



# MANSION HILL- JAMES MADISON PARK NEIGHBORHOOD SMALL CAP TIF LOAN PROGRAM



A purchase and rehabilitation assistance program to help you buy a home in the Mansion Hill-James Madison Park Neighborhood in downtown Madison.

A Program administered by the City of Madison  
 Dept. of Planning & Community & Economic Development  
 Economic Development Division  
 04/21/2011

### Program Description:

The Mansion Hill-James Madison Park Neighborhood Small Cap TIF Loan Program provides 0% interest forgivable second mortgage loans to eligible borrower(s) to finance a portion of the purchase price and rehabilitation costs of an eligible property. The maximum loan amount is \$60,000 for a one unit; \$70,000 for a two unit; and \$80,000 for a three unit.

### Eligible Borrowers:

- 1) Must occupy the property as their principal residence for ten (10) years; and
- 2) Must invest a minimum down payment of 3% of the purchase price; and
- 3) Must provide the City with a copy of their first mortgage commitment; and
- 4) Must submit and receive approval of a Mansion Hill-James Madison Park Neighborhood Small Cap TIF Loan Application package.

### Eligible Properties:

- 1) Must be located in the Mansion Hill-James Madison Park Neighborhood TIF District (see map on back of this brochure); and
- 2) Must currently be a rental property; and
- 3) Must be in need of rehabilitation; and
- 4) Must contain no more than three (3) separate dwelling units upon completion of the rehabilitation.

### Loan Amount:

The maximum loan amount under the Program cannot exceed the rehabilitation costs plus up to 15% of purchase price not to exceed \$60,000 for a one unit; \$70,000 for a two unit; and \$80,000 for a three unit. At least 10% of the City loan funds must go towards exterior renovation(s).

### Loan Terms:

- 1) The loan is a second mortgage loan at 0% interest.
- 2) The principal balance shall decline 10% each year based on the original loan amount provided the property remains the principal residence of the borrower(s) for a period not less than ten (10) years from the closing date. After ten (10) years, the loan is forgiven. If property becomes non-owner occupied during the ten year term, the declining balance formula is revoked and the original loan amount is immediately due and payable.
- 3) If the borrower(s) sells or transfers title within ten (10) years, the outstanding loan balance becomes due and payable.
- 4) The borrower(s) must convert his/her unit to owner-occupied within twelve (12) months of loan closing.
- 5) The borrower(s) may lease his/her unit once during the ten (10) year period for a period not to exceed twelve (12) months. The borrower(s) shall notify the City thirty (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 the original loan amount is immediately due and payable.

### Other Loan Conditions:

The borrower(s) must 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(s) agrees to sign a Land Use Restriction Agreement at loan closing.

Borrower(s) shall allow the maximum feasible opportunity to small business enterprises to compete for any contracts entered into as a part of this Program.

### Steps to Take:

- 1) Borrower(s) works with a lender to obtain a first mortgage commitment on the property they wish to purchase. Borrower(s) informs lender of their interest in using the Mansion Hill-James Madison Park Neighborhood Small Cap TIF Loan Program. Lender submits an application packet to the City.
- 2) Staff meets with borrower(s) to review program requirements and project.
- 3) Staff inspects property.
- 4) Borrower(s) submits bids for the rehabilitation work.
- 5) Board of Estimates and Common Council approves authorizing resolution.
- 6) At loan closing, the title company will escrow the rehabilitation funds.

- 7) Contractor commences construction.
- 8) Staff conducts final inspection and authorizes payouts.

**Note:** *The City requires approximately sixty (60) days to process and approve the Mansion Hill-James Madison Park Neighborhood Small Cap TIF Loan.*

### Example:

Assume the following: A single-family unit is purchased for \$300,000 with \$30,000 in rehabilitation costs (including exterior work).

Purchase Price	\$300,000
Rehabilitation costs	+ \$ <u>30,000</u>
<b>TOTAL</b>	<b>\$330,000</b>

You can finance it as follows:

- 1) **Mansion Hill-James Madison Park Neighborhood Small Cap TIF Loan** \$ 60,000
- 2) 3% borrower(s) minimum down payment (based on purchase price \$300,000 x 3%) \$ 9,000
- 3) 1st Mortgage Loan \$261,000

For additional information call 608-266-4223 (Terri Goldbin) or 608-266-6558 (Percy Brown).

**The Mansion Hill-James Madison Park Neighborhood Small Cap TIF Loan Program is funded by the City of Madison.**

[www.cityofmadison.com/homeloans](http://www.cityofmadison.com/homeloans)

