, including an analysis of project financial assumptions compared to actual market conditions. In the case of real estate, the analysis will compare the anticipated lease rate to similar properties. Also, the analysis will compare anticipated vacancy rates to similar properties. The analysis will also describe the projected leasing time frame to achieve project stabilization and whether reserves exist to guard against delay. If there is a balloon payment at the end of the loan term, the analysis will describe the financial condition of the property on the maturity date, the project's ability to make final payment and efforts to mitigate risk (e.g., replacement reserves to maintain the physical condition of the property). In the case of operating business financing, the analysis will consider cash flow available for repayment after all business operating expenses. A 1.2 projected debt coverage ratio is desired, however a debt coverage ratio of 1.15 may be considered if the project's financial condition supports such a lower ratio (e.g., project has commitment of financially strong tenant(s) under long term lease). Debt service reserves may also be required.

Loan to Value
Consistent with customary underwriting practice, loan to value coverage will be determined based on expected value as of project stabilization. Loan to value must be supported by an appraisal prior to funding. Section 108 project loans will target a loan to value ratio not to exceed 80 percent at project stabilization and not to exceed 100 percent of hard costs. The analysis will first use the property being financed as the sole source of value to determine the loan to value ratio. If such a calculation exceeds 80 percent, the project may then be required to include outside collateral to meet the targeted loan to value requirement. The County's security will typically be in the form of a deed of trust. In certain cases, outside guarantees will suffice for additional collateral depending on the resources and financials of the individuals or entities providing such guarantees.

Developer/Owner Commitment
Developer/owner commitment can take many forms. These commitments can include: developer/owner equity, guarantees of completion, guarantees to fund shortfalls or guarantees of minimum cash flow. The developer's financials will also be examined and analyzed.

Pro Rata Disbursement of Section 108 Funds with Other Funding Sources
It shall be the goal of the program to disburse funds on a pro rata basis with other funds being used in specific projects. Where this is not possible, the County will document the need for an alternate approach.

Program Eligibility
Proposed projects will meet requirements for Section 108 eligible applicant, eligible activity and will clearly identify the public benefit(s) including CDBG national objective to be achieved.

Project Readiness to Proceed
Applicants for loans must demonstrate evidence of ownership or site control, such as an executed option or purchase and sale agreement, as well as the readiness of the project to proceed in a timely manner upon loan approval. Such measures may take the form of building permit readiness, commitment of all other financing, development team selection and/or other measures as applicable.

Development Team Capacity and Experience
Projects to be funded should have a development team that has both the capacity and demonstrated experience to complete the project as evidenced by past projects of similar size and scope, as well as financial strength. The developers must demonstrate positive credit histories and references. The analysis will include:

(i) Resumes of development team members
(ii) A list of prior comparable projects completed by development team members with a description of project size and cost
(iii) Whether such projects were completed on time and on budget
(iv) A description of development team members' experience with public funding sources and accompanying regulations as applicable

Loan Term
Section 108 loans shall not exceed a loan term of 20 years, with no loan to exceed the overall 20 year term of this loan fund and in no event to exceed the useful life of the asset being financed.

Payment/Amortization

Section 108 loans will be amortized over the full term of the loan (e.g., 20 year amortization for a 20 year loan) unless otherwise pre-approved by the County. An amortization schedule longer than the term of the loan will not be considered due to the potential financial risk.

Interest Rate

County notes guaranteed under Section 108 will initially bear a floating rate based on a formula that is presently the 90 day LIBOR (London Interbank Offered Rate) or other HUD accepted scale, as adjusted monthly, plus 20 basis points, and after inclusion in a public offering arranged by HUD, will carry a fixed rate for each maturity of principal pursuant to the public offering. The County may charge the borrower an interest rate that is higher or lower than the rate on the County's note. Any difference in the interest rate will be discussed in the underwriting analysis.

Origination Fee to County

The County may assess an origination fee of up to 2% of the principal amount as permissible by the program regulations.

Collateral

The County understands that should the Section 108 project loan borrowers fail to make timely payments and should the County subsequently fail to make required payments, HUD could deduct that payment from the County's annual CDBG allocation. In accepting the Section 108 Guaranteed Loan, the County will pledge its current and future CDBG funds as security of repayment within twenty years. However, as long as repayment is remitted as agreed by third party borrowers, there is no impact to Cook County's ongoing CDBG allocations. Additional security instruments employed as collateral may include real property, equipment, and other assets created from use of Section 108 financing.

Repayment

Cook County will provide Section 108 loan financing to third parties (entrepreneurs, developers, non-profits, etc.) who will undertake eligible activities. The County will act as the borrower and issue the guaranteed debt obligations. The County intends to issue separate HUD-guaranteed promissory notes with an individual principal repayment schedule for each project funded. The first loan is anticipated to close and receive funds within 6-12 months of formal HUD approval. Cook County is requesting a twenty-year repayment term. Repayment of Cook County's Section 108 Loan Guarantee will be based upon remittances from third parties assisted with loan funds.

