



Loan Program Steps:

1. Staff meets with Borrower to review program requirements and project, if necessary.
2. An application packet is submitted to the City. Borrower must demonstrate credit-worthiness in the form of a bank commitment or other documentation acceptable to staff.
3. Borrower provides a third party property inspection.
4. Borrower secures and submits bids for the renovation work.
5. Board of Estimates and Common Council approve resolution authorizing loan.
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
Community Development Division**



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

01/01/17

Program Definition:

Provide forgivable loans for the purchase and/ or renovation of a property currently used as a residential rental, that meets the following criteria:

- Is located in the Mansion-Hill James Madison Park Neighborhood Small Cap TIF Loan Program (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 pro-gram loan closing or the subject property will be sold to owner occupant buyer within 12 months from program loan 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.
- Property will be owner-occupied continu-ously for 10 years after loan closing.
- Will not be used for any non-residential commercial purpose except for as a bed and breakfast.

Amount of Loan:

Cost of renovation 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.

Requirements:

- Borrower must invest a minimum down pay-ment 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.
- At least 10% of City loan funds must go towards exterior renovation.
- Property must be brought into compliance with all relevant housing standards, codes, ordinances and Zoning.
- No Borrower income limits.

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
1st/2nd mortgage closing costs	\$10,000
TOTAL	<u>\$360,000</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 | <u>\$271,000</u> |

Note: Lenders require borrowers to have six months PITI reserves for two- and three-unit properties

- Borrower must demonstrate credit-worthiness in the form of a bank commitment or other documentation acceptable to staff.
- After renovation property shall contain no more than three units, with at least one unit being owner occupied.

Loan Terms:

- Zero percent interest.
- No debt service payments.
- Principal balance is forgiven after the comple-tion of renovation work which is to be verified by the City.
- All program 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 “Closing Date.” The Agreement shall continue in full force and effect until the 10th anniversary of the Closing Date.
- Ten-year note secured by subordinated Mortgage.
- Have a Land Use Restriction Agreement (LURA), Note, Small Cap TIF Loan Agreement

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
1st/2nd mortgage closing costs	\$10,000
TOTAL	<u>\$490,000</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 | <u>\$378,000</u> |

- and subordinated Mortgage to ensure owner-occupancy for 10 years.
- A LURA to ensure owner occupancy for a period of ten years will be required. It will contain 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 be available for purchase and/or escrowed for renovation at the time the City loan documents are executed.

Additional Conditions:

- If within 12 months of loan closing, the Borrower fails to use the property as his or her principal resi-dence 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 their 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, 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 non-discrimination 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 Nonconforming Use and/or Occupancy 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.
 - Demolition is not allowed.
 - Property owned under land contract is not allowed.
 - Increasing the number of units on the property is not allowed, except where an accessory dwelling unit (ADU) is added as part of the renovation of the principal residence and is permitted by Zoning Code, and subject to the following conditions: 1) the costs of constructing the ADU shall not be paid with program funds; and 2) the Property Owner will be required to occupy the principal residence.