

CITY AND CDA FINANCIAL ASSISTANCE PROGRAMS

Presentation to the Affirmative Action Commission February 12, 2013

City Financial Assistance Programs

The City's loan and grant programs are administered mainly through the Department of Planning and Community and Economic Development. Many of these are grant programs administered by the Department's Community Development Division, which is comprised of the CDBG Office, the Senior Center and the Office of Community Services. These three agencies have a combined 2013 operating budget of over \$5 million. The Division contracts with non-profit and other entities to provide services to low and moderate income residents. City levy and HUD funds are used to purchase services for child care, job training, neighborhood center programming, etc.

The Department's Economic Development Division, through its Office of Real Estate Services, administers the City's Tax Increment Finance (TIF) and Capital Revolving Fund (MCRF) loan programs. Both programs provide loans to for profit developers or property owners for capital costs related to the redevelopment or reconstruction of real property. A copy of the adopted 2013 Capital Revolving Fund budget is attached for your reference. MCRF loans are end-loans, meaning the project has to be completed before the City disburses its funds. These loans are amortizing, and the full amount of principal and interest are repayable in a short period of time, usually five to seven years. The City then uses the repayments to make new loans to other developers, and to fund the Façade Improvement Grant Program. The Façade Improvement grants, which are small grants (of up to \$10,000 per façade) are provided to business and property owners to refurbish the exteriors of their buildings. Recent examples of businesses that received Façade Program grants are a moped shop on Williamson Street, Barriques on S. Park Street, and See Eyewear on State Street. The Façade grants do not require repayment.

Tax Increment Financing (TIF) loans are provided to for profit developers planning redevelopment of properties located in blighted areas. The purpose of TIF is to increase the tax base, spur redevelopment and eliminate blighting conditions. TIF is also used by the City in TIF districts to repair and construct public infrastructure. In TIF transactions, the City provides loans to developers to be used for the capital costs of redeveloping real property in blighted area districts. Recent examples of TIF loans are: \$1,372,000 for the UW GI Clinic on University Avenue; \$3,432,000 for the Constellation apartments and retail project on East Washington Avenue; and \$1,898,000 for the Wingra Clinic project located on Fish Hatchery Road at the site of the former Bancroft Dairy. TIF loans are generally funded with taxable general obligation debt, which is repaid from a combination of out-of-pocket payments by developers and tax increment generated by the funded project. TIF loans are secured by a mortgage, an increment guaranty and often a personal guaranty.

Community Development Authority

The Community Development Authority of the City of Madison (the CDA) is an independent body, separate from the City. It is governed by a seven member Board, comprised of five citizens and two Common Council members. The Board members are appointed by the Mayor, and serve without compensation. The CDA's two main functions are to: (1) provide affordable housing while acting as a housing authority (the CDA owns and manages approximately 900 public housing units and implements the federal Section 8 voucher program); and (2) to exercise its powers as a redevelopment authority by facilitating development within blighted areas of the City. The CDA is managed by an Executive Director, who is a City employee and reports to the Mayor.

The CDA is not generally subject to City ordinances, but it has voluntarily agreed to have the City's affirmative action ordinance be applicable to its funded projects.

The CDA has the power to issue bonds while acting as both a housing authority and a redevelopment authority. The proceeds of the bonds are generally loaned to a private developer to construct and provide affordable housing, or to redevelop a blighted area, or both. The CDA usually does not have any obligation for the repayment of these bond proceeds; that obligation falls to the developer. The benefit to the developer is that the interest on the bonds is exempt from Wisconsin income tax and may be exempt from federal income tax, thereby reducing developer's financing cost.

The CDA issued redevelopment revenue bonds in 2012 to assist in funding the Constellation apartment project on East Washington Avenue and the University Crossing office project on University Avenue. Both are under construction and scheduled to open this year.

Prevailing Wage

Prior to July of 2011, the City required that all developers receiving City loan funds such as TIF and MCRF pay prevailing wage to all laborers working on projects funded with City dollars. Staff of the Affirmative Action Division monitored prevailing wage on these projects, in addition to projects funded with CDA bond proceeds. As part of the 2011 budget bill, the state pre-empted all local laws and regulations regarding prevailing wage and repealed Sec. 66.0904, Wis. Stats., which required prevailing wage be paid on certain publicly funded private construction projects. The budget bill changes did not have any effect on the federal requirement to pay Davis Bacon wage rates on federally funded projects.

Contact

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