



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 renovate the current rental property and convert to owner-occupied. 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



Mansion Hill-James Madison Park Neighborhood Small Cap TIF Loan Program

A loan program for purchase and/or renovation of current rental property in the Mansion Hill-James Madison Park Neighborhood and convert to owner-occupied.

Program administered by

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



For additional information call
 Terri Goldbin at (608) 266-4223
 Community Development Division

www.cityofmadison.com/homeloans

Program Definition

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

- Is located in TID #32 (State Street expenditure area (see attached map).
- Will have no more than three dwelling units after renovation.
- At least one unit will be used as Borrower's principal residence within 12 months from initial loan closing or the subject property is sold to owner occupant buyer within 12 months from initial closing.
- A resident who currently owner occupies a property may apply for the program after a 12-month period of the subject property not being their principal residence.
- Have a land use restriction agreement (LURA), Note, small cap TIF loan agreement and subordinated mortgage to ensure owner-occupancy for 10 years.
- Will not be used for any non-residential commercial purpose except for as a bed and breakfast.

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.
- The 3% must be from Borrower's own funds and cannot come from third-party financial assistance.

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	<u>+\$50,000</u>
TOTAL	<u>\$350,000</u>

You can finance it as follows:

1. Mansion Hill-James Madison Park Neighborhood Small Cap TIF Loan \$80,000
2. 3% borrower (s) minimum down payment (purchase price of \$300,000 x 3%) \$9,000
3. 1st Mortgage Loan \$261,000

- At least 10% of City loan funds must go towards exterior renovation(s).
- Property must be brought into compliance with all relevant housing standards, codes and ordinances.
- 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.

Loan Terms:

- Ten-year Note secured by subordinated mortgage.
- 0% interest.
- No debt service payments.
- Principal balance is forgiven after the completion of renovation work which is to be verified by the City.
- The Restrictions shall run with the land, shall be appurtenant to the Property and shall be binding upon all future owners of the Property during the term of the Agreement. The agreement shall become effective on the date the LURA is executed

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	\$500,000
Renovation Costs	<u>+\$80,000</u>
TOTAL	<u>\$480,000</u>

You can finance it as follows:

1. Mansion Hill-James Madison Park Neighborhood Small Cap TIF Loan \$100,000
2. 3% borrower (s) minimum down payment (purchase price of \$400,000 x 3%) \$12,000
3. 1st Mortgage Loan \$368,000

- "Closing Date." The Agreement shall continue in full force and effect until the 10th anniversary of the Closing Date.
- A LURA to ensure owner occupancy for a period of ten years containing a penalty provision requiring payment of the loan amount not to exceed \$50,000 to the City if the Property is rented for more than 12 consecutive months.
- Funds will available for purchase and/or escrowed for renovation at the time the City loan documents are executed.

Additional Concerns:

- 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 LURA's \$50,000 penalty or the original loan amount, whichever is less, 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 ad-



See **Loan Program Steps** on reverse
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- vance of such intention to lease prior to executing the lease. If leased beyond this period, penalty provision is immediately due and payable.
- 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.
- All borrowers and title holders must occupy the property.
- Property cannot be subdivided.
- Co-op/co-housing is not allowed.