



OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

April 8, 2020

Ms. Sylvania Holt-Rabb
Acting Director
City of Austin Economic Development
P.O. Box 1088
Austin, TX 78767

Dear Ms. Holt-Rabb:

Subject: Revisions to Family Business Loan Program Guidelines
City of Austin, Texas
Family Business Loan Program Project, B-10-MC-48-0500
Note #2 – \$5,000,000 (Austin Economic Injury Bridge Loan)

Thank you for your letter, dated March 31, 2020, in which the City of Austin (the “Borrower”) requested HUD’s approval of certain changes in the guidelines for its existing Section 108 Family Business Loan program, which were made in response to COVID-19 pandemic’s effects on the City’s small business community, pursuant to part II, paragraph 15 of the Contract for Loan Guarantee Assistance Under Section 108 of the Housing and Community Development Act of 1974, as Amended, 42 U.S.C. §5308 (the “Contract”), dated September 11, 2017.

Additionally, the City also requested a waiver of the requirements specified in paragraph 15(b) of the Contract. This provision requires the City to obtain a determination by the San Antonio Field Office before incurring any obligations to be paid with guaranteed loan funds. Your letter cites the expected high volume of possible loans in support of this request.

The City proposes to implement the temporary City of Austin Economic Injury Bridge Loan Program (AEIBL) under the current Family Business Loan Program to provide loan financing for profit and non-profit small businesses requiring short term working capital until funding under the Small Business Administration (the “SBA”) disaster relief assistance is available. On March 26, 2020, the City Council approved the Resolution number 20200326-088 to create and set forth the criteria and guidelines to implement the AEIBL program subject to HUD’s approval. Specifically, the City requests approval for the following guidelines:

- i. Loan amount: up to \$35,000 to a small business that has applied for disaster relief assistance to SBA.
- ii. Term: the earliest of 12 months or disbursement of funds under the SBA loan.
- iii. Use of the loan proceeds: working capital financing.
- iv. National objective under the Community Development Block Grant (CDBG) program: benefit to low- and moderate-income persons through job retention activities pursuant to 24 CFR 570.208(a)(4)(ii).
- v. Underwriting: criteria used by SBA for its Disaster Relief Loan Program.

HUD has reviewed the Borrower's revisions to the previously approved guide to its Family Business Loan Program under the B-10-MC-48-0500 Section 108 Loan Guarantee Assistance Program loan. HUD finds the proposed revisions by the City to be permissible under the Contract with the exception of including assistance to non-profit businesses, as the SBA Economic Injury Disaster Loan program does. Paragraph 15(b) of the Contract limits assistance to for-profit businesses. The use of the loan proceeds for working capital financing, as envisioned under this program, would not be eligible to be undertaken by a non-profit organization under the requirements governing the Section 108 program.

With respect to the language in paragraph 15(b) requiring a determination by HUD's San Antonio Field Office regarding compliance with requirements applicable to the use of Section 108 funds, please note that this provision includes two options. The Field Office is to determine that (i) each individual activity to be undertaken or supported with loan guarantee funds meets the eligibility requirements at 24 CFR 570.703, the national objectives criteria at §570.208 and, if applicable, the public benefit standards at §570.209(b) or (ii) that the City's procedures for assuring compliance are acceptable. Given the public exigencies related to the COVID-19 pandemic and the procedures and guidelines approved by the City Council, the City's existing procedures are determined acceptable for assuring compliance with the above requirements. This determination is subject to the proviso that the City furnish the San Antonio Field Office with quarterly reports indicating the activities undertaken and the related national objectives criteria and public benefit standards. This determination is only applicable to the AEIBL program.

If you have any questions with respect to this letter, please contact Jorge L. Morales, Community Planning & Development Specialist, in the Financial Management Division at (202) 402-7175.

Sincerely,

Paul Webster
Director
Financial Management Division

Cc: Elva F. Garcia, CPD Director, San Antonio Field Office