

COUNTY OF BERKS, PENNSYLVANIA

SECTION 108 LOAN GUARANTEE  
APPLICATION

OLEY ROAD

Submitted to the U.S. Department of Housing and Urban Development

December 2021

## **1. Introduction**

Berks County is an urban county of approximately 421,164 (2019) persons, situated in southeastern Pennsylvania. The County seat, Reading City, is 56 miles northwest of Philadelphia and the Delaware Valley region, one of the leading industrial and trade complexes in the nation. Through numerous federal and state highways and turnpikes, the County is also linked to other major cities such as New York (125 miles) and Baltimore (97 miles).

The County is a diamond-shaped area of 859 square miles. The Blue Mountain ridge, with heights to 1500 feet above sea level, forms the northern boundary of the County. The South Mountain ridge reaches elevations between 800 and 1200 feet above sea level and enters the County from the west, south of Route 422, and extends in two directions through Berks County. One ridge extends southeast along the south side of the Schuylkill River. The primary ridge encircles Reading and then extends northeast into Lehigh and Bucks Counties. Extending through the entire width of the County between the Blue and South Mountains is a section of the Great Valley. The limestone section of the Great Valley is predominantly rolling farmland, containing rich agricultural soil with elevations of 200-500 feet above sea level. The shale section of the Great Valley, occupying higher elevations between 400-800 feet above sea level, is located next to the Blue Mountains. The Piedmont Lowlands are located in the southern-most part of the County, and are composed of lower mountains and rolling hills. The Schuylkill River and several of its main tributaries drain the majority of the County. Small areas in the northeastern portion of the County drain into the Lehigh River and eventually the Delaware River, while portions of the extreme southwestern and western areas of the County drain into the Susquehanna River Basin.

Berks County has over 8,686 employers and a workforce of approximately 212,042. Of the workforce, 85% are with private firms, 9% work for government entities, and 6% are self-employed. The Berks County economy is broad-based, characterized by a diversity of industry.

The County's favorable climate, location and topography fostered the growth of agriculture, which resulted in a thriving food and kindred products industry. Currently, about 38% of the County's land area is within 1,795 farms devoted to agriculture, chiefly livestock and crops. Berks County is one of the leading agricultural counties in the state. Certain specialized portions of the industry, particularly mushroom production, is of national significance.

Berks is also an important industrialized county. The early industries had their inception in the manufacturing of iron and its products. Over the years, metal production and fabrication became a major industry. During the Industrial Revolution, the County also became a leader in the manufacture of textiles and apparel.

Also contributing to the County's economic diversity is retail trade. Recent trends have shown a decentralization, as retail establishments have shifted from downtown Reading to several shopping malls in the Reading suburban area. The continued growth of the outlet complexes has helped promote Reading/Berks County as the Outlet Capital of the World, and has cultivated a strong tourism industry. The service economy also maintains a strong presence in Berks County.

The County of Berks desires to support proposals and projects which will result in new commercial

development, revitalization of existing infrastructure, create employment opportunities, create affordable housing, and generally add to the quality of life.

The County of Berks is requesting Section 108 Loan Guarantee Assistance for \$1,100,000. The funds will be used by the Redevelopment Authority of the County of Berks and the Berks County Nonprofit Development Corporation (BCNDC) to create and retain jobs.

The County's Consolidated Plan for 2019-2023 assigns a high priority to economic development. The contains the goal of creating or retaining 20 jobs over the 5-year period covered by the Plan. The project outlined in this application will exceed the economic development goal.

## **2. Project Description**

The Berks County Nonprofit Development Corporation is the owner of a commercial complex located in Oley Township, Berks County, PA. The property currently contains a commercial building divided into three separate commercial spaces and one 3-bedroom house. The commercial spaces are occupied with one space leased by the prior owner of the property who will be closing his business in approximately six months. The other two businesses will continue to lease spaces and will not be displaced as a result of the project. The house is rented under the Housing Choice Voucher Program.

The proposed project will renovate the commercial building into four (4) separate commercial spaces which will retain the current jobs and create new employment opportunities.

## **3. Project Location**

The commercial complex is located at 590 Oley Road, Oley, PA.

