

**SECTION 108 LOAN GUARANTEE APPLICATION
CITY OF ARCOLA WATER TREATMENT PLANT**



**FORT BEND COUNTY COMMUNITY DEVELOPMENT DEPARTMENT
FORT BEND COUNTY, TEXAS
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**PREPARED FOR SUBMISSION TO
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**SECTION 108 LOAN GUARANTEE APPLICATION
CITY OF ARCOLA WATER TREATMENT PLANT
EXECUTIVE SUMMARY**

Fort Bend County, Texas has drafted a Community Development Block Grant (CDBG) Section 108 Loan Guarantee application for HUD to finance a new water treatment plant (WTP) for the City of Arcola, Texas. The WTP will be located on property along State Highway 6, nearby and west of its intersection with FM 521. The City of Arcola acquired three parcels of land that together comprise a one-acre tract of land for the plant.

The amount of the loan guarantee is \$3,384,000. The term of the proposed loan guarantee is ten years from FY 2019 to FY 2028. Annual payments will average \$308,604 plus interest. As required additional security for the repayment of the Section 108 loan, the completed WTP will be security or collateral.

The City of Arcola WTP project is eligible since it meets the CDBG Program National Objective of benefitting low- and moderate-income persons as a low- and moderate-income area benefit activity. According to HUD, the City of Arcola is 59.85 percent low- and moderate-income. . The WTP is eligible for CDBG assistance under the regulations at 24 CFR 570.201(c) Public Facilities and Improvements. The CDBG Program regulations at 24 CFR 570.700 Subpart M Loan Guarantees allows public entities to borrow CDBG Program funds for eligible Section 108 projects and to pledge the use of future CDBG Program grant allocations to make the interest and principal loan payments on the loan. The construction of a public facility is eligible under 24 CFR 570.703(l).

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SECTION I: ALL APPLICATIONS

✓ **Discussion of the proposed activities in the context of the Applicant's community development objectives as included in its HUD Consolidated Plan**

This is an application for the construction of a new water treatment plant in the City of Arcola. Fort Bend County is the loan recipient and Arcola serves as a subrecipient of the County. The County will not issue debt for this loan. The City of Arcola will pledge the water plant and the land on which it is constructed, as collateral. The appraisal is being conducted and will be submitted upon completion.

The service area for the Fort Bend County Consolidated Annual Action Plan includes the unincorporated areas of the County and the incorporated areas of Arcola, Beasley, Fairchilds, Fulshear, Kendleton, Meadows Place, Needville, Orchard, Pleak, Richmond, Rosenberg, Simonton, Stafford, Sugar Land and Thompsons. The overall goal of the community planning and development programs covered by the Fort Bend County Consolidated Plan is to develop viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities principally for low- and moderate-income persons. The primary means towards this end is to extend and strengthen partnerships among all levels of government and the private sector including for-profit and non-profit organizations, in the production and operation of affordable housing by providing *decent housing, a suitable living environment, and expanded economic opportunities*. In addition, the Consolidated Plan discusses how the County will address the goal of ending chronic homelessness.

The proposed activity is the construction of a City of Arcola Water Treatment Plant inside the city limits of Arcola, Texas. The provision of a water treatment plant for this small city is consistent with the Fort Bend County Consolidated Plan's overall goal, as stated above. The activity is eligible pursuant to 24 CFR 570.703(l). Following is the language in 24 CFR 570.703(l):

(l) Acquisition, construction, reconstruction, rehabilitation or historic preservation, or installation of public facilities (except for buildings for the general conduct of government) to the extent eligible under §570.201(c), including public streets, sidewalks, other site improvements and public utilities, and remediation of known or suspected environmental contamination in conjunction with these activities. Remediation may include project-specific environmental assessment costs not otherwise eligible under §570.205.

The absence of convenient access to a clean and reliable water source that meets local, state and national drinking water standards is an unhealthy situation. It has been demonstrated by the Centers for Disease Control that well water, which is a primary source of drinking water for many Arcola households, leads to unhealthy outcomes. The City of Arcola Water Treatment Plant will address this situation. Moreover, the plant is certain to lead to an expansion of economic opportunities, by attracting new businesses to Arcola. In addition, the plant will lead to an increased supply of safe, sanitary, and decent housing.

It is a certainty that the plant will transform Arcola into a more viable community, resulting in the provision

of a suitable living environment and expansion of economic opportunities for Arcola residents, the majority of whom are low- and moderate-income persons.

The City of Arcola Water Treatment Plant Project reflects a collaborative partnership between Fort Bend County and the City of Arcola. The City has purchased land for the facility and Fort Bend County Community Development has made FY 2018 Community Development Block Grant funds available to jumpstart the project. Fort Bend County Community Development is submitting the application herein to ensure completion of the project.

✓ **Requested Amount of Section 108 Assistance (in increments of \$1,000)**

- If the Section 108 financing fee is going to be paid for with Section 108 loan proceeds, please include that amount in the overall request. (Annual fee is announced through a Federal Register notice posted on program website.)

The total requested amount for the City of Arcola Water Treatment Plant project is \$3,384,000; this figure includes the two percent application fee.

✓ **Specific Section 108 Certifications and Supporting Documents** *[Please note that HUD can provide templates for documents listed below]*

- Certification of the authority to pledge grants
- Certification of efforts to obtain financing without the use of loan guarantees
- Anti-lobbying statement required under [24 CFR Appendix A to part 87](#)
- Certification of legal authority to submit the application
- Authorization of the person identified as the official representative to provide additional information
- Authorization that official representative can execute required documents for application and associated debt obligations (this authorization can be provided later as well)
- Certifications related to public participation

Please see **Attachment A** and **Attachment B**.

✓ **Other CDBG Certifications (comparable to what the public entity already uses for CDBG Program)**

[Please note that HUD can provide templates for documents listed below]

- Certifications regarding citizen participation specific to Section 108 application
 - It has furnished citizens with information required by [24 CFR 570.704\(a\)\(2\)\(i\)](#)
 - Held at least one hearing
 - Prepared its application in accordance with requirements at [24 CFR 570.704\(a\)\(1\)\(iv\)](#) and made application available to public
 - It is following a detailed citizen participation plan meeting requirements at [24 CFR 570.704\(a\)\(2\)](#)

Please see **Attachment A**.

