



## Legislation Text

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**File #:** 03681, **Version:** 1

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### Fiscal Note

The City currently holds two mortgages on these properties for a total of \$82,260 or a percentage of the appraised value due on sale, whichever is greater. This resolution would recalculate the dollar amount and percentage of value, based on MDC redevelopment of the properties and the provision of 4 additional housing units. The dollar value for the new loan would be \$168,545, or approximately 16.85% of the properties when completed. The source of the original funds are CDBG funds.

### Title

Authorizing the satisfaction of existing mortgages on Madison Development Corporation Mifflin Street properties, and the taking of a new mortgage on the same properties at a recalculated amount in order to facilitate the redevelopment of the property and the construction of additional affordable housing in ways that address City Community and Neighborhood Development Objectives.

### Body

#### AGENCY:

Madison Development Corporation is a community-based agency established by the City of Madison to promote housing and economic development community-wide. Over the last twenty-six years, MDC has acquired, renovated, and managed over 150 units of affordable housing, developed an effective business loan program, and fostered other innovative projects such as the creation of the Madison Capital Corporation that served as the forerunner of Venture Investors of Wisconsin. Their housing experience includes the renovation of the Bassett Warehouse building, the management of a portion of the former MMHA properties, and various financing programs related to homeownership.

#### PROJECT:

The City provided Madison Development Corporation with \$82,260 to help purchase and renovate properties at 437-39 and 441-43 West Mifflin Street several years ago. MDC has received preliminary Common Council land use approval to join the two lots into a PUD, demolish one building, and construct 6 units for a new total of eight on the joined lots. Six of the units will be rented at affordable rents. In order to facilitate redevelopment, MDC has asked the City to release the existing mortgages and re-establish a second new mortgage at the recalculated 'repayment' amount of \$168,545. This new second mortgage would initially be subordinate to a construction loan from Anchor Bank in the amount of \$725,000, and to a permanent mortgage in that amount, with the new repayment percentage to the City to be the greater of 16.85% of the value of the project (at the time of sale or transfer or change in use) or the \$168,545 amount. The total loan to value percentage on the completed project is estimated to be 89.35%, well within the limits adopted by the Common Council within the Community and Neighborhood Development Program funding Framework.

#### ACTIONS:

WHEREAS, the CDBG program, as amended, and its implementing regulations located at 24 CFR Part 74, permit the City of Madison to help community agencies in the provision of housing assistance;

WHEREAS, CD staff and the CDBG Commission have reviewed this proposal and find that it furthers the goals expressed in the Five-Year Community and Neighborhood Development Plan;

NOW, THEREFORE BE IT RESOLVED, that the Common Council approve the following actions, and authorize the Mayor and the City Clerk to sign the necessary documents to facilitate the project's redevelopment:

Release of the two current City CDBG mortgages on 437-439 West Mifflin and 441-443 West Mifflin, and recording of a new mortgage in the amount released by the current mortgages, with the new mortgage subordinate to a private sector construction or permanent loan(s) to MDC or its affiliate not to exceed \$725,000.

BE IT FURTHER RESOLVED that the assistance be offered on terms adopted in the 2005-2006 Framework for

Community and Neighborhood Development, such that the assistance to the organization be offered in the form of a deferred payment loan payable upon change of use or sale, with repayment equal to the greater of the amount of HOME, Home Match, EDI and City Housing Trust funds invested in the property or the percent of appraised value that the funds represent in the value of the property.

NOTE: The Proposal describing the above project and the CD staff and CDBG Commission recommendation are available on file in the Council Office and in the CD Office.