

Communities program. A list of the federally designated Brownfield Showcase Communities is provided in Appendix B of this program section of the SuperNOFA and is also available from the SuperNOFA Information Center or through the HUD web site, <http://www.hud.gov>.

Strategic Plan means a strategy or course of action developed and agreed to by the nominating local government(s) and state(s) and submitted in partial fulfillment of the application requirements for an Empowerment Zone, Enterprise Community, or a Renewal Community, designated pursuant to 24 CFR part 597, part 598, or part 599.

(2) *Background*. HUD has multiple programs that are intended to stimulate economic and community development and promote economic revitalization of distressed areas, and which can be effectively employed to address and remedy brownfields conditions. Primary among HUD's resources are the Community Development Block Grant (CDBG) program and the Section 108 loan guarantee program.

(a) The CDBG program provides grant funds by formula to local governments (either directly or through states) to carry out community and economic development activities (\$4.340 billion appropriated in FY 2003). The Section 108 loan guarantee program provides CDBG-recipient communities with a source of financing for economic development, public facilities, and other eligible large-scale physical development projects. HUD is authorized pursuant to Section 108 to guarantee notes issued by CDBG entitlement communities and non-entitlement units of general local government eligible to receive funds under the CDBG States' program, as well as non-entitlement units of general local government in the State of Hawaii. The Section 108 program is subject to the regulations applicable to the CDBG program at 24 CFR part 570 as described in 24 CFR part 570, subpart M. BEDI grants must support Section 108 loan guarantees as generally described in this program section of this SuperNOFA.

(b) For FY 2003, the loan guarantee authority for the Section 108 program is estimated at \$573,000,000 including \$298,000,000 in loan guarantee authority that will continue to be available under the Fiscal Year 2002 appropriation and \$275,000,000 in loan guarantee authority for Fiscal Year 2003. The full faith and credit of the United States is pledged to the payment of all guarantees made under Section 108. Under this program, communities (and states, as applicable) pledge their

continuing CDBG allocations as security for loans guaranteed by HUD. The Section 108 program, however, does *not* require CDBG funds to be escrowed for loan repayment (unless such an arrangement is specifically negotiated as loan security and included in the applicable "Contract for Loan Guarantee Assistance.") This means that a community can ordinarily continue to spend its existing allocation for other CDBG purposes, unless needed for loan repayment.

(3) *EDI Program*. The EDI authorization, Section 108(q) of the Act, was enacted in 1994 and is intended to complement and enhance the Section 108 Loan Guarantee program.

(4) *BEDI Program*. A purpose of BEDI (and EDI) grant funds is to reduce grantees' potential loss of future CDBG allocations:

(a) By strengthening the economic feasibility of a project financed with Section 108 funds (and thereby increasing the probability that the project will generate enough cash to repay the guaranteed loan);

(b) By directly enhancing the security of the Section 108-guaranteed loan; or

(c) Through a combination of these or other risk mitigation techniques.

HUD intends all the funds available pursuant to this program section of the SuperNOFA to be used for purposes of the redevelopment of brownfields sites. Accordingly, BEDI funds shall be used as the stimulus for local governments and private sector parties to commence redevelopment or continue phased redevelopment efforts on brownfields sites where contamination is present or potentially present and a redevelopment plan exists. HUD desires to see BEDI and Section 108 funds used to finance projects and activities that involve investment in the brownfields site by an identified private sector party and that will provide near-term results and measurable economic benefits, such as job creation and increases in the local tax base, through the return of brownfields sites to productive economic use.

(5) *Integration of Other Government Brownfields Programs*. HUD expects and encourages local governments which are designated through (a) the federal government's Brownfields Showcase Community program, (b) other federal brownfields programs (e.g., EPA's Assessment, Tax Incentive, Revolving Loan Fund or Cleanup Grant programs), (c) a state-supported brownfields program, or (d) a state or local related economic development program, to integrate efforts arising from those programs in developing projects for assistance under HUD's BEDI and

Section 108 programs. Applicants should elaborate upon these ties in their response to the rating factors, where appropriate (e.g., "Capacity of the Applicant," "Soundness of Approach," or "Leveraging Resources"—Rating Factors 1, 3, and 4 respectively.)

(6) *Additional Security for Section 108 Loan Guarantee*. Public entities should consider the need to provide additional security for the Section 108 loan guarantee pursuant to 24 CFR 570.705(b)(3). Although a public entity is required by the Act to pledge its current and future CDBG allocations as security for the Section 108 loan guarantee, the public entity will usually be required to furnish additional collateral. In most cases, the additional collateral consists (in whole or in part) of the asset financed with the Section 108 loan funds (e.g., a loan made to a business as part of an economic development project and the related mortgage from the business). Applications proposing uses for BEDI funding that directly enhance the value of the assets securing the Section 108 loan will help ensure that the project-based asset(s) will satisfy the additional collateral requirements.

(7) *Uses of BEDI Funds*. Generally, proposals must be consistent with other CDBG requirements, including meeting National Objectives and activity eligibility requirements under § 570.703 of the Section 108 Loan Guarantee regulations, as described in Section III (C) of this program section. The following examples are offered only to illustrate some of the ways in which BEDI funds may be used to support 108-guaranteed loans:

(a) *Land Writedowns*. Local governments may use a combination of Section 108 and BEDI funds to acquire a brownfields site for purposes of reconveying the site to a private developer at a discount from its purchase price. This approach would provide the developer with an asset of enhanced value that could be used as collateral for other sources of funding and those other sources of financing could then be used to finance environmental remediation or other development costs. In such a circumstance, the level of BEDI assistance could approximate the difference between the original cost of the site and its remediation in comparison to the market value of the remediated property.

(b) *Site Remediation Costs*. Local governments may use BEDI funds in any of several ways to address site remediation costs. If the local government proposes to use Section 108 funds to acquire real property, BEDI