



2020-2024 Consolidated Plan, and 2021-2022 Action Plan [draft]

1st Substantial Amendment

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Background Summary

The City of Toledo Department of Housing and Community Development (TDHCD) is herewith making a substantial amendment to its 2020-2024 Five Year Consolidated Plan and the 2021-2022 Annual Action Plan covering the period of July 1, 2021 - June 30, 2022. This change affects both the U. S. Department of Housing and Urban Development's (HUD) Community Development Block Grant (CDBG) and the Section 108 Program.

The City of Toledo, an entitlement city, receives annual grant allocations from the U. S. Department of Housing and Urban Development (HUD) through the Community Development Block Grant (CDBG), Emergency Solutions Grant (ESG) and HOME Investment Partnership Program (HOME). The overall purpose of the CDBG, ESG and HOME programs is to assist low- and moderate-income families and households. The funds are used to pursue three goals:

- Provide decent, affordable housing;
- Create suitable living environments; and
- Expand economic opportunities.

In order to access these federal funds, the City must carry out a planning process, called the Consolidated Plan, to identify the scope of housing and community development needs in its jurisdiction and how the available funding can best be used to meet those needs. The Five-Year Consolidated Plan term began on July 1, 2020 and concludes on June 30, 2025. A full copy of the Five-Year Consolidated Plan is available for review at the City of Toledo's Department of Neighborhoods as well as the website.

Each year, the City of Toledo prepares an Annual Action Plan that describes the projects and actions it will undertake to carry out the strategies outlined in the Five-Year Consolidated Plan.

The City of Toledo proposes to make application to HUD for the use of HUD Section 108 Loan Guaranty Funds. This requires a Substantial Amendment to the 2020-2024 Five-Year Consolidated Plan and the 2021-2022 Annual Action Plan.

Introduction

The Substantial Amendment was prepared per 24 CFR part 91.505 - Amendments to the Five- Year Consolidated Plan.

- A. Proposed changes of the Substantial Amendment to the PY 2020-2024 Five-Year Consolidated Plan and 2020-2021 Annual Action Plan:
 1. To add make application for use of the HUD Section 108 Loan Guaranty Funds
- B. Required Contents of Substantial Amendments
 1. Standard Forms SF-424 and SF-424D
 2. Summary of Consultation Process
 3. Summary of Citizen Participation Process
 4. Proposed Activity
 5. Proposed Application
 6. Certifications

A. Proposed Substantial Amendment Changes

The City is proposing the following amendment to the 2020-2024 Five-Year Consolidated Plan and the 2021-2022 Annual Action Plan in order to make application to HUD for the use of HUD 108 Loan Guaranty Funds.

1. To add use of HUD Section 108 Loan Guaranty Funds.

The City is proposing the following amendment to the 2020-2024 Five-Year Consolidated Plan and 2021-2022 Annual Action Plan in order to add an eligible activity that was not previously identified:

1. To add use of HUD Section 108 Loan Guaranty Funds.

B. Required Contents of Substantial Amendment

1. *STANDARD FORMS SF-424 AND SF424D*

- a. The HUD forms SF-424 and SF-424D are attached for the final submission of the amendment

2. *SUMMARY OF CONSULTATION PROCESS*

Summary of Consultation Process

Key consultation process consisted of a year-long stakeholder engagement and consultation to develop a comprehensive housing and community development strategy. Stakeholder group consisted of approximately sixty Toledo elected leaders, city of Toledo staff, local and state housing partners, non-profit and for-profit developers, financial institutions, and community groups and residents of the city of Toledo and Lucas County. Led by Enterprise Community Advisors, the stakeholder group completed the development of **Together Toledo - A Comprehensive Housing Strategy and Ten-Year Action Plan (CHS)**.

One of the key strategy area recommendations of the CHS is the need to increase resources and capital for community reinvestment. This strategy seeks to establish additional sources of funding for neighborhoods in need of long-term reinvestment in economic development, housing, public facilities and infrastructure, particularly neighborhoods in Toledo’s core. In terms of the funding sources, the CHS determined that a source could be the **Section 108 Loan Guarantee** Program aligned with requirements for its use as a federal program.

