



Legislation Text

File #: 43828, **Version:** 1

Fiscal Note

No impact on City levy.

Title

Authorizing the subordination of a previously approved loan to Literacy Network, Inc. and authorizing the Mayor and City Clerk to sign agreements to effect such subordination.

Body

Background

In 2015 the City of Madison made a loan of \$125,000 in CDBG funds to Literacy Network, Inc. to acquire property at 701 Dane Street. The property will provide an opportunity for significant expansion of agency services. Literacy Network provides one-to-one English as a second language (ESL) tutoring as well as basic literacy, community literacy, family literacy, and in-school English classes. The organization also offers integrated English and civics education, and workplace literacy.

Literacy Network is currently engaged in a capital campaign to raise money to fund all renovations at the site. In addition, the organization is seeking \$300,000 in short term gap financing from Forward Community Investments (FCI) that it will use to begin renovations. FCI's loan commitment is contingent upon being in first lien position.

At the time of purchase the fair market value of 701 Dane Street was \$800,000. After rehabilitation value is estimated to be \$1,225,000. The total loan to value ratio after rehabilitation work is complete will be less than 35%.

Body

WHEREAS, the Common Council approved a loan to Literacy Network, Inc to help acquire property at 701 Dane Street; and,

WHEREAS, the CDBG Committee has reviewed the request by Forward Community Investments for the City to subordinate its loan to a new first mortgage for short term gap financing;

NOW, THEREFORE BE IT RESOLVED, that the Common Council authorize the subordination of the previously approved City loan in the amount of \$125,000 to Literacy Network, Inc. to a new first mortgage loan for up to \$300,000 and authorize the Mayor and City Clerk to sign agreements to effect such subordination.