

Justification for Broadening
Section 108 Loan Guarantees

To enlarge the impact of Federal urban revitalization efforts, it is highly desirable, as the Congress recognized in the UDAG program, to reinforce and leverage public investment with private ("selection criteria ... must include ... extent of financial participation by other public or by private entities"). Such leveraging is particularly important in communities suffering from severe economic distress. This can be done effectively through a financing mechanism already provided in the CDBG program, section 108 loan guarantees. The proposed amendment will expand the ability of distressed cities to use 108 loan guarantees to leverage private investments, especially for the purposes of economic development.

Eligible Activities

Loan guarantee authority under section 108 can currently be used for the acquisition of real property and rehabilitation of publicly owned property. The proposed amendment will permit local governments eligible for the UDAG program to expand the scope of the 108 program to include community development activities defined in section 105(a)(14), (A) and (B), as well as the equipping of commercial and industrial buildings. This would permit the economic development needs of the applicant to be addressed in a comprehensive manner with loan guarantee assistance. This increased flexibility would have a beneficial effect on urban revitalization efforts.

Eligible Recipients

The availability of 108 loan guarantees would not be restricted by the amendment in metropolitan cities and urban counties not eligible for UDAG assistance, or to public agencies designated by such units of general local government. It adds extra powers to UDAG eligible localities and their designees.