To further this major strategy area recommendation of the CHS, the city wishes to establish a Section 108 Loan Pool. The loan pool will be available to prospective borrowers citywide and provides a ready source of long-term, fixed rate and reasonably priced financing that is not available conventionally. The city will prioritize investments in projects using Section 108 Financing that are in targeted neighborhood revitalization areas including Junction, Englewood, Old South End and East Toledo; and in projects that promote equity and equitable development.

3. SUMMARY OF CITIZEN PARTICIPATION PROCESS

Summary of Citizen Participation Process

In accordance with HUD federal regulations CFR 91.105 and 91.200, the City of Toledo maintains a Citizen’s Participation Plan (CPP). The CPP’s ensures that the City of Toledo solicits and utilizes input from citizens, community agencies and beneficiaries, allowing full participation at all levels such that allocation and utilization of HUD funds are conducted in an open manner with freedom of access for all interested individuals. The timeline for the Substantial Amendment is below.

2021	
Sunday, November 7, 2021	Public Notice <i>published</i> in The Blade for the 2020-2024 Consolidated Plan, 2021-2022 Action Plan Substantial Amendment and HUD Section 108 Application 30-day public comment period
Wednesday, November 10, 2021	Public Notice <i>published</i> in the Sojourners Truth and La Prensa for the 2020-2024 Consolidated Plan, 2021-2022 Action Plan Substantial Amendment and HUD Section 108 Application 30-day public comment period
Wednesday, November 10, 2021	Press Release on the availability of the 2020-2024 Consolidated Plan, 2021-2022 Action Plan Substantial Amendment and HUD Section 108 Application 30-day public comment period sent to Mayor’s Office for distribution on News and Social Medias. Announcement sent to Third-Party Partners, LMH and other local organizations
Monday, November 22, 2021	Draft 2020-2024 Consolidated Plan, 2021-2022 Action Plan Substantial Amendment and HUD Section 108 Application completed
Wednesday, November 24, 2021	Distribute Draft 2020-2024 Consolidated Plan, 2021-2022 Action Plan Substantial Amendment and HUD Section 108 Application to public locations and post to City’s website
Friday, November 26, 2021	2020-2024 Consolidated Plan, 2021-2022 Action Plan Substantial Amendment and HUD Section 108 Application 30-day public comment period begins
Monday, November 29, 2021	Submit Legislation to Mayor’s Office
Tuesday, December 14, 2021	City Council - Agenda Review of Legislation – 1 st Reading @ 2:00 p.m.
Thursday, December 16, 2021	Public Hearing @ 5:30 p.m. via Zoom (Zoom Meeting scheduled)
Tuesday, December 21, 2021	City Council - Second Reading and Passage of Legislation @ 4:00 p.m.
Monday, December 27, 2021	2020-2024 Consolidated Plan, 2021-2022 Action Plan Substantial Amendment and HUD Section 108 Application 30-day public comment period ends
2022	
Monday, January 3, 2022	2020-2024 Consolidated Plan, 2021-2022 Action Plan Substantial Amendment and HUD Section 108 Application finalized, printed for distribution and ready for electronic submission to HUD
Tuesday, January 4, 2022	FINAL 2020-2024 Consolidated Plan, 2021-2022 Action Plan Substantial Amendment and HUD Section 108 Application distributed to designated locations for website posting and posted to City’s website
Wednesday, January 5, 2022	FINAL 2020-2024 Consolidated Plan, 2021-2022 Action Plan Substantial Amendment and HUD Section 108 Application submitted to HUD

Summary of Public Comments

The city of Toledo will accept all written comments as to the content of the substantial amendment and incorporate same to this document.

1. A virtual public hearing will be held to review the proposed Substantial Amendment changes. Copies of the proposed changes will be available electronically on the Department of Neighborhood’s website. The public notice and press release will be sent via email to local community partner’s and the COT’s Third-Party Partners.

All in-person Public Hearings are held in facilities that provide adequate accessibility to disabled individuals, are wheelchair accessible and provide handicapped parking. In the event of a virtual public hearing, services needed by disabled individuals are provided upon request.

