



## Legislation Text

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**File #:** 72502, **Version:** 1

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### Fiscal Note

The proposed resolution would approve a request to subordinate a previously approved \$1 million Community Development Block Grant (CDBG) loan made to the Urban League of Greater Madison (ULGM). ULGM has received a loan commitment of up to \$10 million from Johnson Bank to support construction of the Black Business Hub. ULGM and Johnson bank are requesting the City subordinate the existing \$1 million lien to support the new financing. Community Development Division staff have reviewed the subordination request and believe it to be consistent with the CDBG goals and objectives. No additional City appropriation is required.

### Title

Approving the subordination of a previously approved loan to Urban League of Greater Madison (ULGMCED, LLC) and authorizing the Mayor and City Clerk to sign agreements to effect such subordination.

### Body

Background:

In 2009 the City of Madison made a loan of \$1 million in Community Development Block Grant funds to Urban League of Greater Madison (ULGM), d/b/a ULGMCED, LLC, to construct the Center for Economic Development at 2222 S Park Street. The goal was to create a larger facility in South Madison where ULGM could expand services, increase administrative space and be generally more accessible to the community. Under the terms of this loan, standard for CDBG-funded loans, repayment is deferred pending the sale or change in use of the affected property.

ULGM is currently engaged in a capital campaign to raise money to fund the construction of the Black Business Hub ("The Hub") at 2352 S Park Street. Through a loan commitment by Johnson Bank, ULGM has secured up to \$10 million to support the development of The Hub, a \$23-\$24 million construction project. This includes an \$8 million Source Loan and \$2 million for a fifteen-month Bridge Loan. Due to the requirements of the NMTC investor, Johnson Bank cannot take a direct lien on that property until the NMTC compliance period ends in seven years. Johnson Bank's loan commitment, instead, secures 2222 S Park as collateral during the compliance period.

The Urban League and Johnson Bank are requesting that the City of Madison subordinate the existing \$1 million lien to the new \$10 million in financing. During construction of The Hub the combined loan to value ratio (CLTV) at 2222 S Park will exceed 425%, which is quite high. However, when the New Market Tax Credits compliance period expires, ULGM plans to refinance and any new lender can place a lien on The Hub. At that time, the CLTV will return to appropriate level.

Action Items:

WHEREAS, the Common Council previously approved a \$1 million CDBG Loan to ULGM to help construct the Center for Economic Development at 2222 S Park (the "2222 Loan"); and,

WHEREAS, ULGM and Johnson Bank, one of its financial partners in the proposed development of a Black Business Hub at a nearby S. Park Street location, have asked the City to subordinate the 2222 Loan to

facilitate the financing of the Black Business Hub project; and,

WHEREAS, Community Development Division staff have reviewed the subordination request in the context of the financing plan for the Business Hub project and believe it to be generally consistent with the CDBG Goals and Objectives outlined in the 2020-2024 Consolidated Plan to support the construction or rehabilitation of Community Facilities.

NOW, THEREFORE, BE IT RESOLVED, that the Common Council approves the requested subordination of the previously approved \$1 million CDBG loan made to ULGMCED, LLC, to a new second mortgage loan for up to \$10 million by Johnson Bank, and authorizes the Mayor and City Clerk to sign agreements to effect such a subordination in a form approved by the City Attorney.