

# **The City of La Crosse 2020 Housing Renovation Loan Program Downtown and Washburn Neighborhoods (\$150,000 TIF 11) City-Wide Rental Loan Conversion Program (\$100,000 2019 CIP Trust Fund)**

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The City of La Crosse is launching a Housing Renovation Loan to properties in the boundaries of the Downtown and Washburn Neighborhood Associations. Its purpose is to improve the quality of housing in these neighborhoods. The program will assist property owners who desire to implement needed repairs and maintenance, aesthetic upgrades to the interior or exterior, additions, and for energy improvement measures. Loan forgiveness will be offered for conversion from rental to owner-occupied.

## **Eligible Property:**

- Must be located within boundary of Downtown Neighborhood Association or Washburn Neighborhood Association, four units or less.
- Exterior/interior of home **must need repair**, as defined by failure of HQS inspection in 3 areas or more, including at least one failure on the exterior item or a history of orders to correct for building-maintenance issues.
- Currently a rental property or can provide evidence that it has been rented out for 2 years or more over the past 5 years.<sup>1</sup>

## **Eligible Recipient:**

- Must hold title to the property (can be developer, builder, etc.) or have an accepted offer to purchase on a property.
- Must fulfill commitments to the City, which include paying property taxes, maintaining properties in accordance with all municipal codes/ordinances and any other municipal claims.
- Individuals or corporations that homeowners are associated with may not be delinquent on any debt owed to the City of La Crosse.
- Recipient may intend to rehab and maintain the property as a rental OR convert to owner-occupancy.

## **General Terms:**

- Application and Inspection Fee of \$295, paid upon CDC approval of project. The Application and Inspection Fee covers loan administration; initial, in-process and final completion inspections.
- Maximum loan amount: Single-Unit Property \$40,000, \$60,000 2-unit property, \$80,000 3-units, \$100,000 four units, or 100% LTV<sup>2</sup>, whichever is less.<sup>3</sup>
- At least 25% of the total scope of work shall be used on exterior renovations.<sup>4</sup>

<sup>1</sup> Owner-occupied properties in these neighborhoods already have access to the City of La Crosse Housing Rehabilitation Program with NRSA benefits, which means a higher income limit. Any owner-occupied properties would be referred to one of these programs.

<sup>2</sup> Loan to Value (LTV) will be based off Fair Market Value (FMV), as currently listed on the County of La Crosse Land Records, or appraised value. CDC may approve a higher maximum loan amount, depending on project and LTV. The number of units will be verified by documentation by the number of addresses.

**Will consider higher LTV in the case of a rental loan conversion.**

<sup>3</sup> The loan amount may be modified based on project needs.

<sup>4</sup> Exterior renovations are defined as siding, roofing, soffit, fascia, windows, exterior doors, chimney repair, porch and/or front entry reconstruction.

- Borrower will be required to bring any non-conforming use into a conforming use through approval by the City of La Crosse of a Conditional Use Permit before closing on the loan documents or through the renovation.
- Loan must be in the form of a 1<sup>st</sup> or 2<sup>nd</sup> mortgage, 3<sup>rd</sup> in the case of a construction loan that will be refinanced into a first.
- Pre-payment is allowed at any time, without penalty.
- Must contract with a licensed contractor.
- 25% match requirement by the Owner.
- All non-conforming uses through zoning must be brought into conforming use through a Conditional Use Permit. The cost to apply for this permit is \$450.

#### **Rental to Owner-Occupied Conversion Terms:**

- Agree to a 10-year owner occupied **land-use deed restriction (LURA)**, where at least one unit must continuously be owner-occupied. There will be 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 6 consecutive months.
- 50% of the principal forgiven if property is sold within 5 years and in compliance with all loan terms. After 5 years, an additional 10% of the loan will be forgiven every year up to 100% after 10 years.
- If the property is renovated and re-sold, the new owners will be required to sign the LURA before the loan with the City can be satisfied.
- Before providing loan forgiveness or satisfying LURA, recipient will need to prove owner-occupancy for the time period.

#### **Rental Renovation Loan Terms:**

- The property may not at any time, qualify as a chronic nuisance property or receive more than 3 orders to correct in a 12-month period. If this occurs, the loan will be immediately called due and payable in full.
- 1% simple interest rate, with interest and principal paid in full after 10 years or if the property is sold or transferred.
- The city will not subordinate to future debt.

#### **Guidelines:**

- Recipient must certify that upon completion of the renovation, the structure is code compliant as verified by the City of La Crosse's Community Risk Management Department. Also, must be a conforming use in accordance with Zoning.
- Recipient must keep the property insured for fire and extended coverage perils for at least an amount not less than the total debt against the property, naming the City of La Crosse as loss payee. Said policy shall remain in effect for the term of the loan.
- Recipient must agree to pay, before they become delinquent, all taxes and assessments, or other charges which may be levied or assessed against the property.
  - The City of La Crosse staff reserves the right to deny any applicant based on the applicant's inability to provide adequate information needed to determine eligibility.
- Recipient will have 10 months, from CDC approval, to complete the renovation. They also must follow the established timelines. Based on the scope of work, staff have the discretion to grant an extension.
- Expenses incurred prior to CDC approval of the project are not eligible for reimbursement.

**Procedures/Requirements:**

- Applications will be accepted on the first of the month until all funds are committed to qualified projects. The program will be re-advertised if some projects are committed but are not completed. If one more than one application is received, priority will be established based on stated goals of the program and experience of the applicant.
- Allow inspections of property of interest for HUD Quality Standards and City Code (initial inspection, progress for release of payment and final). Based on initial inspection, City may require certain repairs be made.
- Provide project timeline, site plans, building plans, scope of work, cost estimate and any other documentation requested by staff that outlines project details.
- Prior to disbursement of funds, property owner must submit a request for payment and provide supportive documents, such as:
  - Invoice from contractors
  - Checks will be made out to the contractor (W-9 and certificate of liability insurance required).
  - Evidence of a title company inspection/authorization to release funds.
  - City of La Crosse onsite inspection of property before payments will be released.
- Request for payments can be submitted twice a month. Deadline to submit payments is Tuesday by 5:00pm, payment to occur by mail the following week Friday after 12:00pm. There is a maximum of 3 payment requests and payments.

**Project Management**

- All repaid loans from the Housing Renovation Loan Program will be available to be re-used in this program while the TID is open.
- All available funding in the Housing Renovation Loan Program that have not been awarded/contracted after 4/26/23 will become available for the city's housing replacement program for acquisition, demolition, and reconstruction. This is due to the inability to do further projects with a 10-year term based on the dissolution date of 10/31/31 for the tax increment district.