

Citizens Advisory Committee

Fiscal Year 2012

YMCA Section 108 Loan Guarantee History and FY12 Request

In Fiscal Year 2012, the City of Lakewood requests \$45,000 in order to fulfill the payment obligation on the Section 108 loan. In a typical year, approximately \$55,000 is needed to cover the principle and interest on the loan. Since there will be some carry-forward, the full \$55,000 is not needed in this year.

The following serves as a summary of the funding provided by the City of Lakewood to the Lakewood YMCA through the U.S. Department of Housing and Urban Development's Section 108 Loan Guarantee Program:

- In 2003, the fiscal year 2004 Citizens Advisory Committee (CAC) and Lakewood City Council approved a proposal to provide \$394,000 in Section 108 Loan Guarantee funds toward the reconstruction of the Lakewood Family YMCA.
- This funding was allocated toward the Americans with Disability Act (ADA) components of the project.
- HUD's Section 108 Loan Guarantee Program provides financing for capital projects. The Section 108 program is not a loan or a grant program. It is a **loan guarantee** program. Standardized notes held by public entities like Lakewood, but guaranteed by HUD, are sold to investors through public offering once per year.
- The funds generated by the sale of these notes to investors provide the financing for the project.
- The City of Lakewood is responsible for repayment of its Section 108 Loan Guarantee obligation, which includes the \$394,000 in principle plus interest.
- The fiscal year 2004 Citizens advisory Committee and Lakewood City Council approved an arrangement whereby **Lakewood would repay its Section 108 obligation over a ten-year period through future allocations of its CDBG funds**. The loan was refinanced in 2008 which resulted in an additional year of repayments.
- At the time the proposal was approved (2004), the City estimated an annual payment of principle and interest of approximately \$55,000 which has been maintained for the most part due to the refinancing.
- The Section 108 Loan Guarantee has been executed with HUD and the City has received a repayment schedule with the exact amount of its repayments during the ten-year amortization period.
- At this time, the City of Lakewood is now making principal and interest payments on this loan and will do so for the next years.
- In 2009 payments were deferred for a year, resulting in some carry-forward.
- In FY12 and beyond, the yearly allocation will need to be approximately \$50,000 a year and the final years of payments will approach \$60,000.