- All other general certifications comparable to what the public entity already uses for CDBG Program as listed under [24 CFR 570.704\(b\)](#)

Please see **Attachment C** and **Attachment D**.

- This amount must be equal to or lower than the local government's or state's available borrowing capacity under the program. (Current availability is noted [here](#))

The proposed loan amount is lower than Fort Bend County's available borrowing capacity of \$15,450,975.

¹Updated on 4/22/2019. This tool is explanatory in nature and neither replaces nor supersedes any requirements at 24 CFR Subpart M (570.700-712).

SECTION II: PROJECT(S)-SPECIFIC APPLICATIONS

✓Project Information

- o Detailed description of project(s) to be financed with the Section 108 guaranteed loan with any relevant information to support the project need
 - If part of a larger development or local initiative/plan, include a discussion of the overall initiative/plan

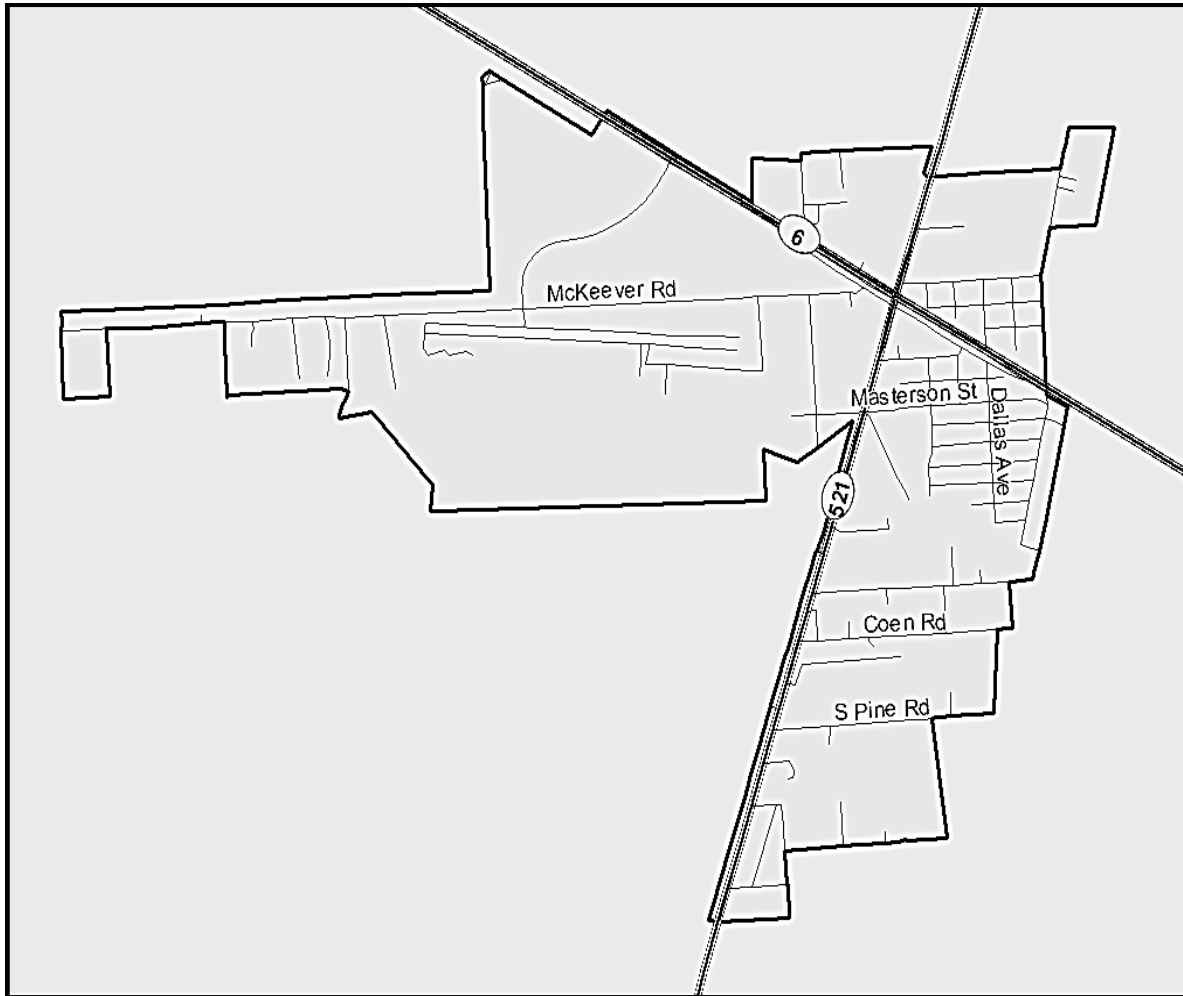
INTRODUCTION

The Fort Bend County Community Development Department is the applicant for Section 108 loan guarantee funds for the construction of a water treatment plant and auxiliary improvements for Arcola, Texas. Arcola is situated in the southeast portion of Fort Bend County, Texas. It is located south of Fresh Water Supply District No. 1 (FWSD #1), north of Fort Bend County Municipal Utility District No. 141, west of Pearland, Texas, and east of the Sienna Plantation planned community.

Arcola is a 1.98-square mile community that is well served by major transportation arteries. State Highway 6 is a major east-west transportation artery that bisects the northern edge of Arcola, providing easy access to other cities in Fort Bend County, as well as to Houston, the nation's fourth largest city. FM 521 is a major north-south road that also provides access to other Fort Bend counties and to Houston. State Highway 288 provides easy access to the Texas Medical Center in Houston and other activity centers throughout the region.

Exhibit A is a map of Arcola, Texas.

Exhibit A
Map of Arcola, Texas City Limits



Source: ARCGIS, December 2019.

Demographics. Arcola is experiencing substantial population growth. According to the latest U. S. Census Bureau estimates, there has been a 55% increase in population since 2010. Department of Housing and Urban Development data indicate that, as of 2015, nearly 60 percent (59.85 percent) of the population in Arcola city is low-moderate income.

Data from the 2013-2017 American Community Survey 5-Year Estimate indicate that nearly 63 percent (62.5%) of the population is 18 years of age and over and 5.1 percent is 65 years of age and over.

