



Opportunity Zones and HUD Programs

HUD Program Overview and Resources

- **CDBG**
 - [NOTICE: CPD-26-07: Aligning CPD Funds and OZ Investment](#)
- **CDBG – DR**
- **Section 108**
 - [Section 108 Loan Guarantee Program Webinar Series: Leveraging Section 108 with OZ and HTC Financing](#)
- **HOME**
 - [Opportunity Zones and the HUD Program Webinar](#)
- **HTF**
 - [Opportunity Zones and the HTF Program](#)
- **Housing Finance Tools**
 - **221 (d)(4)**
 - **223 (f)**

What HUD Programs Can Assist With

Role	Opportunity Zones	HUD Programs
Equity	✓	
Debt enhancement		✓
Gap financing		✓
Affordability subsidy		✓
Infrastructure support		✓
Community development planning		✓

FY 2026 Community Planning and Development Formula Program Allocations

NAME	STA	CDBG	HOME	ESG
State of Hawaii	HI	\$0	\$3,000,000.00	\$471,707
County of Hawaii	HI	\$2,811,148	\$0.00	\$0
County of Kauai	HI	\$755,833	\$0.00	\$0
County of Maui	HI	\$1,932,564	\$0.00	\$0
Honolulu	HI	\$7,962,527	\$2,717,250.47	\$692,800

CDBG

- **Alignment:** CDBG funding supports community development, which can overlap with the development goals of a QOZB, including infrastructure, housing, and economic development.
- **Flexibility:** CDBG funds can be used for projects in low-income areas, aligning with the goal of Opportunity Zones to stimulate development in underserved areas. CPD encourages grantees to explore whether designated OZ census tracts would also qualify as Neighborhood Revitalization Strategy Areas (NRSAs) under CPD Notice 16-16 when considering strategies to facilitate the use of CDBG/Section 108 funds in an OZ.
- **Leverage:** QOZB projects can leverage CDBG funding as part of their capital stack to meet the requirements of the working capital plan.
- **Regulatory Flexibility:** Low-and moderate- income area eligible activities provide an opportunity to lessen reporting burden over the OZ designated period.

CDBG + Section 108

- Funds can be loaned or granted to a QOZB to pay for eligible costs to perform an eligible activity that meets a national objective.
- Funds can also be loaned or granted to a QOF, which will further invest in or loan funds to a QOZB to pay for eligible costs to carry out an eligible activity that meets a national objective.
- Funds can be used directly by the CDBG grantee/Section 108 borrower, one of its non-profit subrecipients or business borrowers to carry out an activity in support of a QOZB that will meet a national objective

