



Community Facilities Loan (CFL) Program Guidelines

1. PROGRAM SUMMARY

The Community Facilities Loan (CFL) Program provides low-cost financing to support non-residential development projects undertaken by non-profit organizations in the City of Madison who wish to acquire property or substantially expand, redevelop, improve or rehabilitate the property they currently own or lease.

The City’s objective is to create or improve safe, accessible, energy efficient and well-maintained community and neighborhood facilities. Community and neighborhood facilities provide a public benefit and serve as focal points in neighborhoods, helping to bring people together, build relationships and strengthen neighborhoods.

Organizations utilizing the CFL program must operate or plan to operate neighborhood facilities that support programming and services intended primarily for low and moderate income households, or that otherwise benefit neighborhood residents in the City of Madison. For purposes of the CFL program, community facilities include, for example, neighborhood centers, non-profit-operated child care centers, space used for public-facing services or programming that primarily benefit low- and moderate-income residents, office or administrative space that supports such services and spaces intended primarily for community use within neighborhoods.

The City of Madison has allocated \$1,000,000 through the 2022 Capital Budget and \$500,000 from its Community Development Block Grant (CDBG) program for use in supporting the CFL program. CDD staff will work with applicants to determine which of those funds is utilized for a particular project. Final approval of funds will be awarded, via Resolution, by the City’s Common Council with recommendations from the CDBG Committee. The specific timeline for a commitment of funds is contingent upon the Committee’s schedule.

2. PROGRAM GUIDELINES

<p>ELIGIBLE APPLICANTS</p>	<p>To be eligible, an applicant <u>must</u> be a non-profit (non-stock corporation) organized under Chapter 181 of Wisconsin Statutes and:</p> <ul style="list-style-type: none"> offer, or plan to offer, programs or services that primarily serve households earning less than 80% County Median Income or be located in a CDBG eligible census tract (see Appendix A).
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	<ul style="list-style-type: none"> • be able to demonstrate that the subject property will serve a specific community need. • to receive CDBG funds, have an active registration in the System for Award Management website. Registration for the SAM website can be found at https://sam.gov/content/entity-registration.
<p>LOAN TERMS & AMOUNTS</p>	<ul style="list-style-type: none"> • Acquisition and Construction Loan: Up to 20% of project costs, not to exceed \$400,000, given as a zero percent long-term deferred loan. • Improvement Loan: Up to 50% of improvement costs, not to exceed \$300,000, given as a zero percent long-term deferred loan. • Leasehold Improvement Loan <ul style="list-style-type: none"> ○ <u>5-year Lease Commitment:</u> Up to \$50,000, given as a 5-year zero percent forgivable loan, for improvements to leased properties. ○ <u>10 year+ Lease Commitment:</u> Up to \$100,000, given as a 10-year zero percent forgivable loan, for improvements to leased properties. <p>An executed promissory note and loan agreement will be required for all loans. A mortgage lien will be recorded for non-leasehold loans.</p> <p>All loans are subject to repayment upon sale or change of use of property during the loan term.</p> <p>The Loan agreement will require annual compliance reports for at least 5 years after project is completed.</p>
<p>ELIGIBLE USES</p>	<ul style="list-style-type: none"> • Funds can be used by a nonprofit to purchase non-residential commercial space; or undertake sizeable expansion, redevelopment or improvement of a building the non-profit already owns; or will lease.
<p>ELIGIBLE PROPERTIES</p>	<ul style="list-style-type: none"> • Property must be located in the City of Madison.