4. *PROPOSED ACTIVITY*

Section 108 Loan Program Summary

The City intends to make application to the U. S. Department of Housing and Urban Development (HUD) for the use of Section 108 Loan Guaranty Funds in an amount not to exceed \$37,000,000.00. The purpose of the Section 108 Loan Fund is to assist with equitable investments in economic, housing, and community development activities throughout the City of Toledo. Goals of the Section 108 Loan Fund include acquiring land for redevelopment, revitalizing housing stock, development of new public facilities and directly assisting businesses, nonprofits, and real estate development projects that produce a public benefit.

The city of Toledo wishes to establish a Section 108 Loan Pool utilizing the \$37 million. The Loan Pool will be available for prospective borrowers citywide and provides a ready source of long-term, fixed-rate and reasonably priced financing. The loan pool will bridge the gap in financing and enable borrowers to proceed with their prospective projects; create and retain jobs; increase affordable housing; advance equity and equitable development opportunities and expand the existing tax base. The City will prioritize investments in projects using Section 108 Financing that are in targeted neighborhood revitalization areas including Junction, Englewood, Old South End, and East Toledo; promote equity and equitable development. The City may elect to support non-income producing projects and use a portion of the annual CDBG allocation as a source of repayment.

Individual projects are proposed to be evaluated by a loan and investment committee involving City and community representatives, led by the Department of Neighborhoods. Senior staff of the Department of Neighborhoods have 20+ years of combined experience with a variety of projects (LITHC, HTC, NMTC, HOME, and CDBG). General experience includes project development, design, financing and construction. Specifically, staff has managed or currently administer housing and economic development financing programs application process for HOME Investment Partnerships Program, CDBG funded Commercial Building Loan Fund and Economic Development Loan Fund, Owner Occupied Housing Rehabilitation Loan Program. Key competencies are: review and underwriting of project sources and uses of funds, project Performa, project feasibility, market studies, drafting loan documents and development agreements and loan closings.

Section 108 National Objectives and Public Benefit Criteria

There are specific National Objectives, as defined by HUD, which this loan fund will address. Title 24 of the U.S. Code of Federal Regulations (CFR), Section 570.208, defines the criteria under which an activity may meet Section 570.200(a) (2), National Objectives. Section 570.200(a) (2) requires that all CDBG activities meet one of three national objectives. These objectives are to: 1) benefit low- and moderate-income families, 2) aid in the prevention or elimination of slums or blight, and 3) meet other urgent community development needs that pose a serious and immediate threat to the health or welfare of the community. Each project funded through the Section 108 Loan Fund will meet one of these National Objectives as detailed in Section 570.208.

Section 108 loans will benefit the public directly and indirectly by allocating funds for development projects that would not occur in their absence. Development activities such as rehabilitation, acquisition, clearance, demolition, new construction as applicable, and removal will be permissible through the Section 108 Loan Fund. The application of Section 108 loans covered under Section 570.703(a): *“acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes”* will be a vital resource to advance equitable development projects in Toledo. The Section 108 Loan Fund will be a tool to bring real estate and community development projects to fruition in the City, while leveraging other public, philanthropic, and private resources.

Eligible Activities

The Section 108 Loan Pool is intended to utilize four primary eligible activities:

- Special Economic Development (24 CFR 570.703(i) and 24 CFR 570.203/204)
- Acquisition of Real Property (24 CFR 570.703(a))
- Housing Rehabilitation (24 570.703(h))
- Public Facilities and Improvements (570. 201(c))

Staff will identify individual projects, they will document compliance with one of the eligible activities. For transactions utilizing the eligible activity of special economic development, staff will document conformance with the appropriateness criteria, including public benefit.

Section 108 Loan Fund Project Application Process

Specific projects selected for the Section 108 Loan Pool funding, will be identified through a rolling application process that will evaluate compliance with Section 108 National Objectives and Public Benefit Criteria; financial feasibility including the ability to support debt service; cost reasonableness; developer or business experience and capacity; leveraging of other funding sources; and readiness to proceed.