## **4. Sources and Uses**

The following costs are based upon construction estimates, regulations, and quotes:

Construction.....	\$865,000.00
Site Improvements .....	\$235,000.00
Architectural .....	\$90,000.00
Operating, Insurance, etc.....	<u>\$20,000.00</u>
Total .....	\$1,210,000.00

Sources of funds for the project are as follows:

Section 108.....	\$1,100,000.00
Developer Funds .....	<u>\$110,000.00</u>
Total .....	\$1,210,000.00

Funds from the Section 108 Loan Guarantee Program will be used for the following:

Construction.....	\$865,000.00
Site Improvements.....	<u>\$235,000.00</u>

Total.....\$1,100,000.00

The Section 108 loan fee (2%) will be paid by BCNDC from its own funds.

**5. Project Structure and Participants**

The principal developer will be the Berks County Nonprofit Development Corporation (BCNDC). The County of Berks will be the applicant for the Section 108 funds. The Redevelopment Authority of the County of Berks will be the designated public agency that will borrow the Section 108 funds. The Authority will re-lend funds to BCNDC.

**6. Project Implementation**

The proposed schedule for the project is:

4<sup>th</sup> Quarter 2021 .....Submission of Section 108 application  
1<sup>st</sup> Quarter 2022..... Agreement with HUD  
1<sup>st</sup> Quarter 2022.....Completion of ERR  
2<sup>nd</sup> Quarter 2022.....Loan Agreement between Redevelopment Authority and BCNDC

**7. Citizen Participation**

Public hearings were held during the preparation of the FFY2021 Action Plan. At the first public hearing held on May 11, 2020 the County discussed its ability to apply for a Section 108 Loan Guarantee to enhance economic development opportunities and other eligible activities within the County. Upon identification of the project, the County followed the procedures outlined in its Citizen Participation Plan and placed an advertisement in the local newspaper. The advertisement described the project and the request for the Section 108 Loan Guarantee Program funds.

Should the project be funded from the Section 108 Loan Guarantee Program, the County will use the process outlined in its Citizen Participation Plan to notify the public of the amendment to include the funds and project in its Action Year.

**8. Eligible Activities**

The Section 108 Loan Guarantee will allow the Berks County Nonprofit Development Corporation to implement the activities. All of the anticipated activities are eligible uses of Section 108 funds. Specifically, the eligibility citations are 24 CFR Part 570.703(i)(1) pursuant to 24 CFR Part 570.203(a).

**9. National Objective**

The project will create or retain approximately 24 full-time jobs based upon full renovation of the commercial complex. The jobs will be comprised of 10 full-time and 28 part-time. Of the jobs developed, at least 51% will be held by l/m income persons. Thus, the project is in compliance with the National Objective of the Community Development Block Grant Program addressing activities benefitting l/m income persons found at 24 CFR Part 570.208(a)(4).

**10. Public Benefit Standards**

Using the evaluation standard of creating one job for every \$50,000 in public funds invested, the required number of jobs would be 22 (\$1,100,000/\$50,000) jobs. Upon full implementation, the project is expected to create 10 full-time jobs and 28 part-time jobs and thus meets the public benefit test.

**11. Proposed Repayment Schedule**

The Authority intends to repay the Section 108 loan funds from the proceeds of the loan to BCNDC. The Authority is requesting the use of permanent financing. If loan payments from BCNDC do not generate enough revenue to make the required payments in the first two years, CDBG Program funds will be used for the payments.

The Redevelopment Authority will borrow \$1,100,000 at an estimated blended interest rate of .5% for 20 years. Semi-annual payments will be made in order to repay the Section 108 Loan. The following is a repayment schedule based on this request.

Year	Principal
2022	\$55,000.00
2023	\$55,000.00
2024	\$55,000.00
2025	\$55,000.00
2026	\$55,000.00
2027	\$55,000.00
2028	\$55,000.00
2029	\$55,000.00
2030	\$55,000.00
2031	\$55,000.00
2032	\$55,000.00
2033	\$55,000.00
2034	\$55,000.00
2035	\$55,000.00
2036	\$55,000.00

2037	\$55,000.00
2038	\$55,000.00
2039	\$55,000.00
2040	\$55,000.00
2041	\$55,000.00
Totals	\$1,100,000

## **12. Collateral**

In addition to the underlying pledge of CDBG Program entitlement funds, the proposed collateral for the Section 108 Loan funds is a note and mortgage on the Oley Road property which will have a 1<sup>st</sup> lien position.

## **13. Contact**

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