	<ul style="list-style-type: none"> • Facility use must be to primarily support services and programming for the target population (i.e. low-to-moderate income households)
INELIGIBLE USES AND ACTIVITIES	<ul style="list-style-type: none"> • Deferred maintenance • Acquisition of, or improvement to, property for use as residential space • Acquisition of, or improvement to, property for use as stand-alone storage facilities • Predevelopment costs • Costs related to operations
ADDITIONAL EXPECTATIONS	<ul style="list-style-type: none"> • Applicants acquiring property, or redeveloping or expanding existing space, will be required to submit an operating plan showing sufficient resources to maintain, operate and deliver programming. • Improvements must comply with all City zoning and building standards and meet the American Disability Act standards. • Applicants are strongly encouraged to use environmentally friendly products and materials, including those that are ENERGY STAR certified. • Applicants acquiring properties occupied by tenants must adhere to Uniform Relocation Notifications or State of Wisconsin Relocation Notification requirements. • Project must be shovel ready, which means it will be completed within 12 months from execution of the loan agreement. • Project must demonstrate a need for “gap financing” to obtain funds.
LOAN REQUIREMENTS	<ul style="list-style-type: none"> • All projects must receive all applicable city building permits, if required. • The owner shall comply with all sign control ordinances contained in Chapter 31 of the Madison General Ordinances and keep the exterior surfaces maintained to prevent deterioration and to present an attractive appearance. • The owner shall comply with all applicable provisions of the Madison General Ordinances concerning equal employment opportunity and affirmative action programs and practices in

	<p>connection with the construction work being completed using City and Federal funds.</p> <ul style="list-style-type: none"> • Other contract requirements can be found on Community Development Division's contract compliance website.
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3. FEDERAL REQUIREMENTS

For projects awarded CDBG funds, the following national, state and local regulatory standards may apply. Projects awarded CDBG funds must generally comply with the regulations at [24 CFR Part 570](#), Community Development Block Grant, as amended. Projects must:

- a) Primarily benefit households with incomes at or below 80% of the Area Median Income.
- b) Promote affirmative action, non-discrimination and equal opportunity for all households.
- c) Comply with the goals and requirements of the City's Section 3 Program, which seeks to extend employment, training and contracting opportunities to low- and moderate-income people and businesses during construction.
- d) Take affirmative steps to contract and/or ensure subcontracting with minority, women, and disadvantaged business enterprises (M/W/DBEs) consistent with [2 CFR Part 200.321](#).
- e) Adhere to the constitutional and regulatory provisions of separation of church and state, and avoidance of public funding of inherently religious activities.
- f) Comply with Federal Fair Labor Standards (e.g., [Davis-Bacon Prevailing Wages](#)).
- g) Minimize negative environmental impacts, and comply with environmental review requirements under [24 CFR Part 58](#). Applicants must consult with CDD staff at the time of application to determine if a Phase 1 and Phase 2 Environmental Site Assessment will be required as well as language that must be included in any offer to purchase real property.
- h) Reduce lead paint hazards using certified inspectors, supervisors, workers and companies, as well as established lead safe work practices when required. All properties built prior to 1978 must undergo lead assessments.
- i) Reduce hazards caused by asbestos and asbestos-containing materials, and/or remove asbestos and asbestos-containing materials, using certified asbestos abatement supervision and certified asbestos worker.
- j) Comply with physical accessibility standards.
- k) Design program operations to safeguard vulnerable populations, including, but not limited to, young children, youth, elderly, and people with disabilities.
- l) Minimize both the direct and indirect displacement of persons and/or businesses. Where applicable, the CDD will adhere to the State and Uniform Relocation Act procedures consistent with [49 CFR Part 24](#). Applicants must consult with CDD staff about relocation requirements for any occupied properties.

- m) Applicants must have an active registration in the System for Award Management website. Registration for the SAM website can be found at <https://sam.gov/content/entity-registration>.
- n) **Notice regarding lobbying ordinance:** A person or entity seeking approval of a development with more than 40,000 gross square feet of non-residential space, or a residential development with more than 10 dwelling units, or that is seeking assistance from the City of more than \$10,000 (this includes grants, loans, TIF, or similar assistance), is likely subject to Madison's lobbying ordinance, MGO sec. 2.40. That person or entity is required to register and report lobbying activities involving City officials. 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. Applicants may find more information on registering on the [City Clerk's website](#).

Attachment A

LAND USE APPROVAL PROCESS

Development Assistance Team (DAT). The DAT is an interagency City staff team that meets with applicants to discuss various technical aspects about developments in order to provide timely preliminary feedback regarding specific proposals. Applicant teams with proposals for new construction or complex rehabilitation are *strongly encouraged* to present their proposed project at a Development Assistance Team (DAT).

