

**Main Street/Convention District Overlay Zone  
Property Acquisition Fund  
(Section 108 Application Form)**

City of Springfield, Massachusetts

Community Development Block Grant Program



Application  
For a HUD Section 108 Loan Guarantee  
\$5,000,000 Loan Guarantee Amount

Submitted By:  
The City of Springfield

To:

United States Department of Housing and Urban Development

October 2020

1. **COMMUNITY PROFILE**

The City of Springfield is located in Hampden County, which is in the southern part of the Pioneer Valley in Western Massachusetts. The 2018 population is estimated at 155,032 residents, which makes Springfield the largest city in Western Massachusetts and the third largest city in the Commonwealth of Massachusetts. Situated on the banks of the Connecticut River 25 miles north of Hartford, Conn.; 50 miles west from Worcester, 80 miles southeast from Albany, N.Y.; 85 miles northwest from Providence, R.I.; 90 miles west from Boston; and 140 miles northeast from New York City, Springfield is an important hub and regional center in the economy of Western Massachusetts and Northern Connecticut. Sixty percent of the jobs in Springfield are held by residents from other towns. Just over half of workers who reside in Springfield also work there, while most of the rest commute to municipalities adjacent to Springfield. In terms of its tax base, the city's assessed property values for residential, commercial, and industrial properties are still recovering from the recession and are not yet at their pre-recession levels. Residential and commercial properties remain Springfield's top sources of tax revenue.

Springfield is a Gateway City that anchors the Western Massachusetts regional economy. For generations, Springfield's economy was dominated by the industrial manufacturing sector which provided residents with stable middle class jobs, with limited educational requirements. These jobs dematerialized as the national economy transitioned to a skilled service economy. As industries vacated Springfield its economic foundation was left lacking the resources, capacity and educational attainment to effectively participate in the skilled service economy, thereby negatively impacting its ability to reposition itself as a competitive urban center for market investment and growth.

Springfield's economic challenge five decades later continues to be the systemic poverty and economic disengagement which stemmed from deindustrialization. The City's poverty rate is 28.7%, more than twice the national average. Residents living in poverty are disproportionately Hispanic and female. The City's unemployment rate is currently 25% almost three times the national rate of 8.4%. Springfield's unemployment rate is further compounded by a 42% workforce disengagement rate among those residents between the ages of 16-62.

Despite such challenges recent downtown economic development initiatives including the development of the Commonwealth's first resort casino have been instrumental in jumpstarting a wave of public- and private-sector investment in the City. Projects such as the \$95 million renovation of Springfield Union Station, the announcement of a \$52 Million mixed use redevelopment of the historic 13-31 Elm Street property, the \$15 Million SilverBrick apartment redevelopment, the establishment of the \$7 Million Springfield Innovation Center, the \$71 Million upgrade to the Mass Mutual Convention Center which in 2017 conveyed facility operating oversight to MGM – Springfield and the development of the immediately adjacent \$960 million MGM Springfield have all drawn economic, cultural and commercial activity back into the city center, thus stimulating the regional economy. MGM Springfield represents one of the largest private-sector investment in Springfield's history. To actuate these investments the City has significantly enhanced the downtown

## Main Street/Convention District Overlay Zone Fund

experience by investing in public infrastructure improvements, new business support initiatives, parks/public amenity improvements and public realm projects. Over the past five years the City has invested nearly \$20 Million in such initiatives. Springfield continues the advancement of its downtown master development plan “The Implementation Blueprint” begun in 2019 as a working document meant to coordinate, direct and unify the ongoing development activity in the entire downtown. Phase I implementation of the plan is currently focused on Main Street / Convention Overlay Zone which is the focus area of this application.

### 2. MAIN STREET/CONVENTION DISTRICT OVERLAY ZONE PURPOSE & STRATEGY:

The Main Street/Convention District Overlay Zone is a planning document which conveys to potential developers how the City will coordinate, direct and unify the ongoing development potential within the District. Implementation of the plan over time will replace the current negative impacts of ongoing real estate speculation, stagnation and disinvestment with vibrant amenity rich development that is populated with well curated complementary uses that are highly activated.