Educational attainment levels are shown on **Table 1**.

Table 1
Educational Attainment

Population 25 years and over	1,386	(X)
Less than 9th grade	294	21.2%
9th to 12th grade, no diploma	201	14.5%
High school graduate (includes equivalency)	399	28.8%
Some college, no degree	155	11.2%
Associate's degree	43	3.1%
Bachelor's degree	260	18.8%
Graduate or professional degree	34	2.5%

Source: 2013-2017 American Community Survey 5-Year Estimate, U.S. Census Bureau.

Nearly 30 percent (28.8%) are high school graduates and 11.2 percent of the population has some college, but no degree. Nearly one-fifth of the population (18.8 percent) has a college degree. Slightly more than one-fifth of the population (21.2%) has attained less than a 9th grade level of education.

The overall unemployment rate is 5.1 percent, which is slightly lower than the Fort Bend County rate of 5.3 percent. The highest rate is found among persons 60 to 64 years of age; in this age cohort, the unemployment rate is 27.5 percent.

Comprehensive unemployment data is contained on **Table 2**.

Table 2
Unemployment

Age Cohort	#	Unemployment Rate
Population 16 years and over	1,786	5.1%
16 to 19 years	120	8.1%
20 to 24 years	280	5.3%
25 to 29 years	195	0.0%
30 to 34 years	231	5.4%
35 to 44 years	384	3.0%
45 to 54 years	218	7.6%
55 to 59 years	134	0.0%
60 to 64 years	86	27.5%
65 to 74 years	101	0.0%
75 years and over	37	0.0%

Source: 2013-2017 American Community Survey 5-Year Estimate, U. S. Census Bureau.

CURRENT WATER SUPPLY

Currently, the City of Arcola purchases water from FWSD #1. In the absence of its own water treatment plant, the City is limited to providing water to 500 connections. Some residents depend on private water wells as a source of drinking water and most of these wells produce water that has significant color, odor, and taste problems, thus it is not potable. Moreover, the Center for Disease Control has noted that well water can contain contaminants that can lead to health issues, including gastrointestinal illness, reproductive problems, and neurological disorders. Infants, young children, pregnant women, the elderly, and people whose immune systems are compromised because of AIDS, chemotherapy, or transplant medications, may be especially susceptible to illness from some contaminants.

The City of Arcola Water Treatment Plant would provide Arcola residents with access to a clean and reliable water source that meets local, state and national drinking water standards.

AVAILABILITY OF SITE FOR THE PROJECT

The City of Arcola is committed to the health of its residents and thus has acquired three parcels of land that together comprise a one-acre tract for the water treatment plant. The land is located along State Highway 6, nearby and west of its intersection with FM 521. This land, the location of which is shown as **Exhibit B**, is valued at \$360,000.

Exhibit B
Site Map - City of Arcola Water Treatment Plant



PURPOSE OF THE PROJECT

The purpose of this water system project for Arcola is to provide the citizens with a clean and reliable water source of sufficient quality to meet local, state and national drinking water standards. The number of beneficiaries for this project is 1,260. The service area is the city limits of Arcola.

The entire water system will be designed to meet all applicable requirements of the Texas Commission on Environmental Quality (TCEQ) and is expected to meet anticipated flow needs for the citizens of Arcola. The City of Arcola Water Treatment Plant will enable all citizens of Arcola to connect to a public water supply. The absence of a municipal supply of potable water would be a burden to any household, but the situation imposes an especially heavy burden on Arcola households, the majority of which are low- to moderate-income.

At present, access to Arcola is excellent due to the existence of the major transportation arteries mentioned previously. This high level of access would ordinarily stimulate the kind of growth that is occurring in nearby Fort Bend County communities, but Arcola's growth has been stymied by the absence of a municipally-owned water treatment plant. It is anticipated that, in addition to health benefits to Arcola residents, the plant will attract new businesses, thereby enhancing the tax base.

An enhanced tax base will boost the City of Arcola's ability to provide essential services, including other infrastructure, social services, and community facilities for Arcola's low- to moderate-income population. This which will, in turn, promote economic self-sufficiency. In addition, new "rooftops" accelerate commercial/retail development, which is both needed and desired.

New businesses will result in job growth. The expected new business development will result in Arcola residents having access to new jobs.

RELATIONSHIP TO OTHER LOCAL INITIATIVES

As asserted above, a municipal water supply, as made possible by the construction of a City of Arcola Water Treatment Plant, will serve as a mechanism for promoting growth and stimulating redevelopment. A newly-renovated Arcola City Hall will be located adjacent to the plant.

In addition, other local initiatives that will spur growth and result in redevelopment are a recently-established Tax Increment Reinvestment Zone (TIRZ), an upcoming municipal management district, and a proposed planning study that will guide the city's development and redevelopment. These complementary and visionary efforts will together transform Arcola.

Arcola Tax Increment Reinvestment Zone Number One. Taking advantage of State of Texas enabling legislation, the Arcola City Council has created Tax Increment Reinvestment Zone Number One, City of Arcola, Texas. This tax increment reinvestment zone (TIRZ) is a political subdivision created to implement tax increment financing. Tax increment financing does not constitute a new tax; instead, the increment generated by increases in the tax base as a result of the TIRZ's activities will be placed in a Tax Increment Fund and made available for economic development and community revitalization projects located within the TIRZ boundary. *(See Exhibit C for a map of the TIRZ boundaries.)*

The TIRZ consists of 190 acres of easily-accessed undeveloped land in Arcola. The land within the boundary lacks adequate infrastructure to enable its development and portions have been previously utilized as farmland. Development is further constrained by the lack of drainage facilities and adequate roadways. There is a predominance of defective or inadequate sidewalk or street layout and faulty lot layout in relation to size, adequacy, accessibility, or usefulness. These conditions substantially impair or arrest sound growth, a requirement for receiving a TIRZ designation.

The City of Arcola, Texas Arcola Tax Increment Reinvestment Zone Number One will support the development of 480 new homes within Arcola, as well as new commercial development that will generate jobs and provide commercial retail services. Proposed development also includes public park and green space components. These projects comprise a mixed-use development that will be the first of its kind for Arcola.

