

Resolution 260362:

HUD Section 108 Pilot-Addressing Vacant & Blighted Land

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Neighborhood Planning & Development Committee

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What is Section 108?

The HUD Section 108 Loan Guarantee Program allows cities to borrow up to five times their annual Community Development Block Grant (CDBG) allocation by pledging future CDBG funds as security. These funds provide low-interest, long-term financing for large-scale projects that advance housing, infrastructure, and economic development goals.

All eligible activities must meet one of the three national objectives of the CDBG program:

- Principally benefit low- and moderate-income (LMI) persons;
- Aid in the prevention or elimination of slums or blight; or
- Meet an urgent need by addressing conditions that pose a serious and immediate threat to the health and safety of residents.

In alignment with CDBG program funds, 70% of a borrower's Section 108 loan funds must meet the objective of principally benefiting low- and moderate-income persons of which the majority fall into one of four broad categories:

- Economic development;
- Public facilities and infrastructure;
- Housing rehabilitation; and
- Debt servicing and related fees.

Slum & Blight Vacancy

Initiative to address long – term urban decay and improve living conditions in affected areas of the following:

- 10+ Years city-owned vacant land
- Land Bank & Homestead Property
- Applicable infrastructure allowable
- Eliminate contaminated sites



Financial Resources Important to KC

Framed as a strategic tool, Kansas City was granted \$35,255,790.00 in Section 108 borrowing authority to finance catalytic projects that would otherwise be difficult to fund through traditional sources.

➤ Risk & Mitigation Strategies

- ✓ Financial underwriting
- ✓ Loan loss reserves
- ✓ Collateral and repayment sources
- ✓ Financial Institution Technical Assistance

The program's design guarantees repayment flexibility and the ability to combine with other funding sources.

Intent of Pilot Program

- Design to support difficult, long-term vacant sites
- From application to implementation, reduce red tape
- Provide clear parameters and equity-focused structure
- Align with City-Wide Business Plan Goal: Equitable growth and sustainable development
- Layer with other goals such as KCMO First Time Homebuyer program

Impact on VLAI & Housing Accelerator

- Long term vacant properties can be challenging to develop due to stabilization needs and limiting market conditions
- Section 108 Loans can help offset costs and spur land activation through the following:
 - Acquisition assistance when city is an ownership partner and development meets immediate city goals
 - Overcome substantial infrastructure needs
 - Defray construction Costs

Questions?