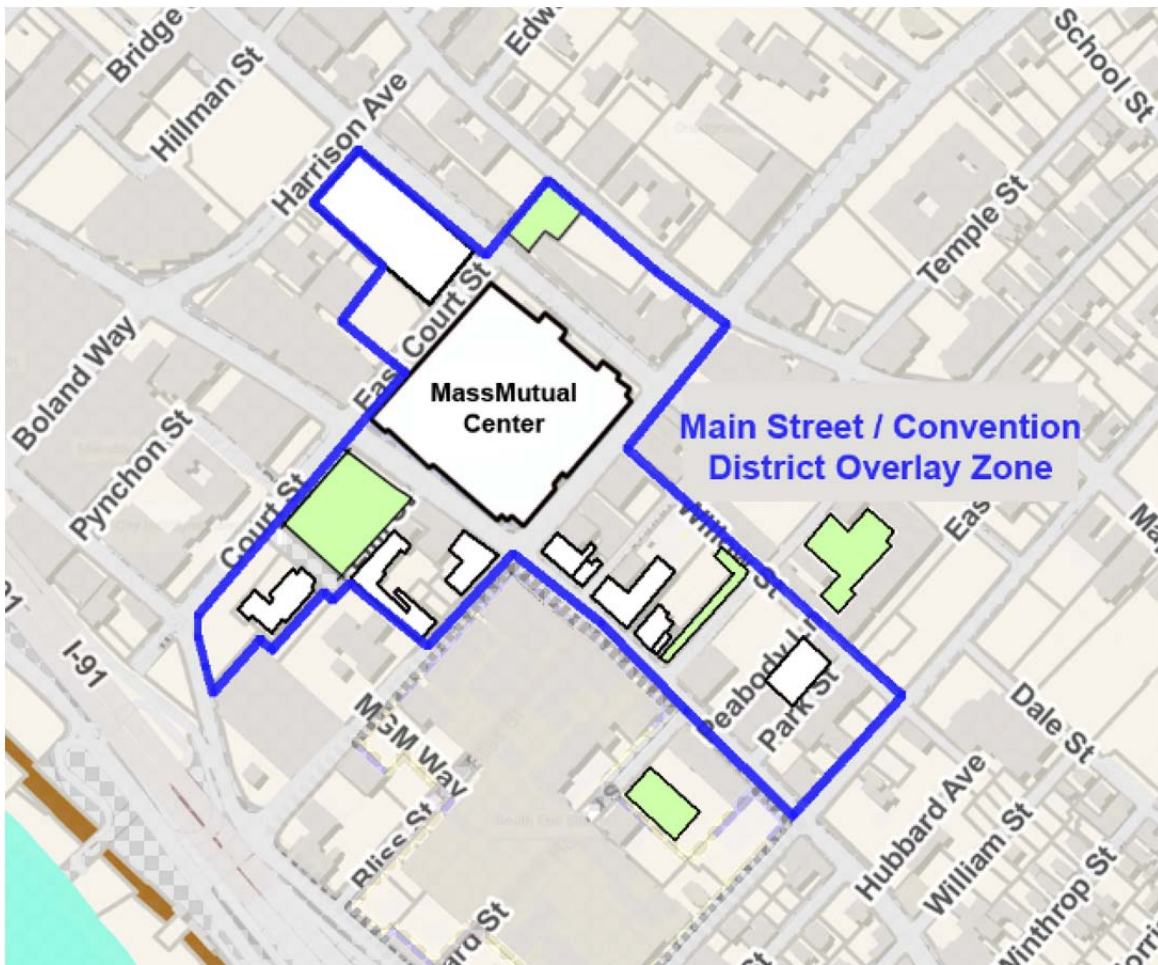
*Prime Vacant Historic Buildings Located in the Fund Target Area*