Earlier appointments are encouraged. Contact either Christopher Wells (cwells@cityofmadison.com) or Kevin Firchow (kfirchow@cityofmadison.com) to schedule an appointment. DAT meetings occur on Thursdays at 10:00 a.m. Appointments are reserved on a first-come first-served basis with agendas finalized at noon on the preceding Friday. Applicants are expected to email a PDF of preliminary site plans by noon on the preceding Friday. A follow-up DAT meeting may be recommended before Land Use Application submittal.

More information regarding DAT can be found by [clicking here](#).

Proposals Involving Properties Scheduled to be Annexed into the City of Madison

For any proposal involving a property not currently within the City of Madison, please note that any proposed or scheduled attachment/annexation of that property into the City must be completed and approved **before** the City can accept, process and approve land use applications. Please be aware that this may impact Zoning Compliance statements, depending on the approvals that are necessary. The process for attachments/annexations varies, but typically takes at least 6-8 weeks following receipt of a completed petition. For questions related to the attachment/annexation process, please contact Tim Parks (City of Madison Planning Division) at tparks@cityofmadison.com. It is the responsibility of the existing property owner to coordinate necessary attachment/annexation approvals.

Applicants should consult with City staff via the pre-application process to confirm that the parcel(s) will be annexed into the City.

Attachment B

OTHER RESOURCES

[CDBG Target Areas](#): CDBG Target Areas are those census tracts within the City where over 51% of the individuals have incomes of 80% of the median income or less.

[Focus on Energy](#) (Local Resource): Information from Focus on Energy about energy efficiency.

[24 CFR Part 570](#) (Federal Resource): Electronic Code of Federal Regulations for the Community Development Block Grant program.

[2 CFR Part 200.302 \(Financial Management\)](#) (Federal Resource): Part of the Electronic Code of Federal Regulations, it details uniform administrative requirements, cost principles and audit requirements for federal awards.

[2 CFR Part 200.303 \(Internal Controls\)](#) (Federal Resource): Part of the Electronic Code of Federal Regulations, it details uniform administrative requirements, cost principals and audit requirements for federal awards.

Frequently Asked Questions

Q: What is the Community Development Block Grant (CDBG) Program?

A: The CDBG program is a federally funded program that supports community development activities that strengthen, revitalize and improve neighborhoods. Generally speaking, CDBG funds are reserved for activities that primarily benefit those with household incomes at or below 80% of the County Median Income. As an entitlement community, the City of Madison receives an annual allocation of CDBG funds through the U.S. Department of Housing and Urban Development (HUD).

Q: For acquisition projects, what funding source is the project likely to receive?

A: CDD staff will consult with applicants in making decisions, however, acquisition projects are more likely to receive CDBG funds, if those funds are available.

Q: Is the CFL program using a competitive RFP process?

A: No, the CFL program will accept and process applications in the order they are received. Once funds are expended, the program will no longer accept applications until or unless the Common Council authorizes additional funds.

Q: What are ineligible uses of the CLF program?

A: Examples of ineligible uses include measures to address deferred maintenance, cover expenses for operations, properties to be used as residential space or stand-alone storage facilities.

Q: Will the CLF program be offered on an annual basis?

A: At this time, the Common Council has authorized City financing of \$1 million only in the Adopted 2022 Capital Budget. If the program is to continue after those funds are expended, the Council will need to authorize additional funds.

Q: What is an operating plan?

An operational plan is a strategic document that outlines plans related to daily operations and processes required for running a successful operation. The operating plan should address the following:

- How will the building be used? – Provide an overview of programming and activities that will occur at the building
- When will the building be in use? – Indicate the anticipated hours of operation.

- How will the building be maintained? – Describe who will be responsible for managing and maintaining the building.
- How will the building be staffed? – Describe plans for staffing the building and the activities for which it will be used.
- What are the ongoing financial needs associated with the facility? – Provide a detailed annual budget including both projected expenses and anticipated revenues.

The intent of reviewing an operating plan is to ensure the agency has a realistic plan to operate and maintain a facility once a capital investment has been made.

Q: What is “gap financing”?

A: When a project has secured all financial resources possible for the project and unable to fully fund the entire project costs. The gap in financing is the difference between the total project cost and the amount secured.