A new middle school is planned within the TIRZ boundary. Moreover, the City of Arcola, Texas Arcola Tax Increment Reinvestment Zone Number One:

- will be responsible for maintaining the pavement markings and striping for all public roads the District constructs inside its boundaries. Maintenance of roads existing on the effective date of this Agreement shall remain the responsibility of the City or County as applicable; and
- may use TIRZ Revenue or issue TIRZ Bonds to pay for major repairs or rehabilitate any roadways in the District.

Exhibit C
Map of Arcola Tax Increment Reinvestment Zone Number One



Source: LJA Engineering, June 3, 2019.

Arcola Municipal Management District. In Texas, municipal management districts are created by State legislation or by the Texas Commission on Environmental Quality (TCEQ) to further the public purposes of development and diversification of the economy of the State, the elimination of unemployment and underemployment, and the development or expansion of transportation and commerce in the public interest. Management districts often work hand in hand with tax increment reinvestment zones, supporting and complementing each other's activities. For example, often management districts maintain public improvements, sponsor security patrols, and mount anti-graffiti campaigns, while TIRZs fund infrastructure improvements and support development projects. Typically, both operate within the same geographic boundary or within overlapping geographic boundaries.

Similar to business improvement districts in other states, management districts promote the health, safety, and general welfare of residents, employers, employees, and consumers in the district and the general public. Municipal management districts may issue bonds to provide the preservation, maintenance, and enhancement of the economic health and vitality of designated geographic areas. Moreover, present and prospective traffic congestion in municipalities, the need for traffic control and the safety of pedestrians, and the limited availability of funds require the promotion and development of public transportation and pedestrian facilities and systems by new and alternative means, and a district can serve the public purpose of securing expanded and improved transportation and pedestrian facilities and systems. The public transportation and pedestrian facilities and systems promoted and developed by a district will be attractive, safe, and convenient and will benefit not only the land and property in the district, but also the employees, employers, and consumers of the district and the general public. (<https://statutes.capitol.texas.gov/Docs/LG/htm/LG.375.htm>)

To the foregoing ends, the City of Arcola is planning to create a management district in the year 2020.

Livable Centers Program

The Houston-Galveston Area Council (H-GAC) Livable Centers program is a potential mechanism for guiding the preservation, revitalization, and redevelopment of Arcola. According to H-GAC, which is the regional planning agency:

Livable Centers are places where people can live, work, and play with less reliance on their cars. They encourage a complementary mix of land uses that are designed to be walkable, connected, and accessible by multiple nodes of transportation, including bus, bike, foot, or vehicle (multi-modal). Established in 2008, the Program works with local communities to re-imagine auto-focused infrastructure, policies, and programs to be more multi-modal friendly. (H-GAC website, December 2019.)

Eligible applicants for the Livable Centers program are municipalities, agencies that administer tax increment reinvestment zones, and agencies that administer management districts. As a unit of local government, the City of Arcola qualifies for this program. Thus, in early December 2019, the City submitted a "Notice of Intent to Apply" for the Livable Centers Program to H-GAC. Subsequently, on January 21, 2020, the City of Arcola submitted an application for funding to this program.

Successful Livable Centers' program applicants are required to provide a 20 percent match to funds provided through H-GAC. Participants are chosen through a competitive process, so there is no guarantee that the City of Arcola will be chosen. However, one other small city in Fort Bend County (Fulshear) and other small cities in the region have been chosen for the program in the past. So it is possible that Arcola's pursuit will be successful, especially since it has many of the elements that comprise a livable community. These include access to transportation, a park planned through the TIRZ initiative, and complementary land uses. Significantly, one of the elements of the program is affordable housing and the application proposes the use of Arcola-owned land and land within the TIRZ boundary for affordable housing.

CITY OF ARCOLA WATER TREATMENT PLANT SPECIFICATIONS

The proposed new water treatment plant will meet all applicable requirements of the Texas Commission on Environmental Quality. It is anticipated that the plant will meet projected flow needs for the citizens of Arcola.

CONSTRUCTION

In the pre-Section 108 phase of construction of the water treatment plant, the City of Arcola's *FY 2018* CDBG allocation of \$550,000 will be used for general site earth work, drainage improvements, and electrical improvements associated with the plant. Some site grading and paving will be installed to provide pedestrian and vehicle access around components. Apart from the land that has already been acquired by the City of Arcola, no additional property, right-of-way or easements will be required for the project.

The Section 108 loan will be used for:

- Mobilization
- 1200 GPM Water Well
- 15,000 Gallon Hydroneumatic Tank
- 280,000 Gallon Ground Storage Tank, Including Foundation
- Booster Pump Station
- Emergency Power Generator, Including Sound Attenuating Enclosure, Complete in Place
- Site Work/Electrical
- Miscellaneous Electrical)
- Control Building
- Hypochlorite Feed System

The City of Arcola's *FY 2019* CDBG allocation will be applied as the first Section 108 loan repayment.

- Estimated timeline for project(s)
- If applicable, project construction schedule

The water treatment plant will be constructed over a period of 25 months. An estimated timeline is shown below.

**Table 3
Estimated Timeline
City of Arcola Water Treatment Plant Construction**

ACTIVITY	2020										2021										2022				
	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A
Construction Activities to be Completed Utilizing Arcola FY 2018 CDBG Allocation																									
Contractor Mobilization	█																								
General site earth work		█	█	█	█																				
Storm Water Pump Station					█	█	█																		
Electrical																									
Paving																									
Project Closeout																									
Construction Activities to be Completed Utilizing Section 108 Loan																									
Contractor Mobilization																									
1200 gpm Water Well																									
Ground Storage Tank																									
Booster Pumps																									
Mechanical & Chemical Bldg																									
Hydro Tank																									
Motor Control & Electrical																									
Piping, Valves & Fittings																									
Final Site Work																									
Project Close Out																									

Source: Kaluza Inc. December 16, 2019.

- If applicable, necessary timeline for HUD guaranteed financing and/or expected closing date of local loan
The proposed loan term is ten years. The proposed closing date is March 31, 2020.
- Information on when environmental review process will occur, or, if begun, current stage of process
The environmental review for the City of Arcola Water Treatment Plant will be completed by May 2020.