## Main Street/Convention District Overlay Zone Fund



*Recently Commenced 31 Elm Street Historic Redevelopment within the Target Area*

- . The objectives of the Main Street/Convention District Overlay Zone include:
- Create the local environment for development by establishing a municipal vision for the area that includes zoning controls, design criteria, and development incentives
  - Advance an aesthetic image and identity for the area
  - Leverage to the extent possible the historic and architectural character of existing buildings
  - Apply incentives to curate the type and location of retail, restaurants, and entertainment tenants to increase activation and pedestrian traffic
  - Identify sites within the plan area for new convention and hospitality related development
  - Identify sites for new residential development to further stimulate area livability, appeal, and activation
  - Plan for and promote utilization of vacant parcels and surface parking lots through consolidation to support infill development
  - Use municipal powers and authority to acquire, stabilize, and reposition underutilized, vacant, or blighted commercial structures in the District



*Main Street/Convention District Overlay Zone Area*

### **3. FUND PROJECT DESCRIPTION AND PROCESS OVERVIEW**

The proposed request will establish the Main Street/Convention District Overlay Zone Fund (the “Fund”). The intent of the Fund is provide the City with the financial resources to acquire vacant, languishing or foreclosed properties that are located in the Fund service area which the market has not to date responded to. The City’s intent is to economically reposition the properties so as to be viewed as market viable development projects, for prospective developers, in a manner consistent with the goals and objectives of the Main Street/Convention District Overlay Zone Plan.

Deploying the Fund’s resources will involve inter-departmental collaboration of City staff. The investment decision process will commence with an acquisition recommendation made by the City’s Chief Development Officer to the Mayor. Upon the Mayor’s approval of the recommended acquisition the recommendation will be advanced to the appropriate City Council Sub-Committee for a ten (10) day review and comment period. Should the City seek to use the Springfield Redevelopment Authority or a non-profit development entity as the acquiring party the recommendation will also be forward to the Board of Directors / Commissioners simultaneously for its approval after the review and comment and period.

## Main Street/Convention District Overlay Zone Fund

Ultimately the acquired properties will be advanced to the market through a Request for Qualifications and Statement of Interest (RQSI) in the property(ies). The acquiring party will accommodate the following make up the RQSI Review Committee: (1) No more than six (6) members to include: the Mayor or designee, the Chief Development Officer, the Chief Administrative and Financial Officer, Chair of the appropriate City Council Sub-Committee, Board Chair of the acquiring party and the Executive Director of the acquiring party. Once the RQSI process has been concluded, the City and property owner may advance one or two qualified development entities, to enter into a six month due diligence/final proposal period by which a conceptual master site plan will be developed and the terms of the sale of the property will be negotiated. A preferred developer will be selected from this process. Funds recouped at sale will be designated for Section 108 Loan Guarantee debt service payments. Any related shortfall between the sale of the properties and the related debt service will be addressed by the City via other revenues.

### **4. SOURCES AND USES**

This application is a request for a HUD Section 108 Loan Guarantee in the amount of \$5,000,000, to serve as a low-interest loan fund for the acquisition and stabilization of key properties located within the Main Street/Convention District Overlay Zone. The targeted Overlay Zone will overlap geographically with existing City-designated Urban Revitalization Districts and will be partially in a federally designated Opportunity Zone. The \$5,000,000 of HUD Section 108 Loan Guarantee will provide the required acquisition financing and thus jump start the redevelopment of priority parcels in the District in a timely manner.

HUD Section 108 Loan proceeds will be made available for acquisition activities in amounts ranging from a minimum of \$200,000 to a maximum of \$3,000,000 per parcel. The contemplated HUD Section 108 Loan use is an eligible use under 570.703(a) covering the acquisition of real property for economic development purposes. The proposed use of the HUD Section 108 Loan funds satisfies the National Objective under 570.208(b)(1) as an activity which aid in the prevention or elimination of slums or blight. The proposed project will provide the aggregate level of public benefit under 570.209(b)(v)(G) as the activities will revitalize a neighborhood with at least 70% low- or moderate-income population.

## Main Street/Convention District Overlay Zone Fund



*Key Buildings in Fund Target Area*

### **5. LOAN SERVICING:**

The Main Street/Convention District Overlay Zone Fund is intended to be an interim financing vehicle for the City to deploy for the purpose of acquiring target properties and securing site control for ultimate redevelopment by third party developers. As such once a property is acquired the goal will be to quickly sell the property to private developers.