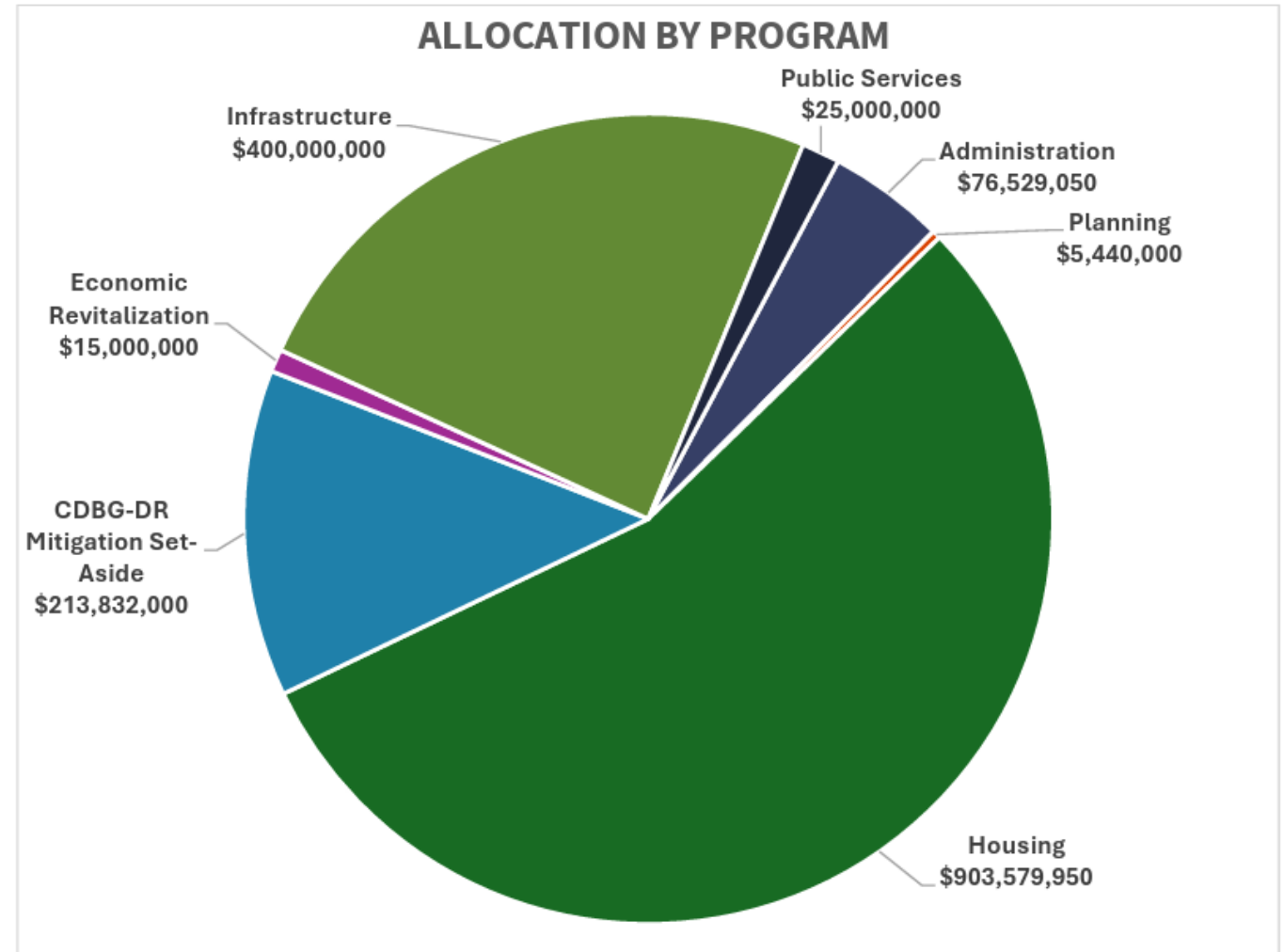
CDBG – DR

- **Working Capital Assistance:** Many uses depending on the disaster including helping small businesses with operational needs (rent, utilities, payroll)
 - Priority is often given to businesses in heavily impacted areas or those serving low-to-moderate income (LMI) populations.
- **Regulatory Flexibility:** With DR funding HUD has the ability to waive program regulations and provide alternative requirements
- **Project Completion timelines:** Many CDBG-DR economic development and small business assistance programs require activities to be completed within a specified 24-month project completion period.

Maui County CDBG – DR Award Information

- Housing: \$903,579,950
- Infrastructure: \$400,000,000
- Public Services: \$25,000,000
- Economic Revitalization: \$15,000,000
- CDBG-DR Mitigation Set-Aside: \$213,832,000
- Administration: \$76,529,050
- Planning: \$5,440,000

[CDBG – DR Action Plan](#)



HOME

- **Enhanced Feasibility:** Combining OZ with HOME grants can make low-income projects viable
- **Flexibility in Layering:** The safe harbor allows developers to "stack" various funding sources over time as the project progresses through its multi-year development timeline.
- **Eligible Activities:** typically cover acquisition, "hard" construction costs and "soft" costs like architectural and engineering fees.
- **Restrictions:** Generally cannot be used for project reserve accounts or operating subsidies (other than initial operating deficit reserves for a project developed with HOME funds),
 - HOME funds must be provided directly to the entity that is developing and will own the housing project (QOZB)
 - Cannot be routed through a QOF for future investment

HOME Case Study – OX Fibre Apartments (Frederick, MD)

Why HOME? HOME funds balanced the sources and uses and filled the gap in project financing. Without this source of funds, the project would have fallen short by \$500,000.

- 83 units affordable at 40-60% AMI
- Developed by Equity Plus
- Utilized 4% Low-income Housing
- Tax Credits and Historic Tax Credits

More Information:

<https://www.ncsha.org/wp-content/uploads/Case-Study-Ox-Fibre.pdf>

Sources of Funds	
Freddie Mac Debt	\$10,500,000
LIHTC Equity	\$7,100,000
Historic Tax Credit Equity	\$4,400,000
Opportunity Zones Equity	\$830,000
State and County Debt*	\$3,400,000
Deferred Developer Fee	\$670,000
Total Development Cost	Approximately \$27 million

*Includes \$500,000 in HOME funds from MD CDA

HTF

- **Strategic Layering:** Fill in financing gaps and operating shortfalls for affordable housing projects
- **Eligible Activities:** acquisition, new construction, and rehabilitation activities that directly align with the "substantial improvement" or "original use" requirements of the OZ program.
 - HTF is exclusively targeted families with incomes at or below 50% area median income
- **Compliance Considerations:** The Working Capital Safe Harbor does protect the tax-advantaged status of the OZ equity
 - But HTF imposes 30 year affordability period for rental units

Housing Finance: FHA 221(d)(4)

- **Eligible Activities:** New MFH Construction, Workforce Housing, Affordable Housing, Mixed-Income Housing, Large Scale Redevelopment
- **Why it works:** effectively a construction loan and permanent loan wrapped into one transaction.
 - Long terms holds (40 year amortization)
 - Predictable cash flow
 - Stable debt
 - Protection against interest rate volatility (fixed rate)

Housing Finance: FHA 223 (f)

- **Eligible Activities:** Acquisition, Refinancing, Moderate Rehab
 - No New Construction
 - Key application is Housing Preservation
- **Why it works:** Depending on community situation could be more viable than new construction
 - Existing residents remained housed
 - Infrastructure already exists
 - Community Opposition could be lower

OPPORTUNITY ZONES: CONTACT INFORMATION

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HUD Opportunity Zones Resources

- [HUD.gov Opportunity Zones website](https://www.hud.gov/opportunity-zones)
- [HUDEXchange.info Opportunity Zones website](https://www.hudexchange.info/opportunity-zones)

