

# DRAFT

## CITY OF SAN DIEGO SAN DIEGO FOOD BANK PROJECT HUD 108 LOAN GUARANTEE APPLICATION

### I. PROJECT DESCRIPTION

The San Diego Food Bank is a program of the Neighborhood House Association (NHA), a long time provider of social services in San Diego. The Food Bank serves as a distribution center for USDA's Commodities Supplemental Food Program and Emergency Food Assistance Program in San Diego. It also provides storage space and serves as a distribution center for San Diego's Charity Food Program. Through this program, food products received from America's Second Harvest Program, partner food banks, food distribution companies, produce growers, community food drives and purchases with donated funds are distributed to local 501 (C) (3) organizations for subsequent distribution to their clients who are in need of food supplements.

The Neighborhood House Association has rented space in various locations for the past 26 years. Earlier this year, they had the opportunity to purchase a large (80,000) square foot warehouse facility to serve as the permanent home of the food bank. The new facility, located at 9850 Distribution Avenue, needs a large refrigerator/freezer area to enable the Food Bank to store and distribute perishable products. HUD 108 funds are requested for purchase and installation of refrigeration and freezer components.

### II. SOURCES AND USES OF FUNDS

The City is requesting a loan of \$245,000. Total project costs will be \$500,000. The balance of the funds will come from CDBG and money that is borrowed by the Neighborhood House.

<u>SOURCES</u>		<u>USES</u>	
HUD 108 loan	\$ 245,000	Loan Issuance Costs	\$ 2,450
CDBG	\$ 226,000		
Neighborhood House Association	\$ 29,000	Refrigeration/Freezer	\$ 497,550
<b>TOTAL:</b>	<b>\$ 500,000</b>	<b>TOTAL:</b>	<b>\$ 500,000</b>

### III. PROJECT STRUCTURE AND PARTICIPANTS

The City of San Diego will borrow the 108 funds on behalf of the Neighborhood House Association and its Food Bank Program. The City will oversee the expenditure of both the

CDBG and HUD 108 loan funds through its Engineering and Capital Projects Department. The property is owned by Neighborhood House and will remain in their ownership.

#### **IV. PROPOSED REPAYMENT SCHEDULE AND SOURCE(S)**

The City is requesting a HUD 108 loan of \$245,000. Repayment will be made solely from the City's future CDBG annual entitlements. A 10 year repayment schedule with approximately equal annual payments (principal and interest) is requested. It is estimated that this will require a payment of about \$30,000 per year. If interest rates are substantially higher when this loan is funded than they now are, the City may draw down less than the above amount to accommodate a steady repayment not to exceed \$30,000.

#### **V. SECURITY/COLLATERAL**

The City is prepared to pledge future CDBG entitlement funds as security for this loan. The Neighborhood House Association is willing to offer the subject property as collateral for additional security. Union Bank of California currently has a first trust deed on this property for \$5,040,000; therefore, the City is requesting that HUD accept a second trust deed. The property is appraised at \$6,720,000 which is more than enough value to secure the bank's interest (\$5,040,000) and HUD's interest of \$306,250 (125% of the loan amount).

#### **VI. PROJECT IMPLEMENTATION**

##### **REIMBURSEMENT OF PRE-AWARD COSTS**

The building was purchased by Neighborhood House Association in June of 2003. The refrigeration/freezer is underway with CDBG funds but additional funds are needed. If the project can be completed by the end of this year, NHA will be able to secure an arrangement with a major local food distributor for receipt of a large amount of perishable food that will greatly increase their capacity to serve San Diego's needy populations. NHA can advance the funds to complete the refrigeration project but will need to replace most of these funds as they are earmarked for other projects. Therefore, under the provisions of Section 570.200 (h) 1, Reimbursement for Pre-Award Costs, the City is planning to use the HUD 108 funds to reimburse NHA for costs related to this project. Our analysis indicates that all the requirements of 570.200 (h) (1) have been or will be met. In particular, the project is included in the FY 04 Action Plan, and both the City and NHA understand that all applicable Federal requirements will apply to the money that is advanced by NHA.

#### **PROPOSED SCHEDULE**

<u>ACTIVITY</u>	<u>COMPLETION DATE</u>
Completion of refrigeration project	December, 2003
HUD approval of loan	April, 2004
Reimbursement of NHA	May, 2004

## **VII. ELIGIBILITY OF PROJECT**

Eligible Activity: The proposed project constitutes an eligible activity pursuant to Subpart M, Section 570.703 (1) of the HUD regulations related to the Section 108 loan guarantee program. This section and paragraph specify that the construction of public facilities (in this case a food bank that serves thousands of San Diego's lowest income residents) and other related site improvements are eligible activities.

## **VIII. NATIONAL OBJECTIVES**

The proposed project meets the national objective of providing low-moderate income area benefit pursuant to Section 570.208 (a) (2) - activities benefiting low and moderate-income persons – limited clientele activities. The individuals that are served directly by the two USDA programs meet USDA's standards for eligibility which include low income as a criterion. These programs therefore address the national objective criteria in Section 570208 (2) (i) (C) as programs that have income criteria, which limit the activity (food provision) exclusively to low and moderate-income persons. The Senior Brown Bag Program serves 1200 seniors monthly; elderly persons are presumed to be principally low and moderate income per Section 570208 (2) (i) (A) of HUD regulations. The Charity Food Program component provides food not to individuals directly but to over 200 local non-profits, including church food pantries, youth programs, senior programs, homeless shelters, soup kitchens, and other social service providers. These agencies then provide food to needy individuals and families, many of whom are in categories considered by HUD to be predominantly low and moderate income, i.e., homeless, senior citizens, persons living with AIDS, and battered spouses, and all of whom are low income as defined by the sponsoring agency.

## **IX. PUBLIC BENEFIT STANDARDS**

The proposed project serves a community development objective of providing food to low income residents of San Diego.

## **X. CONTACT INFORMATION**

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ATTACHMENTS: (to be included with final application)

1. City Council Resolution
2. Certifications
3. SF 424