### **6. LOAN TERMS AND AMORTIZATION PERIODS**

The City anticipates that it will originate loans with terms of 5-10 years. It is likely that the Fund will originate loans in various principal amounts ranging from a minimum amount of \$200,000 to a maximum of \$3,000,000 per parcel. The cost of funds shall be defined as the HUD cost of funds, which can be expressed as: 3-month LIBOR plus a 20-basis points spread.

In the interests of maintaining Fund flexibility in the event of an early repayment of a loan, the Fund loans will not be placed into the HUD public offering. Fund loans will instead remain in the interim HUD financing facility for their duration and be kept at HUD's interim financing floating rate. This will avoid any defeasance issues in the event of early repayment due to the property being repositioned with a private developer.

Main Street/Convention District Overlay Zone Fund

**7. ANTICIPATED PRINCIPAL REPAYMENT SCHEDULE:**

The City anticipates that beginning in Year 3 (2023) of Fund operation that it will begin making payments on the HUD Section 108 Loan Guarantee in amounts of principal according to the following repayment schedule:

**Anticipated Principal Repayment Schedule:**

Program Year	Maturity	Interest Rate	Note Amount	Benchmark	Spread	Outstanding Balance
1	1-Aug-21	0.00%	\$ -	-	0.00%	\$ 5,000,000.00
2	1-Aug-22	0.00%	\$ -	-	0.00%	\$ 5,000,000.00
3	1-Aug-23	0.00%	\$ 75,000.00	-	0.00%	\$ 4,925,000.00
4	1-Aug-24	0.00%	\$ 75,000.00	-	0.00%	\$ 4,850,000.00
5	1-Aug-25	0.00%	\$ 75,000.00	-	0.00%	\$ 4,775,000.00
6	1-Aug-26	0.00%	\$ 75,000.00	-	0.00%	\$ 4,700,000.00
7	1-Aug-27	0.00%	\$ 175,000.00	-	0.00%	\$ 4,525,000.00
8	1-Aug-28	0.00%	\$ 200,000.00	-	0.00%	\$ 4,325,000.00
9	1-Aug-29	0.00%	\$ 200,000.00	-	0.00%	\$ 4,125,000.00
10	1-Aug-30	0.00%	\$ 200,000.00	-	0.00%	\$ 3,925,000.00
11	1-Aug-31	0.00%	\$ 200,000.00	-	0.00%	\$ 3,725,000.00
12	1-Aug-32	0.00%	\$ 200,000.00	-	0.00%	\$ 3,525,000.00
13	1-Aug-33	0.00%	\$ 200,000.00	-	0.00%	\$ 3,325,000.00
14	1-Aug-34	0.00%	\$ 200,000.00	-	0.00%	\$ 3,125,000.00
15	1-Aug-35	0.00%	\$ 200,000.00	-	0.00%	\$ 2,925,000.00
16	1-Aug-36	0.00%	\$ 200,000.00	-	0.00%	\$ 2,725,000.00
17	1-Aug-37	0.00%	\$ 200,000.00	-	0.00%	\$ 2,525,000.00
18	1-Aug-38	0.00%	\$ 200,000.00	-	0.00%	\$ 2,325,000.00
19	1-Aug-39	0.00%	\$ 200,000.00	-	0.00%	\$ 2,125,000.00
20	1-Aug-40	0.00%	\$ 2,125,000.00	-	0.00%	\$ -
			\$ 5,000,000.00			\$ -



## Main Street/Convention District Overlay Zone Fund

### 8. COLLATERAL AND GUARANTEE

All loans originated under the Fund will be evidenced by a promissory note and loan agreement between the borrowing entity, and the City or its designee. The Business Note and the Business Loan Agreement shall contain such provisions as the Secretary deems necessary. The amount of principal and/or interest payable under the Business Notes during the twelve-month period beginning July 1 of each year and ending on June 30 of the next succeeding year shall be equal to or greater than the amount of principal and/or interest payable under the Note for the corresponding period.

