

funds could be used to address assessment and site remediation costs as part of eligible demolition, clearance, or site preparation activities. If the local government uses Section 108 funds to make a loan to a developer, BEDI funds could be granted or loaned to the developer for the purpose of addressing remediation costs as part of an economic development activity.

(c) *Funding Reserves.* The cash flow generated by an economic development project may be expected to be relatively "thin" in the early stages of the project, *i.e.*, potentially insufficient to meet operating expenses and debt service obligations. The BEDI grant could be used by the grantee to either establish a debt service reserve to cover interest on the Section 108 loan, or as a grant to a business for working capital. In either case, the BEDI funds enhance the economic feasibility of the project.

(d) *Direct Enhancement of the Security of the Section 108 Loan.* The BEDI grant can be used to pay for the cost of providing credit enhancements for the Section 108 loan. For example, if eligible as part of the cost of an appropriate eligible activity, the BEDI grant can be used to pay for the cost of a standby letter of credit, issued in favor of HUD. This letter of credit will be available to fund amounts due on the Section 108 loan if other sources fail to materialize, and thus will serve to protect the public entity's future CDBG funds.

(e) *Provision of Financing to For-Profit Businesses at a Below Market Interest Rate.*

While the rates on loans guaranteed under Section 108 are only slightly above the rates on comparable U.S. Treasury obligations, they may nonetheless be higher than can be afforded by businesses, non-profit groups or public entities in severely economically distressed neighborhoods. The BEDI grant can be used to make Section 108 financing affordable by serving to "buy down" the interest rate up front, or make full or partial interest payments on the Section 108 loan. This might increase the financial viability of the businesses or other entities in the early start-up period, which might not otherwise be possible with Section 108 alone. This strategy would be particularly useful where a community was undertaking a large commercial or retail project in a brownfields area in order to act as a catalyst for other development in the area.

(f) *Combination of Techniques.* A combination of the above could be employed to implement a BEDI project successfully.

(B) *Eligible Applicants.* Any public entity eligible to apply for Section 108 loan guarantee assistance in accordance with 24 CFR 570.702 may apply for BEDI grant assistance under Section 108(q). Eligible applicants are CDBG entitlement units of general local government and non-entitlement units of general local government eligible to receive loan guarantees under 24 CFR part 570, subpart M. Urban Counties, as defined at 24 CFR 570.3 and 570.307, are eligible applicants for BEDI funds; units of general local government that participate in an Urban County program are not independently eligible applicants. For non-entitlement applicants other than those subject to 24 CFR 570, subpart F (which applies only to the State of Hawaii), applicants will be required to provide evidence in the application from an authorized official of the state agency responsible for administering the State CDBG program stating that it will support the related Section 108 loan with a pledge of its CDBG allocations pursuant to the requirements of 24 CFR 570.705(b)(2). Such evidence shall take the form of the HUD Certification titled "SECTION 108 LOAN GUARANTEES: State Certifications Related to Nonentitlement Public Entities" included in this program section to the SuperNOFA, or which may be obtained by downloading from the Internet at <http://www.hud.gov>. Note that effective January 25, 1995, non-entitlement public entities in the State of Hawaii are authorized to apply to HUD for Section 108 loans ( *see* 59 FR 47510, December 27, 1994). Thus non-entitlement public entities in all 50 states and Puerto Rico are eligible to participate in the Section 108 and BEDI programs, with assistance of the state's or commonwealth's pledge of CDBG allocations.

(C) *Eligible Activities and National Objectives.* (1) BEDI grant funds and Section 108 loan guarantee funds may be used for activities listed at 24 CFR 570.703, provided such activities are carried out as part of a BEDI project as described in this program section of the SuperNOFA and meet the CDBG requirements at 24 CFR 570.200. Applicants are required to submit applications that seek funding for BEDI projects that will contribute to the redevelopment and revitalization of brownfields. Applications that fail to meet the threshold requirements found in Section V (B) of the General Section of the SuperNOFA and the program requirements of this section will not be rated, ranked, or otherwise considered by HUD.

(2) Each activity assisted with Section 108 loan guarantee or BEDI funds must

meet a national objective of the CDBG program as described in 24 CFR 570.208. Applicants must clearly identify in their narrative statement (as described in Section V (B) of this program section below) the CDBG national objective to be achieved by the proposed project and provide the appropriate CDBG national objective regulatory citation found at 24 CFR 570.208. Applicants must also address, when applicable, how the proposed activities will comply with the public benefit standards of the CDBG program as reflected in the regulation at 24 CFR 570.209.

(3) A grantee's aggregate use of its CDBG funds, including any Section 108 loan guarantee proceeds and Section 108(q) (BEDI) funds provided pursuant to this program section of the SuperNOFA, must comply with the CDBG primary objective requirements as described in Section 101(c) of the Act and 24 CFR 570.200(a) (3) for entitlement grantees, or 570.484 in the case of a recipient under a state's program.

(4) Applicants are reminded of the Department's Policy Priorities for FY 2003 found in Section II of the General Section of the SuperNOFA, several of which apply to this program section, as described below, under Rating Factor 3 in Section V of this program section.

#### IV. Program Requirements

(A) *General Requirements.* Applicants for BEDI grant funds must comply with the statutory, regulatory, threshold and public policy requirements listed in Section V of the General Section of the SuperNOFA.

(B) *CDBG Program Regulations.* In addition to 24 CFR 570.701 (Definitions), § 570.702 (Eligible applicants), and § 570.703 (Eligible activities), as explained in Section III (C) of this program section of the SuperNOFA, the CDBG regulatory requirements cited in 24 CFR 570.707, including subparts J (Grant Administration), K (Other Program Requirements), and O (Performance Reviews) govern the use of BEDI funds, as applicable.

(C) *Compliance with Applicable Environmental and Other Laws.* Applicants are advised that an award of BEDI funding does not in any way relieve the applicant or third party users of BEDI funds from compliance with all applicable federal, state and local laws, particularly those addressing the environment. Applicants are further advised that HUD may require evidence that any project involving remediation has been or will be carried out in