



Loan Program Steps:

1. Borrower must demonstrate credit-worthiness in the form of a bank commitment or other documentation acceptable to staff to purchase and/or convert the property to owner-occupied, or to renovate the Property. An application packet is to be submitted to the City.
2. Staff meets with Borrower(s) to review program requirements and project, if necessary.
3. Borrower provides a third party property inspection. Staff may inspect the property.
4. Borrower(s) submits bids for the renovation work.
5. Board of Estimates and Common Council approves authorizing resolution.
6. At loan closing, the title company will escrow the renovation funds.
7. Contractor commences construction.
8. Staff conducts final inspection, orders Completion Certification appraisal and authorizes payouts.

Note: The City requires approximately 60 days to process and approve the loan.

LOAN PROGRAM



Greenbush Housing Renovation Program

Small Cap TIF Loan Program

A loan program for purchase and/or renovation of **current rental property** in the Greenbush Neighborhood in Madison and convert to owner-occupied.

Program administered by

City of Madison
Dept. of Planning & Community
& Economic Development
Economic Development Division



For additional information call
Terri Goldbin, (608) 266-4223
Economic Development Division
www.cityofmadison.com/homeloans

08/06/14

Program Definition:

Provide forgivable loans for the purchase and/or renovation of a rental property that:

- Is located in TID #43 (Park-Drake) expenditure area (see attached map).
- Will have no more than three dwelling units after renovation.
- Has at least one unit being owned and occupied by the Borrower as a principal residence or sold by the Borrower to an owner-occupant buyer within 12 months of loan closing.
- Has a Land Use Restriction and subordinated mortgage to ensure owner-occupancy for 10 years.

Amount of Loan:

Renovation costs plus up to 10% of purchase price not to exceed \$80,000 for a single unit property, \$90,000 for a two-unit property, and \$100,000 for a three-unit property in the aggregate per property.

Requirements:

- No Borrower income limits.
- Borrower must invest a minimum down payment of 3% of the purchase price if they do not already own the property.
- At least 10% of City loan funds must go towards exterior renovation(s).
- Borrower must demonstrate credit-worthiness in the form of a bank commitment or other documentation acceptable to staff to purchase and/or convert the property to owner-occupied, or to renovate the property.
- Property after renovation shall contain no more than three units, with at least one unit being owner occupied.

Financing Example (single family)

Assume the following: A single-family home is purchased for \$300,000 with \$50,000 in renovation costs (including exterior work).

Purchase Price	\$300,000
Renovation costs	+ \$50,000
TOTAL	<u>\$350,000</u>

You can finance it as follows:

- | | |
|---|------------------|
| 1. Greenbush Housing Renovation Program Small Cap TIF Loan | \$80,000 |
| 2. 3% borrower(s) minimum down payment (purchase price of \$300,000 x 3%) | <u>\$9,000</u> |
| 3. 1st mortgage Loan | <u>\$261,000</u> |

Financing Example (multi-family)

Assume the following: A three unit is purchased for \$400,000 with \$80,000 in renovation costs (including exterior work).

Purchase Price	\$400,000
Renovation costs	+ \$80,000
TOTAL	<u>\$480,000</u>

You can finance it as follows:

- | | |
|---|------------------|
| 1. Greenbush Housing Renovation Program Small Cap TIF Loan | \$100,000 |
| 2. 3% borrower(s) minimum down payment (purchase price of \$400,000 x 3%) | <u>\$12,000</u> |
| 3. 1st mortgage Loan | <u>\$368,000</u> |

Loan Terms:

- Ten year Note secured by second mortgage on the property.
- 0 % interest.
- No debt service payments.
- Principal balance owed declines by 10% for each year the property remains owner-occupied and is forgivable after 10 years.
- The mortgage and remaining balance will be transferred with the property upon sale to a qualified buyer.
- A Land Use Restriction will be placed on the property requiring owner occupancy for 10 years.
- At loan closing, funds are available for purchase and escrowed for renovation.

Additonal Conditions:

- If within 12 months of loan closing, the Borrower fails to use the property as his or her principal residence or sell to a qualified buyer, the outstanding loan balance is due to the City. The Borrower will be allowed to file for an extension of up to 12 months requiring staff approval based on proof of good faith efforts to market the property for sale or construction delay.
- Borrower may lease his/her unit once during the 10 year loan period for a period not to exceed 12 months. Borrower shall notify City 30 days in advance of such intention to lease prior to executing the lease. If leased beyond this period the declining balance formula is revoked and original loan amount is immediately due and payable.



See **Loan Program Steps** on reverse

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- Borrower shall comply with all applicable City ordinances including, but not limited to: Affirmative Action, Accessibility, Non-Discrimination, Best Value Contracting, Equal Opportunity and nondiscrimination against recipients of government housing subsidies.
- Borrower agrees to sign a Land Use Restriction Agreement, Loan Agreement, Note and mortgage at loan closing.
- Borrower shall allow the maximum feasible opportunity to small business enterprises to compete for any contracts entered into as part of this Program.
- Borrower will relinquish any Certificate of Occupancy for Nonconforming Use at the time of loan closing.