All loans originated by the Fund will be secured by a lien on the real property acquired (the "Real Property") evidenced by a mortgage filed and recorded in the Hampden County Registry of Deeds. The mortgage shall contain such provisions as the Secretary of HUD deems necessary. The loan may be subsequently subordinated to another lien on the Real Property; provided however that the principal amount of the Fund loan shall not exceed an amount equal to 80 percent of the "as improved" appraised market value, less the outstanding balance on the other indebtedness secured by a mortgage lien of or equal priority on the Real Property. The City shall maintain at all times sufficient collateral coverage for any loans originated by the Fund and maintain evidence of the same in the Registry of Deeds.

### 9. ELIGIBLE ACTIVITY

In addition to meeting a National Objective, Public Benefit Standards and the general policies of the Community Development Block Grant Program (CDBG) under 24 CFR 570.200, the Section 108 Loan Guarantee will satisfy an eligible activity under 24 CFR 570.703, specifically 570.703(a) "acquisition of improved or unimproved real property in fee or long-term lease, including acquisition for economic development purposes."

### 10. NATIONAL OBJECTIVE

Pursuant to the directives of 24 CFR 570.208, all CDBG-assisted activities must meet one of three National Objectives. The eligible activity that the City of Springfield will meet is 24 CFR 570.208(b) "activities which aid in the prevention or elimination of slums or blight." The number of properties within the area meeting this criteria is well in excess of the minimum threshold of 25% required under the 570.208(a)(1).

### 11. PUBLIC BENEFIT STANDARDS

Each loan made under the Main Street/Convention Center District Overlay Zone Fund will provide the requisite level of public benefit under the provisions of 24 CFR 570.209(b)(2)(v)(G) in that the proposed project seeks to revitalize a neighborhood that

## Main Street/Convention District Overlay Zone Fund

has at least 70% of its residents who are low- and moderate-income persons or households.

### **12. FINANCIAL UNDERWRITING**

The City of Springfield will administer the Main Street/Convention District Overlay Zone Fund and will contract with a third party to oversee the financial underwriting process. Eligibility for acquisition of a specific property will be determined on a preliminary basis according to the following minimum financial conditions:

- Loan to Value Ratio of not more than 80%
- The subject property is located in an area meeting the criteria set forth in 570.209(b)(1)(v)(G)

The project conforms to the guidelines for evaluating and selecting economic development projects at 24 CFR 570.209(a) and Appendix A to Part 570: That

- Project costs are reasonable;
- Sources of project financing are committed;
- Section 108 financing is not substituted for non-Federal funds;
- Return on owner's equity investment is not unreasonably high;
- Project will produce sufficient cash flow to repay the loan;
- Applicant Borrower has sufficient capacity and experience; and
- Section 108 financing will be disbursed on a pro rata basis with other funding.

The City shall not incur any obligations to be paid with guaranteed loan funds prior to the receipt of a written determination from the HUD Regional Office that (1) the activity meets the eligibility requirements of 24 CFR 570.703(b), (2) each eligible activity to be undertaken or supported with loan guarantee funds will meet the national objective requirements of 570.208(b) and, (3) the applicable public benefit standards will be met, in accordance with 570.209(b)(1)(G). In addition, the City is reminded that it must comply with citizen participation requirements whenever it uses the guarantee loan fund for an activity that would trigger the amendment requirements at 24 CFR 91.505.

### **13. CITIZEN PARTICIPATION PLAN**

The City of Springfield has followed the detailed citizen participation plan described at 24 CFR 570.704(a)(2). This may be the citizen participation plan adopted for the Consolidated Plan, modified to include guaranteed loan funds.

- This citizen participation plan requires two public hearings to address community development and housing needs, proposed activities and program performance.

## Main Street/Convention District Overlay Zone Fund

- One of these hearings must occur before submitting a Section 108 application to HUD.
- Section 108 application pre-submission: Publish proposed application community wide for citizen review and comment.
- Final application: Consider citizen comments and make changes to proposed application, as appropriate. Upon completion, make final application available to the public.