✓ **Form of Assistance**

- If applicable, how assistance will be provided by Applicant/its DPA to a third party, (e.g., loan, grant, guarantee)
 - Example: if assistance will be provided through a loan, please provide information on the local loan terms

This does not apply to the City of Arcola Water Treatment Plant Project.

- If the activity involves using Section 108 within a New Markets Tax Credit structure, please provide a flow chart illustrating the flow of Section 108 funds.

This does not apply to the City of Arcola Water Treatment Plant Project; New Market Tax Credits are not a component of the financing.

✓ **Information on Organizational Arrangements**

- Identify entity or entities carrying out the project or project components
 - Describe type of entities are involved: unit of general local government, designated public agency (DPA), non-profit subrecipient administering project on Applicant's behalf, or third party developer or business

As mentioned previously, the City of Arcola, Texas, which is a unit of general local government, has acquired land for the City of Arcola Water Treatment Plant project. The City will oversee improvements undertaken with Arcola's FY 2018 CDBG allocation. These improvements include general site earth work, drainage improvements, and electrical improvements.

As the Section 108 Loan recipient, the Fort Bend County Community Development Department will provide oversight to the City of Arcola for the balance of the work. The City of Arcola will solicit bids, select a contractor pursuant to a bid review process and HUD regulations, and provide construction management.

The Fort Bend County Community Development Department will take advantage of the project management expertise of the Fort Bend County Engineering Department, as is its practice with respect to infrastructure projects.

- Basic information on experience or capacity of parties involved to carry out this type of activity

Fort Bend County was designated an Urban County under the U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) Program in 1992. The County created the Fort Bend County Community Development Department to administer the program. The County's CDBG program's service area includes the unincorporated areas of the County and fifteen (15) participating units of local government (listed on page 1). The City of Arcola has been one of Fort Bend County's participating units for more than 25 years. Over the years, Fort Bend County's annual CDBG allocations have increased from around \$1.9 million to over \$3 million annually.

As an Urban County and long-term CDBG recipient, Fort Bend County is knowledgeable of CDBG program regulations and requirements and will administer the Section 108 Loan Program in accordance with these regulations.

CITY OF ARCOLA EXPERIENCE AND CAPACITY

The City of Arcola is a Texas home rule city. The City has experience with a similar infrastructure project, that being the **City of Arcola Wastewater Treatment Plant Generator Project**. The project entailed oversight of design phase services, bid phase services, and construction phase services for a wastewater treatment plant generator. The City engaged a consulting engineer to perform these services, as will be the case for the work that is performed utilizing its *FY 2018* allocation.

FORT BEND COUNTY COMMUNITY DEVELOPMENT DEPARTMENT EXPERIENCE AND CAPACITY

In its 27-year existence, the Fort Bend County Community Development Department has engaged in the management and oversight of numerous infrastructure projects. Most of the projects that Fort Bend County has funded with its CDBG allocations have been new and/or improved water and sewer systems for underserved areas. A description of a sampling of these projects follows.

New Construction

Fort Bend County has Colonias, areas within the County where housing was built, but there were no public water and sanitary sewer services to support these communities. For more than twenty years it has been the County's highest priority and long-term goal to provide public water and sewer services to these areas. The County, through the establishment of Fresh Water Supply Districts (FWSD) and one Water Supply Corporation, has been able to plan, finance and construct public water and sewer systems in all of these areas. A list of these projects follows.

- **Fifth Street Water Supply Corporation**
New Water and Sewer System Construction (completed with Section 108 Loan Funds)
- **Fresno (FBC FWSD #1)**
New Water and Sewer System Construction
- **Four Corners (FBC FWSD #2)**
New Water and Sewer System Construction

Reconstruction/Rehabilitation

In Fort Bend County, there are small towns and communities with aging deteriorated infrastructure or unsafe, water wells and septic systems. Fort Bend County has worked with the participating units of local government to make improvements to public facilities. A list of these projects follows.

- **City of Richmond**
North Richmond Water and Sewer System Improvements
 - **City of Rosenberg**
North Rosenberg Water and Sewer System Improvements
 - **Municipal Utility #19**
Riverwood Water and Sewer System Improvements
 - **City of Kendleton**
City-wide Water and Sewer System Improvements
Wastewater Treatment Plant Construction (CDBG-Recovery Program)
 - **City of Needville**
Sewer System Improvements
 - **City of Fulshear**
City-wide Water and Sewer System Improvements
 - **City of Beasley**
City-wide Water and Sewer System Improvements
- If multiple parties will own/lease the property during development, identify when and how ownership/leases will be transferred.
 - Example: a project involves two phases, local government acquires land and makes site improvements (both eligible under [24 CFR 570.203](#)) before it sells land to for-profit developer for mixed-income housing.

The City of Arcola has acquired the land for the water treatment plant and will oversee preliminary improvements, utilizing its *FY 2018* CDBG allocation of \$550,000. The City of Arcola will retain ownership of the property on which the water treatment plant will be built. During development of the plant, Fort Bend County will not lease or take ownership of the three tracts that comprise the site.

However, if it is determined that it is necessary or desirable for documents to be prepared that provide Fort Bend County with the right to develop on the site if and when the Section 108 loan comes into play, such documents will be prepared by the Fort Bend County Attorney.

✓ Information for Financial Underwriting

- Sources and uses statement (for the entire project)
 - Should cover total project development cost
 - Identify specific uses of Section 108 funds
 - Section 108 financing fee should be accounted for as a use of funds

The Sources and Uses statement is displayed as **Exhibit D**.

