

# LEAD SAFE CLEVELAND COALITION

## Lead Safe Home Fund

The Public-Private Solution to Prevent  
Lead Poisoning in Cleveland

**OUR ASK IS SIMPLE.** INVEST IN THE LEAD SAFE HOME FUND TO PROTECT CLEVELAND'S CHILDREN.

**Cleveland has a lead poisoning crisis.** Yet, this crisis has a clear fix, a proven and effective remedy: remediate our homes. We know what needs to be done. We need the collective will to do it.

### LEAD POISONING AND THE HOUSING SOLUTION

Lead exposure, at even low levels, can damage a developing brain and cause lifelong, often irreversible, problems affecting education, behavior, and health. There is no safe blood level of lead, yet over 25% of Cleveland children test positive for lead prior to kindergarten.

Lead-based paint and leaded dust are the primary causes of lead poisoning in Ohio. In Cleveland, more than 90% of the housing stock was built before 1978, the year residential lead-based paint was outlawed.

Lead poisoning is a public health crisis with a housing solution. If we create lead safe homes, we can prevent lead poisoning from ever happening. It has been done in other communities – it is time for Cleveland to act.

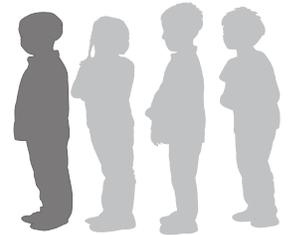
### OHIO'S FIRST LEAD SAFE HOME FUND

The Fund is a first-of-its-kind public-private partnership. It will support effective, enforceable, and equitable solutions to lead poisoning by providing necessary support for eligible property owners and families. It will achieve these solutions through two critical, interrelated functions. The first is a spectrum of lead safe home loans and grants. The second is a resource center to provide system navigation, workforce development, and resident services.

#### The Lead Safe Home Fund will:

- **Focus on prevention.** The Fund will proactively improve housing conditions so children do not ingest or inhale lead hazards in or around the home.
- **Be strategic.** Loans from both mission-driven capital and low-cost private capital will be available to eligible property owners with varying levels of need. Grants will be available as an incentive for compliance with preventive measures.
- **Coordinate services and public education.** The Fund will support a one-stop-shop Lead Safe Resource Center to serve families, property owners, and the broader community on all things related to lead poisoning prevention.
- **Train and develop the workforce.** The Fund will offer training courses and certifications to build a workforce of lead safety professionals.
- **Be flexible and responsive.** The Fund will appropriately target and maximize resources through an expert, third-party administrator.
- **Complement the Lead Safe Certificate system.** The City of Cleveland adopted a groundbreaking policy to require pre-1978 rental units to proactively achieve lead safe status. The Fund will complete a carrot-and-stick approach that not only holds property owners accountable but provides the resources and incentives to make compliance feasible.
- **Leverage investments from all sectors.** Lead poisoning affects everyone, so we all – the private sector, philanthropy, corporate partners, health systems, the public sector, and more – need to take responsibility for addressing it.

Over **25%**  
of Cleveland children  
**test positive for lead**  
prior to kindergarten.



**We need to act now.** There is no time to spare.

Every day that we delay making smart investments puts our children at risk of lead poisoning.

## IMPACT OF YOUR INVESTMENT

**No one thrives when Cleveland's children cannot reach their potential.**

**No one thrives** if businesses are ready to leave or are reluctant to come to Cleveland because our housing stock is unhealthy and growing worse.

**Creating lead safe homes is effective AND cost efficient.** After Rochester, NY implemented a similar lead safe certificate system and encouraged the use of interim controls, lead poisoning rates decreased by nearly 85% within 10 years.

**Lead poisoning prevention promises benefits that far exceed its cost.** Much of this return-on-investment results from the avoidance of the long-term consequences of lead poisoning over the course of childhood, adolescent development, and adulthood. For children born this year alone, lead exposure will cost Ohio nearly \$3 billion in reduced productivity, premature mortality, added healthcare, education, criminal justice, and social assistance costs.

## INVESTMENT OPPORTUNITIES

**The Fund will operate through two preliminary phases: the Pilot Period and the Full Compliance Cycle.** The Pilot Period spans approximately three and a half years and encompasses the ramp-up toward the Lead Safe Certificate requirement and its first implementation cycle. The Full Compliance Cycle is the subsequent two-year period of system maturation.

