



Legislation Text

File #: 07341, Version: 2

Fiscal Note

Funding of \$400,000 for the Small Cap TIF program was authorized in the Planning and Development 2007 Adopted Capital Budget, Project #14, "TID 28 - Bassett Neighborhood." Tax increments currently available in TID #28 are sufficient to capitalize loans from this program. Therefore, no City borrowing will be required. TIF Law requires that the District must close when tax increments recover all the District expenditures.

Title

AMENDED - Authorizing the creation of a Bassett Neighborhood Small Cap TIF Program in Tax Incremental District #28 (Bassett Neighborhood) to provide funding for the conversion of rental properties to owner-occupied properties.

Body

PREAMBLE

Since 1990, over 3,700 new housing units have been approved through Planned Unit Developments in the downtown/near campus area. Of that number, approximately 1,831 units have been created primarily for students.

Within those 1,831 units, approximately 4,856 bedrooms have been created. Housing development projects within or adjacent to the Bassett neighborhood account for 1,074 of the units and 2,837 of the bedrooms. This translates into 59% of the total student-oriented units and 58% of the student-oriented bedrooms for the downtown/near campus area.

As the market for student housing has shifted dramatically in the past few years to the newer and larger units, the older existing housing stock in Bassett is coming into the market. Furthermore, with the recent slow down in the condominium market in downtown Madison, a slow down in the acquisition of properties for redevelopment has also occurred.

The adopted Bassett Neighborhood Master Plan (1997) explicitly identified areas within the Bassett neighborhood where converting existing student-oriented rental properties to owner-occupied properties would complement other initiatives to enhance the quality of life in the neighborhood.

With the adoption of TID 28, tax increment generated by new development has created an opportunity to fund a program that would help those households interested in buying and rehabilitating an existing rental property by converting units that may have housed large numbers of students to an owner-occupied property of one to three units.

Such a program would provide funding that will help close the gap between what a building might generate as a rental property in an increasingly soft market, and some of the costs associated with converting a building back to more closely align with its original use as an owner-occupied property (e.g., removal of extra kitchens, walls, etc.).

WHEREAS on September 19, 2000 the Common Council of the City of Madison adopted Resolution No. 56,644 creating a boundary and Project Plan for Tax Incremental District (TID) #28 - Bassett Neighborhood ("District") as set forth by Wis. Stats. 66.1105 ("TIF Law"); and

WHEREAS on December 14, 2004 the Common Council of the City of Madison adopted Resolution No. 62,098 adopting an amendment to the boundary and Project Plan for the District as set forth by TIF Law; and

WHEREAS TIF Law enables the City, among other things, to make capital expenditures "which are found to be necessary and convenient to the creation of tax incremental districts or the implementation of project plans;" and

WHEREAS the City of Madison TIF Policy ("TIF Policy") adopted on April 17, 2001 set forth the following objectives pertaining to housing:

"Provide a variety of housing choices through renovation or rehabilitation of existing buildings...in selected areas to increase the number and diversity of downtown residents" (TIF Objective 1(b))

"Increase the supply and variety of high-quality home-ownership opportunities" (TIF Objective 2(e))

WHEREAS the proposed Bassett Neighborhood Small Cap TIF Program ("Program") would make loans to individuals purchasing and/or owning and renovating rental property in the District to convert into one or more owner-occupied units, to be occupied by the borrower as a principal residence for a period of not less than ten (10) years; and

WHEREAS implementation of the Program would further achieve the TIF Policy housing objectives included herein; and

WHEREAS the City of Madison hereby declares the housing objectives included herein to be a public purpose; and

WHEREAS the high market value of the rental properties in the District often makes it infeasible for buyers to convert them to owner-occupied properties, so that "but for" TIF assistance, such projects would not occur; and

WHEREAS the Program shall comply with TIF Policy and TIF Law and applicable municipal ordinances; and

WHEREAS staff has developed program criteria for the Program as outlined herein.

NOW THEREFORE BE IT RESOLVED that the Common Council of the City of Madison hereby authorizes the creation of a \$400,000 Bassett Neighborhood Small Cap TIF Program within TID# 28 (Bassett Neighborhood) to provide funding for the conversion of rental properties to owner-occupied properties based on the following objectives and policies:

- 1) Program Objectives: Elimination of blighting influences and conversion of targeted rental properties to long-term owner-occupied properties.
- 2) Program Definition: Provide forgivable loans for the purchase and/or conversion of a rental property ("Property"), located within the TID# 28 boundary, into no more than three (3) dwelling units with at least one (1) unit being owned and occupied by the Borrower as a principal residence for a period of ten (10) years commencing on the date of closing.
- 3) Program Area: TID# 28 (Bassett Neighborhood) boundary (see attached map)
- 4) Total Amount of Funds: \$400,000
- 5) Funding Source: TID# 28 tax increment authorized in the 2007 Capital Budget
- 6) Amount of Loan: 15% of purchase price and/or conversion costs not to exceed \$60,000 per Property.
- 7) Loan Terms: Ten (10) year note secured by a second mortgage on the Property
 - 0% interest
 - No debt service payments. Principal balance owed declines by 10% for each year the Property remains owner-occupied and is forgivable after ten (10) years.
- 8) Requirements: No Borrower income limits.
 - Borrower must invest a minimum down payment of 3% of the purchase price.
 - Borrower must demonstrate credit-worthiness in the form of a bank commitment to purchase and/or convert the Property to owner-occupied.
 - Property after conversion shall contain no more than three (3) units, with at least one (1) unit being occupied by the Borrower as owner-occupant and serving as the principal residence of the Borrower.
 - Borrower must convert his/her unit to owner-occupied within twelve (12) months of closing or the entire loan shall be due and payable.
 - Borrower must own and occupy his/her unit for a period of at least ten (10) years as a primary residence. Upon

sale to another owner-occupant during the 10-year period, the outstanding loan balance is due to the City.

- Borrower may lease his/her unit once during the 10-year period for a period not to exceed twelve (12) months. Borrower shall notify City thirty (30) days in advance of such intention to lease prior to executing the lease. If leased beyond this period the declining balance formula is revoked and original loan amount is immediately due and payable.
- Borrower shall comply with all applicable City ordinances including, but not limited to, Prevailing Wage, Non-Discrimination and Fair Housing.
- Borrower must bring their property up to energy efficiency standards prescribed by the Madison Energy Code.

9) Land Use Restriction: Borrower's unit must remain owner-occupied for ten (10) years. Borrower may lease his/her unit once during the owner-occupied period for a period not to exceed twelve (12) months. Borrower shall notify City thirty (30) days in advance of such intention to lease prior to executing the lease.

BE IT FURTHER RESOLVED that the Common Council declares the purchase and/or conversion of rental properties into owner-occupied properties in the District to be a public purpose.