Exhibit D
City of Arcola Water Treatment Plant
Sources & Uses Statement (Engineer's Opinion of Probable Costs)

ACTIVITY	UNIT	#	AMOUNT PRICE	TOTAL COST
1. Mobilization	LS	1	\$ 25,000.00	\$ 25,000.00
2. 1200 GPM Water Well, Complete in Place (2000 con.)	LS	1	2,000,000.00	2,000,000.00
3. 280,000 Gallon Ground Storage Tank, Including Foundation, Complete in Place (1400 con.)	EA	1	280,000.00	280,000.00
4. 15,000 Gallon Hydroneumatic Tank, Complete in Place	EA	1	105,000.00	105,000.00
5. Booster Pump Station, Complete in Place				
855 GPM, 165' TDH, 10 HP Booster Pump	EA	3	25,000.00	75,000.00
Reinforced Concrete Pad, 22' x 38' x 8"	CY	25	400.00	10,000.00
Pump Can and Foundation	LS	1	20,000.00	20,000.00
Paint	LS	1	6,000.00	6,000.00
6. Emergency Power Generator, Including Sound Attenuating Enclosure, Complete in Place	LS	1	180,000.00	180,000.00
7. Work/Electrical				
Yard piping				
Ductile iron pipe & fittings	LS	1	50,000.00	50,000.00
Other piping & fittings	LS	1	20,000.00	20,000.00
GST	LS	1	15,000.00	15,000.00
Valves	LS	1	20,000.00	20,000.00
8. Miscellaneous Electrical)				
Motor Control Center (MCC)	EA	1	75,000.00	75,000.00
Transformer	EA	1	20,000.00	20,000.00
9. Control Building (Electrical & Chlorine Rooms) – CMU Block Building (14'-8" x 34") with A/C & Htr. Complete in Place	LS	1		65,000.00
10. Hypochlorite Feed System	LS			50,000.00
SUB-TOTAL: CONSTRUCTION				\$3,016,000.00
SUB-TOTAL: CONSTRUCTION CONTINGENCIES @10%				301,600.00
TOTAL : CONSTRUCTION & CONTINGENCIES				3,317,600.00
Section 108 financing fee @2% of principal				66,352.00
GRAND TOTAL (NOT ROUNDED)				\$3,383,952.00

Exhibit D continued

LOAN PAYMENT	SOURCE	AMOUNT
1	FY 2019 Fort Bend County CDBG Allocation for Arcola	\$606,500.00
2	FY 2020 Fort Bend County CDBG Allocation for Arcola	308,606.00
3	FY 2021 Fort Bend County CDBG Allocation for Arcola	308,606.00
4	FY 2022 Fort Bend County CDBG Allocation for Arcola	308,606.00
5	FY 2023 Fort Bend County CDBG Allocation for Arcola	308,606.00
6	FY 2024 Fort Bend County CDBG Allocation for Arcola	308,606.00
7	FY 2025 Fort Bend County CDBG Allocation for Arcola	308,606.00
8	FY 2026 Fort Bend County CDBG Allocation for Arcola	308,606.00
9	FY 2027 Fort Bend County CDBG Allocation for Arcola	308,606.00
10	FY 2028 Fort Bend County CDBG Allocation for Arcola	308,604.00
GRAND TOTAL (NOT ROUNDED)		\$3,383,952.00

The *FY 2019* CDBG allocation for the City of Arcola will serve as the first loan payment. Subsequent CDBG allocations for the City of Arcola will serve as loan payments 2-10.

All funds that are collected from water services will be used to operate the water system, so there will be no program income.

- o Information on other proposed and committed sources of project financing

The City of Arcola has been allotted \$550,000 in *FY 2018* CDBG dollars. This allocation will be used prior to the use of Section 108 funds. It will cover general site work (including roadway paving and drainage improvements) and electrical work in preparation for the water treatment plant construction.

- o Information on estimated revenue and operating expenses
 - For a real estate project, a pro forma
 - For a business loan, financial statements and pro forma cash flow analysis

This is not applicable to the City of Arcola Water Treatment Project.

- o Identification of repayment source(s) for Section 108 loan (e.g., project revenue, grant funds, other source)

CDBG allocations to the City of Arcola over a ten-year period will be applied to Section 108 loan repayments.

- o Proposed Section 108 principal-only repayment schedule (Max of 20 years; each year in \$1000 increments)

The City of Arcola's *FY 2019* allocation of \$606,500 (rounded to the nearest thousand dollar increment on **Table 4**) will comprise the first payment. Thereafter, succeeding Arcola CDBG allocations will be applied. A 10-year repayment schedule is shown as **Table 4**.

Table 4
City of Arcola Water Treatment plant
Section 108 Loan Guarantee Application
Repayment Schedule

YEAR	AMOUNT
1	\$607,000.00
2	309,000.00
3	309,000.00
4	309,000.00
5	309,000.00
6	309,000.00
7	308,000.00
8	308,000.00
9	308,000.00
10	308,000.00
TOTAL	\$3,384,000.00

- o Proposed collateral for the Section 108 guaranteed financing (in addition to pledged CDBG funds)

The City of Arcola water plant and the land upon which it is constructed will be used as collateral for the loan. The value will be at least 125% of the loan amount.

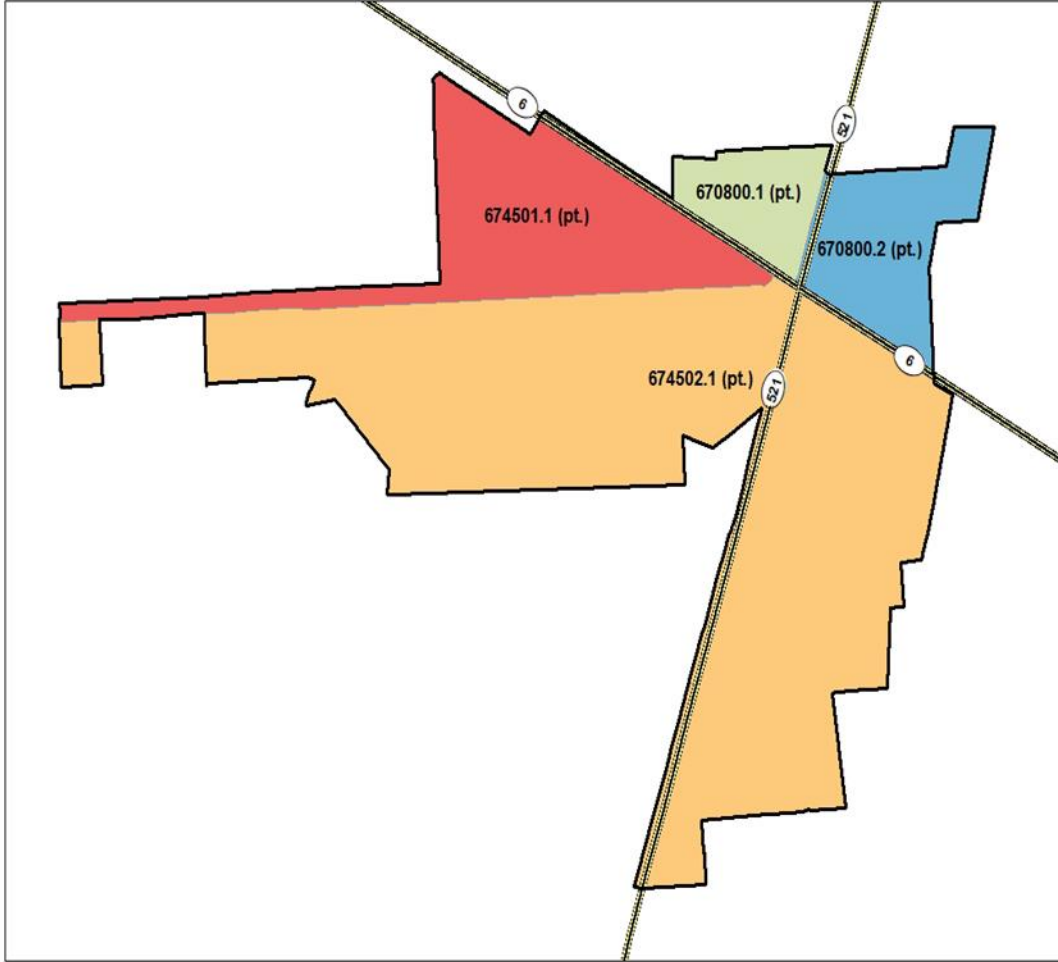
✓ Information for Program Requirements [*Please note that HUD can assist in identification of this information.*]