Elements of the Lead Safe Home Fund	Type of Investment	Five-Year Budget	Potential Investors
<b>LEAD SAFE RESOURCE CENTER</b>			
Operational Hub	Grant	\$5.4 million	Corporate, Large Retailers, Healthcare, Philanthropy, Large Contractors, Building Trades and Unions, Child Welfare
Workforce Development	Grant	\$1 million	Corporate, Building Trades and Unions, Construction, Philanthropy, Public
<b>LEAD SAFE HOME LOANS AND GRANTS</b>			
Loans and Grants Administration	Grant	\$8 million	Public, Philanthropy, Corporate
Lead Safe Certificate Incentives	Grant	\$5 million	Public, Philanthropy, Corporate
Interim Control Grants	Grant	\$40 million	Public, Philanthropy, Healthcare
Guarantee and First Loss Capital	PRI/Other	\$8 million	Public, Philanthropy, CDFIs
Mission-Driven Capital	PRI/Other	\$21 million	Private/High net worth individuals, Healthcare, Corporate
Bank and Other Financial Institutions Capital	Loans	\$11 million	Banks and Lenders, Corporate
<b>TOTAL ESTIMATED FIVE-YEAR BUDGET: \$99.4 million</b>			

## ABOUT THE LEAD SAFE CLEVELAND COALITION

The Lead Safe Cleveland Coalition is an inclusive public-private partnership founded to address lead poisoning through a comprehensive, preventive, and long-term approach. This approach protects Cleveland's children by merging smart, adaptable public policies; knowledgeable agencies willing to collaborate; proven community programs; and public and private sector accountability. Today, the Coalition has over 300 participants and seven working committees, and continues to grow.

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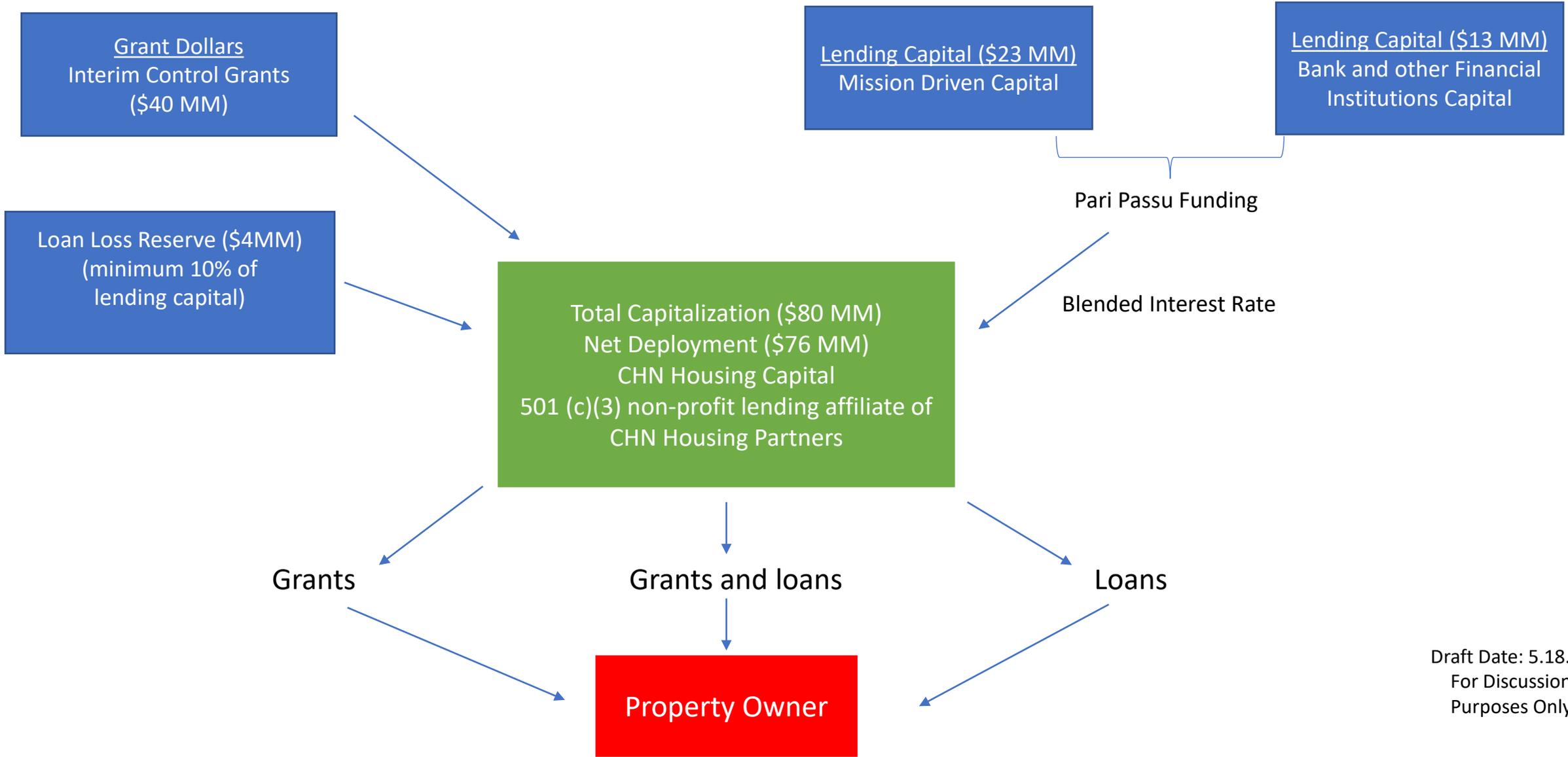
### Lead Safe Home Fund – Home Loans and Grants Overview

