MEMORANDUM

TO: SPRINGFIELD CITY COUNCIL
FROM: BRIAN CONNORS, DEPUTY DIRECTOR
SUBJECT: SECTION 108 LOAN FUND
DATE: JUNE 30, 2016

Summary

The city seeks to apply to the Department of Housing & Urban Development (HUD) for $1.5 million in Section 108 loan funding, to operate a targeted restaurant loan fund within the Transformative Development Initiative (TDI) district in downtown Springfield.

Loans would be provided at low interest rates, and administered through a third-party financial institution, to experienced restaurateurs. The maximum amount of each loan would be $200,000 per restaurant.

What is TDI?

Springfield’s TDI district was born out of the gas blast of 2012. After the blast the city partnered with DevelopSpringfield to undertake a redevelopment assessment of the district, including the Stearns Square/Worthington Street area. That report suggested focusing on innovation, housing, and full service dining — and the importance of creating an attraction in this district quickly, as major projects like Union Station and MGM Springfield prepare to come online and bring more foot traffic to the city.

Upon completion of the report, MassDevelopment had unveiled the TDI program. TDI is an integrated systems approach to investment and urban redevelopment on a scale that can amplify and accelerate revitalization, really focusing attention on building partnerships and targeting a limited geographic area.

The partnership consists of MassDevelopment, City of Springfield, DevelopSpringfield, Springfield Business Improvement District, and MassMutual Financial as the core partners and engages all property owners, residents, and business owners as stakeholders.

Restaurant Fund

The restaurant fund will target established restaurateurs seeking to locate new dining establishments in the district. The fund will not seek to fund start-ups and will not fund
bar/nightclub concepts – this will be regulated by annual reviews of sales, requiring over 50% sales in food. The fund will also seek to add diversity to the existing restaurant mix, rather than duplicate existing concepts.

The attractiveness of the fund will be in its low interest rate – expected to range around 3% - and flexibility of terms, which will include interest only payments for up to two years to allow for restaurants to get established and on their feet after the significant investment. Restaurants, even established, often have difficulty accessing attractive financing arrangements.

**TDI Partner Investments**

MassDevelopment, which founded the TDI Program, has been significantly invested in the district. Prior to the TDI District’s creation, MassDevelopment completed an $11 million redevelopment of the former Federal Courthouse at 1550 Main Street.

Since the program’s creation, MassDevelopment also awarded Springfield’s district with a three-year “fellow” – the fellow is MassDevelopment staff hired entirely to further the Springfield TDI plan on a day to day basis. Springfield’s fellow, Laura Masulis, has been working each day in the district for the past year in moving forward events, partnerships, development projects, and programming – most recently leading the development of Springfield’s first “maker” space – Make-it Springfield.

MassDevelopment also made an equity investment as part of TDI, purchasing the former Skyplex building for purposes of redeveloping the property into a positive asset for Stearns Square and the district. This property is being targeted for potential new restaurants and will begin making improvements this summer.

DevelopSpringfield has also been active in the district – first through its State and Main façade improvement program, which has assisted multiple properties including Silverbrick Lofts in upgrading their retail storefronts. In addition, DevelopSpringfield is currently in construction on a project of over $4 million that will create a hub for entrepreneurship, including the headquarters for Valley Venture Mentors.

The Springfield Business Improvement District continues to operate its clean and safe programs in the district, but also has rolled out a series of new initiatives including White Lion Wednesdays, a new Farmers Market concept, architectural uplighting, a Holiday Market, and just recently unveiled plans to develop a district gift certificate promotion that will work hand in hand with new restaurants in providing them a consistent base of new customers.

The City’s contribution to the TDI effort is both in the restaurant fund concept as well as in public space improvements. The Stearns Square and Duryea Way public areas are
planned to be improved to create a jewel in the center of this dining district and a base for things like outdoor dining and public events. The City has also committed to bringing free public wi-fi to public spaces in the district.

Timeline

HUD Section 108 Loans are guaranteed through the city’s CDBG allocation. The approval process to utilize these funds first requires City Council approval, followed by HUD approval.

HUD has been engaged in the design of this concept over the past several months. Should City Council offer its approval, HUD is ready to review and process.

The City will procure a third-party financial institution to manage the fund and ensure proper financial practices are in place for each loan.

The goal, which is very dependent on timing of approvals, is to have the program available this Fall, as soon as possible as there are interested parties already in place.