

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4363-N-03]

## Super Notice of Funding Availability (SuperNOFA) for Economic Development and Empowerment Programs; Economic Development Initiative (EDI) Program Funding; Announcement of Intention to Establish Future Community Development Block Grant Risk Reduction Pool Demonstration Using EDI Funds

**AGENCY:** Office of the Assistant Secretary for Community Planning and Development, HUD.

**ACTION:** Notice of Funding Availability; Supplemental notice.

**SUMMARY:** The purposes of this notice are to: (1) announce HUD's intention to establish a Community Development Block Grant (CDBG) Risk Reduction Pool demonstration, as first discussed in the Economic Development Initiative (EDI) Program Section of SuperNOFA II, published on April 30, 1998; (2) notify the public that HUD intends to use \$10 million of the \$38 million in FY 1998 funds available for the EDI Program to fund the CDBG Risk Reduction Pool demonstration. As a result, \$28 million will be available for FY 1998 EDI grants under SuperNOFA II. HUD will issue a future notice that describes the details of the CDBG Risk Reduction Pool demonstration.

### Application Due Date

The application due date for EDI Program applicants is unchanged. Completed applications (one original and two copies) must be submitted no later than 12:00 midnight, Eastern time, on July 30, 1998 to the addresses listed in the EDI program section of HUD's Super Notice of Funding Availability for Economic Development and Empowerment Programs (SuperNOFA II), published in the **Federal Register** on April 30, 1998 (63 FR 23876), and in accordance with the procedures of

SuperNOFA II. Additionally, all other information concerning the EDI Program, as provided in SuperNOFA II published on April 30, 1998, remains unchanged except for the reduction in available funding for the FY 1998 EDI Program.

**FOR FURTHER INFORMATION CONTACT:** Stan Gimont or Paul Webster, Financial Management Division, Office of Block Grant Assistance, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 7178, Washington, DC 20410; telephone (202) 708-1871 (this is not a toll-free number). Persons with speech or hearing impairments may access this number via TTY by calling the Federal Information Relay Service at 1-800-877-8339.

### SUPPLEMENTARY INFORMATION:

#### *Economic Development Initiative Program*

The Economic Development Initiative (EDI) program was enacted in 1994 and is intended to complement and enhance the Section 108 Loan Guarantee program. The purpose of EDI grant funds is to further minimize the potential loss of future CDBG allocations:

- (1) By strengthening the economic feasibility of the projects financed with Section 108 funds (and thereby increasing the probability that the project will generate enough cash to repay the guaranteed loan);
- (2) By directly enhancing the security of the guaranteed loan; or
- (3) Through a combination of these or other risk mitigation techniques.

### SuperNOFA II

On April 30, 1998, HUD published its Super Notice of Funding Availability for Economic Development and Empowerment Programs (SuperNOFA II) (63 FR 23876). SuperNOFA II set forth the consolidated program requirements and application process for ten (10) of HUD's Economic Development and Empowerment Programs, including the EDI Program.

SuperNOFA II announced the availability of approximately \$38 million to fund EDI grants. The EDI Program section of SuperNOFA II advised that HUD was considering using \$10 million of the available \$38 million in EDI funds for a CDBG Risk Reduction Pool demonstration. The EDI Program section provided that, in the event HUD intended to proceed with the risk pool demonstration, \$28 million would be available for EDI grants under SuperNOFA II. The EDI Program section of SuperNOFA II also advised that HUD would publish a supplemental **Federal Register** notice announcing its decision to fund a CDBG Risk Reduction Pool demonstration.

#### *CDBG Risk Reduction Pool Demonstration*

HUD will issue a future notice that describes the details of the CDBG Risk Reduction Pool demonstration. The notice is expected to be issued at the beginning of calendar year 1999. As discussed in the EDI Program Section of SuperNOFA II, the risk pool mechanism will be an EDI program enhancement designed to reduce the risk that CDBG funds will have to be used to repay Section 108 loans that finance economic development projects. The CDBG Risk Reduction Pool will allow public entities to pool economic development loans and related reserves. The CDBG Risk Reduction Pool will also assist public entities in satisfying the collateral requirements for Section 108 loans. The pool's reserves and incremental cash flows will provide an additional credit enhancement for the Section 108 loan and thereby help satisfy Section 108 additional collateral requirements.

Dated: July 22, 1998.

**Saul N. Ramirez, Jr.,**

*Assistant Secretary for Community Planning and Development.*

[FR Doc. 98-20103 Filed 7-23-98; 1:14 pm]

BILLING CODE 4210-29-P