The purpose of the Lead Safe Home Fund is to provide grants and revolving loans to property owners across the City of Cleveland in support of property owners undertaking interim controls to make Cleveland Lead Safe and to comply with Cleveland’s Lead Safe Ordinance. The specifics of the fund are laid out below.

Capital Raise:	<p>\$80,000,000</p> <p>The Lead Safe Coalition is targeting to raise \$80MM in total over five years to support the interim controls improvements. The break down of the dollars is as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Breakdown of Capital Dollars</u></th> <th style="text-align: left;"><u>% of Total Capital Pool</u></th> </tr> </thead> <tbody> <tr> <td>\$40MM Grant Dollars</td> <td>50%</td> </tr> <tr> <td>\$13MM Financial Institutions</td> <td>16%</td> </tr> <tr> <td>\$23MM Mission Driven Capital</td> <td>29%</td> </tr> <tr> <td>\$4MM Loan Loss Reserve</td> <td>5% (will be minimum 10% lending capital)</td> </tr> </tbody> </table>	<u>Breakdown of Capital Dollars</u>	<u>% of Total Capital Pool</u>	\$40MM Grant Dollars	50%	\$13MM Financial Institutions	16%	\$23MM Mission Driven Capital	29%	\$4MM Loan Loss Reserve	5% (will be minimum 10% lending capital)
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Administrator and Borrower:	<p>CHN Housing Capital is the 501(c)(3) lending affiliate of CHN Housing Partners and an emerging CDFI. CHN Housing Partners, chosen by the Lead Safe Cleveland Coalition to administer this fund, is a 501(c)(3) headquartered in Cleveland that serves 30,000 unduplicated clients throughout its footprint annually. CHN has a staff of 180 employees and an operating budget of \$30MM+. Among other things, it has developed 6,500 units of affordable housing, runs the leading weatherization program in Northeast Ohio that completes 7,000 jobs annually, and has 12+ years of lending experience across numerous residential mortgage products.</p>										
Timing of Closing and Initial Deployment:	<p>September 2020</p> <p>The Fund would intend to begin deployment of the funds that it has raised by its initial September 2020 closing in October 2020. This initial pool is anticipated to achieve between \$10M and \$20M in capital. Fundraising for future pools will continue beyond the initial closing.</p>										
Fund Level Lending Capital Term:	<p>10 years</p> <p>24 months interest only and amortizing through the remainder of the 10-year term</p>										
Pay In Schedule:	<p>To be determined, but currently evaluating monthly or quarterly draws through a participation agreement</p>										
Target Blended Fund Level Interest Rate:	<p>Up to 4.5%</p>										
Loan Repayment Stream:	<ol style="list-style-type: none"> <li>1. Ongoing principal and interest payments from end loan borrowers</li> <li>2. Loan Loss Reserve of 10% dedicated to credit enhance lending capital</li> </ol>										