Priority Projects for Funding

The City will prioritize investments in projects using Section 108 Financing that are located in targeted neighborhood revitalization areas including Junction, Englewood, Old South End and East Toledo; and promote equity and equitable development. Equitable development projects will include projects that support investments in communities and neighborhoods of color or provide financing to BIPOC-led developers, businesses, or organizations. The City may elect to support non-income producing projects and use a portion of annual CDBG allocation as a source of repayment.

Financial Guarantees, Reporting, and Usage

If the Section 108 Loan Guaranty Fund is approved, any potential borrowers will be obligated to send quarterly reports to the City detailing job creation resulting from Section 108 Loan Funds. Collateral needed to secure a loan through the Section 108 Loan Fund includes real property assets, personal and/or corporate guarantees, and pledge of future CDBG allocation.

AP-38 Project Summary

Project Summary Information

48	Project Name	HUD SECTION 108 LOAN
	Target Area	City-wide
	Goals Supported	Slum and Blight Reduction Home Repairs and Rehabilitation Job Creation/Retention incl. returning Citizens Business recruitment/Retention Assistance Targeted Neighborhood Home Repairs Targeted Neighborhood Slum and Blight Reduction Demolition/Clearance in Citywide Low-Income Areas
	Needs Addressed	Improving Housing Affordability Improving Neighborhood Conditions Increase Home Repairs and Housing Preservation Econ Dev: Job Creation/Access and Business Asst.
	Funding	CDBG: \$37,000,000
	Description	Provide Section 108 loan pool funding for specific projects.
	Target Date	12/31/2021
	Estimate the number and type of families that will benefit from the proposed activities	TBD
	Location Description	City-wide
	Planned Activities	Specific projects selected for the Section 108 Loan Pool funding, will be identified through a rolling application process.

CDBG - \$ 37,000,000

The Section 108 Loan Pool is intended to utilize four primary eligible activities:

- Special Economic Development
- Acquisition of Real Property
- Housing Rehabilitation
- Public Facilities and Improvements

CDBG Activities	CDBG Funding
Section 108 Loan Pool	\$37,000,000.00
TOTAL	\$37,000,000.00

5. PROPOSED APPLICATION

Community Development Objectives

The \$37 million Loan Pool will advance the following Community Development Objectives as stated in its current Consolidated and Action Plans:

- create and retain jobs
- increase affordable housing
- advance equity and equitable development opportunities
- expand the existing tax base.

Equitable development projects will include projects that support investments in communities and neighborhoods of color or provide financing to BIPOC-led developers, businesses, or organizations. Although the Loan Pool will be available to eligible borrowers citywide, the City will prioritize investments in projects using Section 108 Financing that are in targeted neighborhood revitalization areas including Junction, Englewood, Old South End and East Toledo; and promote equity and equitable development. The City may elect to support non-income producing projects and use a portion of annual CDBG allocation as a source of repayment, provided the transaction conforms to underwriting thresholds.

Eligible Activities

The Section 108 Loan Pool of \$37 million is anticipated to utilize four potential eligible activities:

- Special Economic Development (24 CFR 570.703(i) and 24 CFR 570.203/204)
- Acquisition of Real Property (24 CFR 570.703(a))
- Housing Rehabilitation (24 CFR 570.703(h))
- Public Facilities (24 CFR 570.703(l))

As staff identifies individual projects, they will document compliance with one of the eligible activities. For transactions utilizing the eligible activity of special economic development, staff will document conformance with the appropriateness criteria, including public benefit.

Pledge of Grants

As required by statute, the City will pledge its annual CDBG as security for the Section 108 Loan Pool; however, it is intended as a secondary source of repayment. The primary source of repayment is the income from borrowers within the loan portfolio. Each individual transaction must document conformance to underwriting criteria reflecting a low to moderate risk profile. The final application contains Underwriting Guidelines for business loans, real estate transactions and public facilities. Moreover, the City will establish a loss reserve for the entire portfolio.

Fees

Each individual transaction will add the credit subsidy fee to the fully loaded budget and will be funded by one of the sources of funds in the capital structure.

Final Application

The Final Application will be available for the public to review.

6. CERTIFICATIONS

Refer to Appendix C: Certifications