

TERMS AND CONDITIONS
MANSION HILL - JAMES MADISON PARK
SMALL CAP TIF LOAN

This document sets forth the terms and conditions to which borrower(s) must agree in order to obtain a housing rehabilitation loan under the Housing Rehabilitation Services Program.

1. Loan Terms.

A. The maximum loan amount is \$60,000 for a one unit; \$70,000 for a two unit; and \$80,000 for a three unit.

B. The loans are second mortgage loans at 0% interest.

C. The principal balance shall decline 10% each year based on the original loan amount provided the property remains the principal residence of the Borrower for a period not less than ten (10) years from the closing date. After ten (10) years, the loan is forgiven. If the 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.

D. If the borrower(s) sells or transfers title within ten (10) years, the outstanding loan balance becomes due and payable.

E. Property must be converted to owner-occupied and be occupied by borrower(s) within twelve (12) months of closing.

F. The borrower(s) may lease their 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.

G. The borrower(s) default in meeting any of the terms and conditions of any of the mortgages, the outstanding loan balance becomes due and payable.

2. Eligible Borrowers.

A. Must occupy the property as their principal residence for ten (10) years; and

B. Must invest a minimum down payment of 3% of the purchase price; and

C. Must provide the City with a copy of their first mortgage commitment; and

D. Must submit a copy of their first mortgage application.

3. Eligible Properties.

- A. Must be located in the Mansion Hill – James Madison Park Neighborhood TIF District; and
- B. Must currently be a rental property; and
- C. Must be in need of rehabilitation; and
- D. Must contain no more than three (3) separate dwelling units upon completion of the rehabilitation; and
- E. Must be brought up to energy efficiency standards prescribed by the Madison Energy Code.

4. Program Fees and Charges.

- A. Application Fee. The amount of the application fee to be charged to the borrower(s) is \$50. The application fee must be paid at the time of loan closing, from borrower(s) own funds.
- B. Title Insurance. The City shall be provided with a Mortgagee's Title Insurance Policy satisfactory to the City, in the amount of the Rehabilitation Loan, and issued by a title insurance company licensed in the State of Wisconsin.
- C. Recording Fees. The cost of recording the mortgage and any other documents will be charged at loan closing.
- D. Loan Processing Fee. The amount of the loan processing fee is 1.5% of the loan amount and is charged at loan closing.
- E. After Rehabilitation Value Appraisal. Is to be provided by the first mortgage lender.
- F. Construction Draw Fee. The City will pay for up to four construction draw fees, beyond that it will be at the borrower's expense.

5. Loan Security.

- A. Form of Loan Security Required. The borrower(s) must provide security for the loan in the form of a mortgage. In the case of multiple ownership, the signature of every titleholder to the property will be required. Borrower(s) will also be required to sign a Small Cap TIF Loan Agreement, Land Use Restriction and Note.
- B. Preservation of the Security. The borrower(s) must agree to maintain the property in decent, safe, sanitary, and sound condition during the term of the loan.
- C. Property Insurance. The borrower(s) must maintain property insurance on the property as

required, during the term of the loan and list the City of Madison as a Mortgagee.

6. Use of Proceeds. 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). The borrower(s) shall agree to use the rehabilitation portion of the proceeds to pay for cost of services and materials necessary to carry out the rehabilitation for which the loan is approved.
7. Escrowing the Rehabilitation Funds. The borrower(s) shall agree to permit the City of Madison, its agents or designees, to act as escrow agent of the proceeds of the loan and other funds used in combination with the loan, including the borrower(s) own funds. The borrower(s) permit the City, its agents or designees to disburse such funds in the manner set forth in the Contract for Rehabilitation Work.
8. Completion of Work. The borrower(s) shall assure that the rehabilitation work shall be carried out promptly and efficiently through written contract(s). Upon completion, a Certificate of Completion will be required.
9. Competitive Bids for Construction Work. If required by the Staff or the Affirmative Action Department, the borrower(s) shall agree to give full opportunity for competitive bidding in selection of a contractor (or in selection of subcontractors, if the borrower(s) act as their own general contractor) to perform any rehabilitation work financed in whole or in part with the loan; to give such publicity through written solicitations for bids as will produce competitive bidding; and to award each contract to the lowest responsible bidder.
10. Inspections. The borrower(s) shall permit inspection by Staff of the property to be rehabilitated with the assistance of the loan, for compliance with the Minimum Housing and Property Maintenance Code and other applicable local codes and ordinances. The borrower(s) shall also permit all other inspections deemed necessary by Staff of the property, the rehabilitation work, and all contracts, materials, equipment, payrolls, and conditions of employment pertaining to the work.
11. Lead-Based Paint Hazards. All work is to be completed in a lead safe manner.
12. Records. The borrower(s) shall keep such records as may be required with respect to the rehabilitation work performed with the assistance of the loan.
13. Interest of Public Body. The borrower(s) shall allow no member of the governing body of the City of Madison, and no official or employee of the City of Madison who exercises any functions or responsibilities in connection with the administration of the Program to have any interest, direct or indirect, in the proceeds of the loan, or in any contract entered into by the borrower(s) for the performance of work financed in whole or in part with the proceeds of the loan.
14. Bonus, Commission, or Fee. The borrower(s) shall not pay any bonus, commission, or fee for the purpose of obtaining approval of the loan application, or any other approval or

concurrence required by the Community Development Authority or the DPCD Staff to complete the rehabilitation work financed in whole or in part with the Loan.

15. City Ordinance Requirements. 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.
16. Lobbying Ordinance. Borrower is aware that if they are seeking approval of a development that has over 40,000 gross square feet of non-residential space, or a residential development of over 10 dwelling units, or if you are seeking assistance from the City with a value of over \$10,000 (this includes grants, loans, TIF or similar assistance), then you likely are subject to Madison’s lobbying ordinance, sec 2.40, MGO. You are required to register and report your lobbying. Please consult the City Clerk for more information. Failure to comply with the lobbying ordinance may result in fines of \$1,000 to \$5,000.
17. MGO 3.35(5)(e) Disclosure. If any of the borrowers are a City employee, elected City official, City board or committee member or an immediate family member of the aforementioned, borrowers must provide written disclosure of the nature and extent of the relationship or interest to the Common Council and the Director of the Department of Planning and Community and Economic Development prior to Council approval. “Immediate family” member of a City employee, official or board/committee member means a spouse, a registered domestic partner, or a relative by marriage, adoption or lineal descent who receives more than one-half of his or her support from the City employee, official or board/committee member.
19. Best Value Contracting. Borrower and its contractors/subcontracts must comply with all applicable provisions of MGO 33.07 concerning Best Value Contracting.

By signing this document, I/We hereby acknowledge having read and understand the above terms and conditions and hereby agree to comply with the above terms and conditions of the Mansion Hill – James Madison Park Neighborhood Small Cap TIF Loan Program of the City of Madison.

Signature Date

Signature Date

Signature Date

Signature Date