

SUBSTANTIAL AMENDMENT TO THE CONSOLIDATED PLAN 2010 ACTION PLAN FOR SECTION
108 LOAN GUARANTEE ASSISTANCE-PIZITZ BUILDING

CITY OF BIRMINGHAM, ALABAMA
DEPARTMENT OF COMMUNITY DEVELOPMENT

I. NOTICE OF PUBLIC HEARINGS:

The City of Birmingham, Alabama, hereinafter referred to as "the City", will conduct a public hearing on Thursday, August 5, 2010 at 9:30 a.m. in the City Council Chamber, 3rd Floor City Hall, 710 North 20th Street, Birmingham, Alabama 35203.

The purpose of the hearing is to receive comments regarding a proposed Section 108 loan guarantee application, which if approved, would be included as a substantial amendment to the City's HUD approved Program Year (PY) 2010-2015 Consolidated Plan (July 1, 2010-June 30, 2015) and PY 2010 Action Plan Plan-One Year Use Of Funds (July 1, 2010-June 30, 2011), Project Number B-10-MC-01-0002. The hearing also provides citizens with reasonable notice of, and opportunity to comment on, such proposed changes in the use of Community Development Block Grant (CDBG) funds pursuant to 24 CFR Part 91. The City will consider any such comments received and, if the City deems appropriate, modify the changes.

II. BACKGROUND:

Section 108 of the Housing and Community Development Act of 1974 authorizes a program of community development loan guarantee assistance. Under the Section 108 Program, the U.S. Department of Housing & Urban Development (HUD) provides metropolitan cities and urban counties that receive entitlement grants with front-end financing for large-scale community and economic development projects that cannot be financed from annual grants. Projects eligible for this financing include the acquisition of real property, the rehabilitation of publicly owned real property, the rehabilitation of housing, and related relocation, clearance and site improvements. The projects financed under the Section 108 Program must either principally benefit low- and moderate-income persons, aid in the elimination or prevention of slums and blight, or meet other community development needs having a particular urgency. The regulations governing this program are codified at 24 CFR part 570, subpart M.

III. PRESUBMISSION AND CITIZEN PARTICIPATION REQUIREMENTS:

Before submission of an application for loan guarantee assistance to HUD, the City of Birmingham, Alabama (the City) must: (i) Develop a proposed application that includes: (A) The community development objectives the City proposes to pursue with the guaranteed loan funds, (B) The activities the City proposes to carry out with the guaranteed loan funds, and (C) A description of the pledge of grants required under 570.705(b)(2) of the referenced regulations. The City must also: (ii) Fulfill the applicable requirements in its citizen participation plan developed in accordance with 570.704(a)(2); (iii) Publish community-wide its proposed application so as to afford affected citizens an opportunity to examine the application's contents and to provide comments on the proposed application; and (iv) Prepare its

final application to be submitted to HUD. The City must consider any such comments and views received and if the City deems appropriate, modify the proposed application. Upon completion, the City must make its final application available to the public.

IV. PROPOSED SECTION 108 LOAN GUARANTEE APPLICATION PROJECT DESCRIPTION

In accordance with 570.704(a), the City has developed a proposed application and is publishing community wide its proposed application so as to afford affected citizens an opportunity to examine the application's contents and to provide comments on the proposed application.

The proposed use of funds stated herein have been developed so as to give maximum feasible priority to activities which will benefit low-and moderate income families or aid in the prevention or elimination of slums and blight. In addition, the projected use of funds is consistent with the City's established strategy of stabilizing the City and reversing negative trends associated with urban decay and blight and is consistent with the City's established Consolidated Plan Goals and Objectives.

Pizitz Building Rehabilitation:

Bayer Properties is proposing to substantially rehabilitate the Pizitz Building to historical standards as a mixed use property, combining approximately 23,000 of retail space on the first floor and mezzanine levels and approximately 169,000 of office space on the upper floors. The property also includes a 400 space parking garage. The project cost is estimated at \$56.2 million.

The Pizitz building is located at the corner of 2nd Avenue and 19th Street, North; Birmingham, Alabama and stands across Second Avenue from the McWane Science Center and is a block from the historic Alabama Theatre. The amount of the proposed Section 108 loan is \$1.4 million for a 20-year term. A second mortgage will secure the loan. The eligible activity is special economic development (24 CFR 570.703(i)(1)).

The project conforms to the national objective of benefit to low and moderate-income citizens via job creation (CFR 570-208(a)(4)). Moreover, the project also satisfies the national objective of eliminating slums and blight on an area basis (24 CFR 570.208(b)(1)).

The Section 108 loan is expected to complete the sources of funds necessary to rehabilitate the property and lease the rental areas to stabilized occupancy. The net operating income is forecast to be sufficient to repay Section 108 debt service and conform to HUD underwriting guidelines. Citizens may find additional information on the project at the Community Development Office at City Hall.

The project is expected to create a minimum of 28 new jobs, all of which are presumed low and moderate-income, and will satisfy the public benefit standards related to 24 CFR 570.209.

Uses of Funds

| | |
|----------------|----------------|
| Acquisition | \$4.2 million |
| Rehabilitation | \$40.2 million |
| Soft Costs | \$11.8 million |
| Total | \$56.2 million |

Sources of Funds

| | |
|------------------|----------------|
| Private Debt | \$25.0 million |
| Equity | \$26.2 million |
| City Grant | \$3.6 million |
| Section 108 Loan | \$1.4 million |
| Total | \$56.2 million |

Pledge of CDBG Entitlement

As required by statute, the City will pledge its CDBG entitlement and program income to secure the Section 108 obligation. The net operating income is expected to be sufficient to repay debt service related to the Section 108 loan. The project is currently 50% pre-leased. In addition, the loan is secured by a second mortgage.

Community Development Objectives

The project will pursue the following community development objectives:

- Historic Preservation
- Eliminating Slums and Blight in a Redevelopment Area
- Job Creation to LMI Residents
- Downtown Revitalization

V. CITIZEN COMMENT PERIOD:

The City encourages citizens to participate in the development of the proposed amendments described herein and is hereby making them available for public examination and comment for a period of at least 30 calendar days from the date of this publication. All interested citizens who are unable to attend the public hearings referenced herein, but desire to submit written views and comments regarding the City's proposed amendments or housing and community development needs, may do so by addressing them to :

James F. Fenstermaker, Director
Community Development Department
710 North 20th Street, 10th Floor City Hall
Birmingham, Alabama 35203

All written comments must be received at the above address no later than Monday, August 23, 2010 by 5:00 p.m. to be considered. All timely comments received will be considered in the finalization of the proposed amendments described herein. Upon approval, a description of the final amendments will be submitted to the U.S. Department of Housing and Urban Development (HUD) and will be made available for inspection in the City's Community Development Department.

The City does not expect any proposed activity described herein to result in displacement. The City anticipates that approximately 90% of available funds in the aggregate for all activities described in the City's PY 2010 Action Plan-One Year Use of Funds will benefit low and moderate income persons.

The City does not discriminate on the basis of race, color, national origin, sex, religion, age, or handicapped status in employment or provision of services.

July 22, 2010

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