



Department of Planning and Community & Economic Development

## Community Development Division

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Child Care  
Community Resources  
Community Development Block Grant  
Madison Senior Center

To: CDBG Committee

From: Linette Rhodes, Community Development Supervisor

Date: November 2, 2023

RE: Community Facility Loan Program Guidelines Modification Request (Alder Wehelie)

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### Background

In November of 2022 the City of Madison's Community Development Division relaunched The [Community Facilities Loan \(CFL\) Program](#) to support non-profit owned and managed neighborhood community facilities that nurture strong and healthy City neighborhoods. The CFL Program provides low-cost financing to support shovel-ready projects undertaken by non-profit organizations who wish to acquire property or substantially expand, redevelop, improve or rehabilitate property they currently own or lease.

Organizations utilizing the CFL program must operate or plan to operate facilities that support programming and services primarily for low- to moderate-income households. Examples of community facilities the CFL program is able to assist include neighborhood centers, non-profit operated child care centers, space used for public-facing services or programming that primarily benefits low- and moderate-income residents, office or administrative space that supports such services and spaces intended primarily for community use within neighborhoods.

The City allocated \$1,000,000 of City GO Borrowing 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 work with applicants to determine which of those funding sources is most appropriate for a particular project. Awards are subject to Common Council approval, with recommendations from the CDBG Committee.

The CFL program operates under guidelines, established after review and approval by the CDBG Committee, and offers the following loan terms and amounts:

- For projects involving property acquisition or new construction: Up to 20% of project costs, not to exceed \$400,000, given as a zero percent long-term deferred loan.
- For projects involving improvements to existing facilities: Up to 50% of improvement costs, not to exceed \$300,000, given as a zero percent long-term deferred loan.
- For improvements to leased properties with 5-year Lease Commitment: Up to \$50,000, given as a 5-year zero percent forgivable loan.
- For improvements to leased properties with 10 year+ Lease Commitment: Up to \$100,000, given as a 10-year zero percent forgivable loan.

As of October 31, 2023, the following applications have been authorized by Madison's Common Council:

Agency	Development Type	Amount
Centro Hispano	New Construction	\$400,000
Bayview Community Foundation	New Construction	\$400,000
Literacy Network	Capital Improvements	\$68,000
YWCA of Madison	Capital Improvements	\$87,000

In addition, Resolution (Legistar #80587) has been entered to support a loan of up to \$400,000 of CDBG funds for acquisition of property by The River Food Pantry. Community Development Division staff are in receipt and reviewing two additional applications, pending adoption of the 2024 Capital Budget:

Agency	Development Type	Amount
Educators Co Work Flex Child Care	Capital Improvements	\$50,000
Allied Wellness Center	Capital Improvements	\$100,000

**Action Item**

Alder Wehelie has made a request to CDD staff, with the adoption of the 2024 Capital Budget, to modify the program guidelines for the CFL Program to reduce the maximum award amount available for each activity by half in order to support a larger number of applications annually.

Requested change would be:

- Acquisition and Construction Loan: Not to exceed \$200,000
- Improvement Loan: Not to exceed \$150,000
- Leasehold Improvement Loan, 5-year Lease Commitment: Up to \$25,000
- Leasehold Improvement Loan, 10 year+ Lease Commitment: Up to \$50,000

**Staff Response**

CDD Staff identify the following issues raised by the proposed changes:

1. No applications have been denied, to this point, due to lack of funds.
2. Due to loan terms and compliance reporting this is not a grant program, which does deter some involvement from non-profits just seeking financial assistance without requirements.
3. Non-profit agencies seeking support from the CFL must leverage other funds through capital campaigns or private financing. City funds are made available only to provide gap financing. Gap financing exists when a project has secured all financial resources possible for the project but remains unable to fully fund the entire project costs. The gap in financing is the difference between the total project cost and the amount of non-City funds able to be secured.
4. For new construction, on average, gap financing requests come in at \$1-2 million during initial conversations with CDD, a reflection of the high costs associated with even modest projects. Even with a maximum loan amount of \$400,000 the City is not able to fulfill the full gap requests.
5. The current maximum loan amounts were set to ensure that the program could provide enough funds to be impactful to a development project, while still being modest enough to fund multiple applications annually. The concern is that reducing awards to lower levels will render them much less useful to agencies that already struggle to raise other funding sources.