- o Eligible Section 108 activity categories and associated citations to [24 CFR 570.703](#) for components of that project
- o Description of CDBG national objective(s) that the project(s)/project components will meet and associated citations to [24 CFR 570.208](#)
 - Components can meet different national objectives or different criteria for the same national objective
 - Example: mixed-use redevelopment with 108 funds going into both commercial and residential components can benefit low- and moderate-income (LMI) persons through both jobs (commercial) and housing (residential)

The project is eligible for CDBG funding based upon the national objective of “activities benefiting low-income persons.” The “Low- and Moderate-Income Area Benefit Activities” subcategory is defined as an area benefit activity that is available to benefit all of the residents of an area. The City of Arcola Water Treatment Plant will benefit all of the residents of the area by providing potable domestic water to all residents in the city.

The service area for the City of Arcola Water Treatment Plant is the City the Arcola. This project will provide services or will benefit all the residents of the City of Arcola. Thus, the project is community-wide. **Exhibit E** displays census block groups in Arcola.

Exhibit E
Arcola, Texas Census Block Groups



HUD CPD Notice 14-11 Transition Policy for Low/Moderate Income Summary Data Updates during the Fiscal Year 2014 for the Entitlement Grantees and Nonentitlement Hawaiian County Grantees of the Community Development Block Program provides guidance on using the Low/Moderate Income Summary Data (LMISD) to support the National Objective of providing benefit to low- and moderate-income persons on an area basis (LMA).

The notice states on page 5, under Geographic Format, that in lieu of providing the Summary level 090 geography, HUD will publishing LMISD datasets at both the Summary level 150 (Block Groups), and at the Summary level 160 (Incorporated Cities and Census-designated Places). Fort Bend County used the Summary level 160 data set to determine the low- and moderate-income percentage of the City of Arcola. A copy of the spreadsheet listing the Summary level 160 data set for Fort Bend County Census Defined Places (CDPs) is attached. *(Please see Attachment E.)*

There are a limited number of connections since the agreement with FWSD #1 does not enable all Arcola residents to connect to the distribution system. In addition, there are numerous complaints by residents concerning water quality. The private wells that supply the residents with water are shallow wells and water in the shallow depths may have experienced contamination by past and present leaking septic systems. It is possible that prior to the City of Arcola installing sanitary sewer in major parts of Arcola, leakage from these septic systems contaminated the private water wells used by many residents.

As mentioned earlier, 59.85 percent of the City population (1,580 persons) is considered to be low- to moderate-income, according to data provided by D-HUD. Thus, Arcola's 1,580 low- to moderate-income residents can benefit from the plant, since it will provide access to potable water for all Arcola households.

- o Supporting documentation demonstrating how national objectives will be met
 - Example: For LMI area benefit ([24 CFR 570.208\(a\)\(1\)](#)), please provide maps and census information or survey data on proposed area.

Table 5 is excerpted from low-moderate income data that HUD has provided pertaining to jurisdictions in Fort Bend County. The data on **Table 5** demonstrate Arcola's eligibility for a Section 108 loan.

Table 5
City of Arcola Low-Moderate Income Data

			2015	2015	2015	2015	2015	2006	2006	2006	2006	2006
PLACE	NAME	STUSAAB	LOW	LOWMOD	LMMI	LOWMODUNIV	LOWMOD_PCT	Low	Lowmod	LMMI	Lowmoduniv	Lowmod-pct
03708	Arcola city	TX	980	1,580	1,930	2,640	59.85%	835	1,260	1,890	2,310	54.55%

Source: U. S. Department of Housing and Urban Development, January 30, 2020.

As the data displayed on **Table 5** demonstrates, the low-moderate income percentage for Arcola is 58.85 percent, thus the City is eligible for a Section 108 loan, since more than 51 percent of residents are low-moderate income.

- If applicable (if project includes a special economic development activity under [24 CFR 570.203](#)), how the activity meets the individual public benefit standard (See [24 CFR 570.209\(b\)\(3\)-\(4\)](#))

This does not apply to the City of Arcola Water Treatment Plant project.

