



Legislation Text

File #: 37774, Version: 1

Fiscal Note

This resolution makes technical changes to the Small Cap TIF Loan program in the Park - Drake Neighborhood and is not expected to have a fiscal effect.

Title

Amending Resolution 14-00577, a Substitute Authorizing the Creation of a Greenbush Housing Renovation Program in Tax Increment District #43 (Park-Drake) to provide funding for the Purchase and/or Renovation of Rental Properties to Owner-Occupied Properties.

Body

On August 5, 2014, the Common Council adopted Enactment No. RES-14-00577 ("Resolution") that authorized the creation of the Greenbush Housing Renovation Program ("Program"). Under the terms of the Program, the City could make loans to a "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. The Borrower, is required to occupy the property as their primary residence within twelve (12) months of loan closing, and must occupy the property for ten (10) years.

WHEREAS, the language of the Program as stated in the Resolution has caused confusion as to eligibility; and

WHEREAS, the City has been faced with a variety of applications that present difficulty in managing the program with consistency; and

WHEREAS, in response to these ongoing challenges, this Amendment to the Resolution has three purposes: 1. To clarify the term "owner occupant" for the purpose of eligibility; 2. To clarify what commercial enterprises may be eligible; and 3. Change the loan terms to further incentivize loan applications while maintaining security for the City.

NOW, THEREFORE, BE IT RESOLVED that:

Paragraph 2 entitled "Program Definition" is amended to read as follows:

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

- Are located within the TID #43 (Greenbush) expenditure area
- 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 Borrower agrees that at least one (1) unit will be used as Borrower's principal residence within twelve (12) months of loan closing. Or the subject property is sold to owner occupant buyer within twelve (12) months from initial loan closing
- A resident who currently owner occupies a property may apply for the program after a twelve (12) month period of the subject property not being their principal residence.

- Have a land use restriction agreement (LURA), Note, Small Cap TIF Loan Agreement and subordinated mortgage to ensure owner-occupancy for ten (10) years
- Will not be used for any non-residential commercial purpose except for as a bed and breakfast

Paragraph 5 entitled "Loan Terms" is amended to read as follows:

5) Loan Terms:

- Ten (10) year note secured by ~~second~~ subordinated mortgage on the Property
- 0% interest
- No debt service payments
- Principal balance is forgiven after the completion of renovation work which is to be verified by the City 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 The Restrictions shall run with the land, shall be appurtenant to the Property and shall be binding upon all future owners of the Property during the term of the Agreement. The Agreement shall become effective on the date the LURA is executed "Closing Date". The Agreement shall continue in full force and effect until the 10^h anniversary of the Closing Date.
- A land use restriction LURA to ensure owner occupancy for a period of ten (10) years will be placed on the property requiring owner occupancy for ten (10) years containing a penalty provision requiring payment of the loan amount not to exceed \$50,000 to the City if the Property is rented for more than 12 consecutive months
- Funds will be At loan closing, funds are available for purchase and/or escrowed for renovation at the time the City loan documents are executed

Paragraph 6 entitled "Requirements" is amended to read as follows:

6. Requirements

- Loan approval is contingent upon City approval of renovation plan
- 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. The 3% must be from Borrower's own funds and cannot come from third party financial assistance.
- At least 10% of City loan funds must go towards exterior renovation(s).
- Property must be brought into compliance with all relevant housing standards, codes, and ordinances.
- 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 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 the LURA's \$50,000 penalty or the original loan amount, whichever is less, 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 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, penalty provision 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.
- All borrower's and title holders must occupy the property.
- Property cannot be subdivided.
- Co-op/co-housing is not allowed.