### **14. TIMEFRAME/TIMELINE**

- Publishing of Legal Notice: October 9, 2020
- Commencement of Public Comment Period: October 12, 2020
- Conclusion of Public Comment Period: November 13, 2020
- Final City Council Review and Approval: November 23, 2020
- Submission to HUD Boston Field Office: November 26, 2020 (review 20 days)
- Submission to HUD HQ by Boston Field Office: November 15, 2020
- November – December HUD DC Review and HUD Approval: December 15, 2020
- Release of Program Documents to City by HUD: January 2021
- Program Funds Available for Project: February 2021

### **15. APPLICANT CONTACT**

Cathy Buono, Director of Administration & Finance  
City of Springfield Community Development  
1600 Columbus Avenue  
Springfield, MA 01103

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**EXHIBIT A:**

**Section 108 Loan Guarantee**

**Entitlement Public Entity Certifications**

## Main Street/Convention District Overlay Zone Fund

### **SECTION 108 LOAN GUARANTEE Entitlement Public Entity Certifications**

In accordance with Section 108 of the Housing and Community Development Act of 1974, as amended (the "Act"), and with 24 CFR Part 570.704(b), the public entity certifies that:

- (3) It possesses the legal authority to make the pledge of grants required under §570.705(b)(2).
- (4) It has made efforts to obtain financing for activities described in the application without the use of the loan guarantee and cannot complete such financing consistent with the timely execution of the program plans without such guarantee.

In accordance with Section 108 of the Housing and Community Development Act of 1974, as amended (the "Act"), and with 24 CFR Part 570.704(b)(8), the public entity further certifies that:

- (i) It possesses the legal authority to submit the application for assistance under this subpart and to use the guaranteed loan funds in accordance with the requirements of this subpart.
- (ii) Its governing body has duly adopted or passed as an official act a resolution, motion or similar official action:
  - (A) Authorizing the person identified as the official representative of the public entity to submit the application and amendments thereto and all understandings and assurances containing therein, and directing and authorizing the person identified as the official representative of the public entity to act in connection with the application to provide such additional information as may be required; and
  - (B) Authorizing such official representative to execute such documents as may be required in order to implement the application and issue debt obligations pursuant thereto (provided that the authorization required by this paragraph (B) may be given by the local governing body after submission of the application but prior to execution of the contract required by §570.705(b).
- (iii) Before submission of its application to HUD, the public entity has:
  - (A) Furnished citizens with information required by §570.704(a)(2)(i);
  - (B) Held at least one public hearing to obtain the views of citizens on community development and housing needs; and
  - (C) Prepared its application in accordance with by §570.704(a)(1)(v) and made the application available to the public.
- (iv) It is following a detailed citizen participation plan which meets the requirements described in by §570.704(a)(2).
- (v) The public entity will affirmatively further fair housing, and the guaranteed loan funds will be administered in compliance with:
  - (A) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d *et seq.*); and
  - (B) The Fair Housing Act (42 U.S.C. 3601-3619).
- (vi) In the aggregate, at least 70 percent of all CDBG funds, as defined at §570.3, to be expended during the one, two, or three consecutive years specified by the public entity for its CDBG program will be for activities which benefit low and moderate income persons, as described in criteria at §570.208(a).

Main Street/Convention District Overlay Zone Fund

- (vii) It will comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low and moderate income housing described in §570.606.
- (viii) It will comply with the requirements of §570.200(c)(2) with regard to the use of special assessments to recover the capital costs of activities assisted with guaranteed loan funds.
- (ix) (Where applicable.) It lacks sufficient resources from funds provided under this subpart or program income to allow it to comply with the provisions of §570.200(c)(2), and it must therefore assess properties owned and occupied by moderate income persons, to recover the guaranteed loan funded portion of the capital cost without paying such assessments in their behalf from guaranteed loan funds.
- (x) It will comply with the other provisions of the Act and with other applicable laws.

Public Entity Legal Name City of Springfield

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name and Title  
of Authorized Official Mayor Domenic Sarno, City of Springfield

Main Street/Convention District Overlay Zone Fund

24 CFR Part 87

**Appendix A to Part 87—Certification Regarding Lobbying**

**Statement for Loan Guarantees and Loan Insurance**

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Domenic Sarno  
Name of Authorized Official

Mayor  
Title

Main Street/Convention District Overlay Zone Fund

**EXHIBIT B:**

**Public Hearing Notices and Other Public Participation**