<p>Target Loan Fund Deployment:</p>	<p>The Fund projects that it will fund interim controls for approximately 8,000-10,000 units at \$4,000 per unit in lending capital.</p> <p>The Fund anticipates the flow of improvements to be as follows:</p> <table border="1" data-bbox="410 384 1445 583"> <thead> <tr> <th><u>Year</u></th> <th><u># of Units Served</u></th> <th><u>\$\$ Value of Loans</u></th> </tr> </thead> <tbody> <tr> <td>Year 1</td> <td>800-1,000</td> <td>\$3.2MM-\$4MM</td> </tr> <tr> <td>Year 2</td> <td>1,200-1,500</td> <td>\$4.8MM-\$6MM</td> </tr> <tr> <td>Year 3</td> <td>2,000-2,500</td> <td>\$8MM-\$10MM</td> </tr> <tr> <td>Year 4</td> <td>2,000-2,500</td> <td>\$8MM-\$10MM</td> </tr> <tr> <td>Year 5</td> <td>2,000-2,500</td> <td>\$8MM-\$10MM</td> </tr> </tbody> </table>	<u>Year</u>	<u># of Units Served</u>	<u>\$\$ Value of Loans</u>	Year 1	800-1,000	\$3.2MM-\$4MM	Year 2	1,200-1,500	\$4.8MM-\$6MM	Year 3	2,000-2,500	\$8MM-\$10MM	Year 4	2,000-2,500	\$8MM-\$10MM	Year 5	2,000-2,500	\$8MM-\$10MM
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<p>Target Grant Deployment:</p>	<p>The Fund projects deploying the grant dollars raised over the first 1-3 years to help incentivize compliance with the Cleveland's lead safe ordinance.</p> <table border="1" data-bbox="410 699 1445 842"> <thead> <tr> <th><u>Year</u></th> <th><u># of Units Served</u></th> <th><u>\$\$ Value of Grants</u></th> </tr> </thead> <tbody> <tr> <td>Year 1</td> <td>3,333-5,000</td> <td>\$13.33MM-\$20MM</td> </tr> <tr> <td>Year 2</td> <td>3,333-5,000</td> <td>\$13.33MM-\$20MM</td> </tr> <tr> <td>Year 3</td> <td>0-3,333</td> <td>\$0-\$13.33MM</td> </tr> </tbody> </table>	<u>Year</u>	<u># of Units Served</u>	<u>\$\$ Value of Grants</u>	Year 1	3,333-5,000	\$13.33MM-\$20MM	Year 2	3,333-5,000	\$13.33MM-\$20MM	Year 3	0-3,333	\$0-\$13.33MM						
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<p>End Loan Credit Underwrite:</p>	<p>The underwriting of the end loans that will be deployed to property owners is currently being developed based upon feedback from both the property owners and capital partners. Items that will be considered, among other things, include:</p> <ol style="list-style-type: none"> <li>1. Cash flow of real estate portfolio</li> <li>2. Credit worthiness of the borrower</li> <li>3. Personal guarantee strength of individual owners of corporate entity property owner</li> <li>4. Asset quality of home</li> </ol> <p>Securing the property with a mortgage will not be practical due to the size of the loan and the fact that a first mortgage will likely already be in place, Enforcement of end loans not secured through a mortgage will be through a judgement process.</p>																		
<p>Construction Management:</p>	<p>CHN Housing Capital will utilize the construction management strength of its affiliate, CHN Housing Partners, to provide construction management oversight of interim control improvements. All payments will be made directly to engaged contractors upon verification of completion of improvements and lead clearance.</p>																		
<p>Loss Run:</p>	<p>CHN Housing Capital anticipates a loss run of no more than 5% of lending capital.</p>																		
<p>Loss Tiers:</p>	<p>First Loss Position: A minimum loan loss reserve of lending capital will be capitalized in the amount of 10%. This capital will stand in front of all other lending capital to protect against loan loss.</p> <p>Second Loss Position: It is unclear how much capital will be in this tranche. The Fund is inviting mission driven lenders to allocate 10% of their lending capital to this loss position. Following the total loss of the LLR, all lenders in the second loss position will share losses pari passu.</p> <p>Third Loss Position: All other lending capital will be in the third loss position. Following the total loss of the LLR and second loss position capital, all lenders in the third loss position will share losses pari passu.</p>																		

# Loan Fund Structuring Discussion 5 Year Deployment Plan



Draft Date: 5.18.20  
For Discussion  
Purposes Only

# Loan Fund Structuring Discussion

## Flow of Funds for Repayment