Attachment A
Certifications to Accompany Section 108 Guaranteed Loan Application
for
Entitlement Public Entities

Various

In accordance with the applicable statutes and the regulations governing **Section 108 application submission requirements**, the jurisdiction certifies that:

- It possesses the legal authority to submit the application for assistance under 24 CFR Part 570, Subpart M and to use the guaranteed loan funds in accordance with the requirements of Subpart M.
- It has made efforts to obtain financing for activities described in the application without the use of loan guarantee funds, it will maintain documentation of such efforts for the term of the loan guarantee, and it cannot complete such financing consistent with the timely execution of the project without such guarantee. (24 CFR 570.704(b)(3))
- It possesses the legal authority to submit the application for assistance under Subpart M and to use the guaranteed loan funds in accordance with the requirements of Subpart M.
- Its governing body has duly adopted or passed as an official act a resolution, motion or similar official action:
 - Authorizing the person identified as the official representative of the public entity to submit the application and amendments thereto and all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the public entity to act in connection with the application to provide such additional information as may be required; and
 - Authorizing such official representative to execute such documents as may be required in order implement the application and issue debt obligations pursuant thereto (provided that the authorization required by this paragraph may be given by the local governing body after submission of the application but prior to execution of the contract required by §570.705(b).

With respect to its application for a loan guarantee pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, that it possesses the legal authority to make the pledge of grants required under 24 CFR 570.705(b)(2).

- It has furnished citizens with information required by 570.704(a)(2)(i).
- It has held at least one public hearing to obtain the views of citizens on community development and housing needs.

It is following a detailed citizen participation plan that meets the requirements described in 570.704(a)(2).

- It has prepared its application in accordance with the citizen participation requirements and made the application available to the public.

The public entity will affirmatively further fair housing, and the guaranteed loan funds will be administered in compliance with:

Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.); and
The Fair Housing Act (42 U.S.C. 3601-3619).

In the aggregate, at least 70 percent of all CDBG funds, as defined at §570.3, to be expended during the one, two, or three consecutive years specified by the public entity for its CDBG program will be for activities which benefit low- and moderate-income persons, as described in criteria at §570.208(a).

It will comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low- and moderate-income housing described in §570.606.

It will comply with the requirements of §570.200(c)(2) with regard to the use of special assessments to recover the capital costs of activities assisted with guaranteed loan funds.

(Signature of Authorized Official)

K. P. George, County Judge

(Typed Name and Title of Authorized Official)

February 11, 2020

(Date)

Attachment B
Certifications to Accompany Section 108 Guaranteed Loan Application
for
Entitlement Public Entities

Statement Regarding Lobbying

According to 24 CFR §570.704(b)(7) required under 24 CFR Part 87 (Appendix A) the undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

(Signature of Authorized Official)

K. P. George, County Judge

(Typed Name and Title of Authorized Official)

February 11, 2020

(Date)

Attachment C CDBG Certifications

In accordance with the applicable statutes and the regulations governing the consolidated plan regulations, the jurisdiction certifies that:

Affirmatively Further Fair Housing --The jurisdiction will affirmatively further fair housing, which means it will conduct an analysis of impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting that analysis and actions in this regard.

Anti-displacement and Relocation Plan --It will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, and implementing regulations at 49 CFR 24; and it has in effect and is following a residential antidisplacement and relocation assistance plan required under section 104(d) of the Housing and Community Development Act of 1974, as amended, in connection with any activity assisted with funding under the CDBG or HOME programs.

Anti-Lobbying --To the best of the jurisdiction's knowledge and belief:

1. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement;
2. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and
3. It will require that the language of paragraph 1 and 2 of this anti-lobbying certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

Authority of Jurisdiction --The consolidated plan is authorized under State and local law (as applicable) and the jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations.

Consistency with plan --The housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

Section 3 -- It will comply with section 3 of the Housing and Urban Development Act of 1968, and implementing regulations at 24 CFR Part 135.

(Signature of Authorized Official)

K. P. George, County Judge

(Typed Name and Title of Authorized Official)

February 11, 2020

(Date)

Attachment D
Specific CDBG Certifications

The Entitlement Community certifies that:

Citizen Participation -- It is in full compliance and following a detailed citizen participation plan that satisfies the requirements of 24 CFR 91.105.

Community Development Plan -- Its consolidated housing and community development plan identifies community development and housing needs and specifies both short-term and long-term community development objectives that provide decent housing, expand economic opportunities primarily for persons of low and moderate income. (See CFR 24 570.2 and CFR 24 part 570)

Following a Plan -- It is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

Use of Funds -- It has complied with the following criteria:

1. Maximum Feasible Priority. With respect to activities expected to be assisted with CDBG funds, it certifies that it has developed its Action Plan so as to give maximum feasible priority to activities which benefit low and moderate income families or aid in the prevention or elimination of slums or blight. The Action Plan may also include activities which the grantee certifies are designed to meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community, and other financial resources are not available);
2. Overall Benefit. The aggregate use of CDBG funds including section 108 guaranteed loans during program year(s) **2019**, (a period specified by the grantee consisting of one, two, or three specific consecutive program years), shall principally benefit persons of low and moderate income in a manner that ensures that at least 70 percent of the amount is expended for activities that benefit such persons during the designated period;
3. Special Assessments. It will not attempt to recover any capital costs of public improvements assisted with CDBG funds including Section 108 loan guaranteed funds by assessing any amount against properties owned and occupied by persons of low and moderate income, including any fee charged or assessment made as a condition of obtaining access to such public improvements.

However, if CDBG funds are used to pay the proportion of a fee or assessment that relates to the capital costs of public improvements (assisted in part with CDBG funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds.

The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108, unless CDBG funds are used to pay the proportion of fee or assessment attributable to the capital costs of public improvements financed from other revenue sources. In this case, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. Also, in the case of properties owned and occupied by moderate-income (not low-income) families, an assessment or charge may be made against the property for public improvements financed by a source other than CDBG funds if the jurisdiction certifies that it lacks CDBG funds to cover the assessment.

Excessive Force --It has adopted and is enforcing:

1. A policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and
2. A policy of enforcing applicable State and local laws against physically barring entrance to or exit from a facility or location which is the subject of such non-violent civil rights demonstrations within its jurisdiction;

Compliance with Anti-discrimination laws --The grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 USC 2000d), the Fair Housing Act (42 USC 3601-3619), and implementing regulations.

Lead-Based Paint --Its activities concerning lead-based paint will comply with the requirements of 24 CFR Part 35, subparts A, B, J, K and R;

Compliance with Laws --It will comply with applicable laws.

(Signature of Authorized Official)

K. P. George, County Judge

(Typed Name and Title of Authorized Official)

February 11, 2020

(Date)