STAKEHOLDER CONSULTATION AND CITIZEN PARTICIPATION PROCESS

This Application was developed in accordance with Cook County's current Citizen Participation Plan which facilitates public input and comment for all HUD-funded programming. The public consultation process for Program Year 2012 was inclusive of informational regional meetings, a Community Development Advisory Council (CDAC) public hearing, and a Cook County Board of Commissioners public hearing. The Draft Application was made available to the public via the Cook County website as well as on-site at Cook County offices. Prior to CDAC and Board review, the County also solicited input from local stakeholders including representatives from local civic organizations, councils of government, regional planning agencies, philanthropic institutions, and financial intermediaries via a formal discussion. In addition, stakeholder organizations posted links to the Application and advertised the public comment period via their websites. All related public meetings as well as availability of the draft plan for public review and comment were advertised via local newspaper as well as the Cook County website, blog, and listservs. A summary transcript of the related meetings as well as any written comments received, as available, are enclosed in this packet.

PROGRAM DEVELOPMENT TIMELINE

Cook County will fully develop and implement Section 108 loan financing based upon the following preliminary timelines with most tasks contingent upon HUD, CDAC, and Cook County Board approval. These milestones and deadlines are subject to change. Please note – loan applications as well as professional services for underwriting will be solicited via a competitive process.

Prior to notification of HUD approval and joint execution of written agreements:

Milestone	*Deadline*
Initial Discussions with Purchasing Regarding RFQ/RFP for Underwriting Services	September 30, 2012
Development of Draft Weighted Scoring Criteria	October 31, 2012
Development of Draft RFQ/RFP for Underwriting Services	November 30, 2012
Release of RFQ/RFP for Underwriting Services	December 31, 2012
Responses to RFQ/RFP for Underwriting Services Due	January 31, 2013

After notification of HUD approval and joint execution of written agreements:

Milestone	*Deadline*
Development of Underwriting Criteria	1 Month
Vendor Selection and Execution of Contract for Underwriting Services	1 Month
Development and Release of Draft RFA/RFP for Applications	2 Months
Conduct of Outreach and Training Regarding Program and RFA/RFP	2 Months
Responses to RFA/RFP for Applications Due	3 Months
CDAC/Board Review/Approval	Rolling
Initial Loan Disbursement	6-12 Months

APPENDIX 1 - REQUIRED FORMS

SF 424 Application for Federal Assistance

Certifications

APPENDIX 2 - STAKEHOLDER CONSULTATION AND CITIZEN PARTICIPATION

Community Development Advisory Council (CDAC) Public Hearing
Cook County Board of Commissioners Public Hearing

Notices

Minutes

Resolution

Public Comments and Cook County Responses

APPENDIX 3 - SUPPLEMENTAL DOCUMENTATION

Substantial Amendment to the 2010-2014 Consolidated Plan

2010-2014 Consolidated Plan Jurisdiction Map

Endnotes

[i] Social IMPACT Research Center, http://www.scribd.com/doc/65965081/Cook-County-Fact-Sheet

[ii] Chicago Workforce Investment Council, www.cwic.org/Portals/0/CWICstats/CWICstatsDashboard2012Q1.pdf

[iii] Metropolis Strategies, RW Ventures – Background Information on Cook County, July 11, 2012 p.14

[iv] Social IMPACT Research Center, http://www.scribd.com/doc/65965081/Cook-County-Fact-Sheet].

[v] Chicago Workforce Investment Council, www.cwic.org/Portals/0/CWICstats/CWICstatsDashboard2012Q1.pdf

[vi] U.S. Census Bureau, 2006-2010 American Community Survey 5-Year Estimates – Cook County, IL

[vii] The New York Times http://www.nytimes.com/2011/07/08/us/08cncforeclose.html?pagewanted=all

[viii] RealtyTrac http://www.realtytrac.com/trendcenter/il/cook-county-trend.html

[ix] Chicago Workforce Investment Council, www.cwic.org/Portals/0/CWICstats/CWICstatsDashboard2012Q1.pdf

[x] U.S. Census Bureau, 2010 Demographic Profile Data – Cook County, IL

[xi] Chicago Community Trust http://www.cct.org/research/research/what-does-the-census-tell-us-about-metropolitan-chicago

[xii] Metropolis Strategies, RW Ventures - Background Information on Cook County, July 11, 2012, p.14

[xiii] World Business Chicago, http://www.worldbusinesschicago.com/files/downloads/Plan-for-Economic-Growth-and-Jobs.pdf

[xiv] Metropolis Strategies, RW Ventures - Background Information on Cook County, July 11, 2012, p.14

[xv] World Business Chicago, http://www.worldbusinesschicago.com/files/downloads/Plan-for-Economic-Growth-and-Jobs.pdf

[xvi] Center for Neighborhood Technology (CNT), National TOD Database

[xvii] CCA Industrial Zone Economic Report, CBRE, February 15, 2007