



Legislation Text

File #: 34645, **Version:** 2

Fiscal Note

The 2014 adopted capital budget of the Planning and Community and Economic Development agency (PCED) authorizes expenditures of \$1,000,000 to implement a Small Cap TIF program in TID #43 to assist with the conversion of deteriorating rental housing stock into renovated single family homes (Project No. 34, "TID 43 - Park/Drake," Acc't No. 824301). No additional appropriation is required.

Title

SUBSTITUTE Authorizing the creation of a Greenbush Housing Renovation Program in Tax Incremental District #43 (Park-Drake) to provide funding for the purchase and/or renovation of rental properties to owner-occupied properties.

Body

In recent years, the Greenbush Neighborhood and adjacent Park Street Corridor has seen a surge of rental apartment construction. At the same time the market for student housing has shifted dramatically in recent years to the newer and larger buildings closer to campus. Furthermore, the rebound of the owner-occupied housing market creates the opportunity to convert older 2-3 unit rental buildings in the Greenbush neighborhood back to owner occupancy.

With the adoption of TID 43, tax increment generated by new development has created an opportunity to fund a program that would help renovate existing rental property by converting units that may have housed large numbers of renters to an owner-occupied property of one to three units. Such a program would provide funding that will help close the gap between a building's value as a rental property and a buildings value as an owner occupied building after renovation costs. The program would increase the range of housing options available in the Greenbush neighborhood and renovate deteriorating properties.

WHEREAS on September 17, 2013, the Common Council of the City of Madison adopted Resolution No. 13-00698 creating a boundary and Project Plan for Tax Incremental District (TID) #43 - Park-Drake ("District") as set forth by Wis. Stats. 66.1105 ("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 February 25, 2014, set forth the following objectives pertaining to housing: " Encouraging adaptive re-use of obsolete or deteriorating property" and "Creating a range of housing types and specifically encouraging the development of workforce and affordable housing, especially housing that is for those earning much less than the area median income"; and

WHEREAS the proposed Park-Drake Housing Renovation Program ("Program") would make loans to

"Borrower" purchasing and renovating rental property in the District to convert into one or more units to be occupied by the Borrower as a principal residence or sold to an owner-occupant with a land use restriction to ensure owner occupancy; 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 Greenbush Housing Renovation Program within the TID# 43 (Park-Drake) expenditure area boundary to provide funding for the purchase and/or 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 rental properties to long-term owner-occupied properties.

2) Program Definition: Provide forgivable loans for the purchase and/or renovation of a rental property ("Property") that:

- Are located within the TID# 43 expenditure area boundary
- Will have no more than three (3) dwelling units after renovation
- Have at least one (1) unit being owned and occupied by the Borrower as a principal residence or sold by the Borrower to an owner-occupant buyer within twelve (12) months of loan closing
- Have a land use restriction and subordinated mortgage to ensure owner-occupancy for ten (10) years

3) Program Area: TID# 43 (Park-Drake) expenditure area boundary (see attached map)

4) Amount of Loan: Renovation costs 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 in the aggregate per Property.

5) Loan Terms:

- ~~Five (5)~~ Ten (10) year note secured by second mortgage on the Property
- 0% interest
- No debt service payments
- Principal balance owed declines by ~~20%~~ 10% for each year the Property remains owner-occupied and is forgivable after ~~five (5)~~ ten (10) years
- The mortgage and remaining balance will be transferred with the property upon sale to a qualified buyer
- A land use restriction will be placed on the property requiring owner occupancy for ten (10) years
- At loan closing, funds are available for purchase and escrowed for renovation

6) Requirements:

- No Borrower income limits.
- Borrower must invest a minimum down payment of 3% of the purchase price if they do not already own the property.
- At least 10% of City loan funds must go towards exterior renovation(s).
- Borrower must demonstrate credit-worthiness in the form of a bank commitment or other documentation acceptable to staff to purchase and/or convert the Property to owner-occupied or to renovate the property.
- Property after renovation shall contain no more than three (3) units, with at least one (1) unit being owner occupied.
- If, within twelve (12) months of loan closing, the Borrower fails to use the Property as his or her principal residence or sell to a qualified buyer, the outstanding loan balance is due to the City. The Borrower will be allowed to file for an extension of up to twelve (12) months requiring staff approval based on proof of good faith efforts to market the property for sale or construction delay.
- Borrower may lease his/her unit once during the ~~5-year~~ 10-year loan 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: Affirmative Action, Accessibility, Non-Discrimination, Best Value Contracting, Equal Opportunity and nondiscrimination against recipients of government housing subsidies.
- Borrower agrees to sign a Land Use Restriction Agreement and mortgage at loan closing
- Borrower shall allow the maximum feasible opportunity to small business enterprises to compete for any contracts entered into as a part of this Program-
- Borrower will relinquish any Certificate of Occupancy for Nonconforming Use at the time of loan closing.

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