



## Legislation Text

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**File #:** 47680, **Version:** 1

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### Fiscal Note

In 2004 the City's two ice arenas were sold to Madison Ice Inc. under a 30-year land contract for \$1.1 million. This debt is currently being repaid to the City through semi-annual payments of \$12,358 per location. The outstanding principal is \$725,760, with an additional \$238,000 in anticipated interest payments by the maturity date in 2036. The 2017 adopted capital budget authorized \$1,075,240 in GO borrowing to refinance this debt, along with private debt, and provide funding for capital improvements. The newly issued debt along with the outstanding balance will be repaid on a 10-year term with a 20-year schedule, requiring an estimated \$1.1 million balloon payment in year 10. The GO borrowing authorized by the resolution will be repaid by the City on a 10-year term; under this agreement the City's General Fund will absorb the higher debt payments during the first ten years of the agreement. The debt service payments will total an estimated \$4,967 a year more than the amount of the loan payments received. Under the current loan, the City would receive \$49,431 annually and a total of \$543,742 in repayments over the next 10 years. Under this resolution, assuming the balloon payment is made in year 10, the City will receive an estimated net benefit of \$7,500 compared to the current loan.

As additional mitigation from risk of failure to repay the loan by Madison Ice, Inc., the entity will provide a \$30,000 letter of credit for each facility. This letter of credit will first be provided in year 5 of the loan repayment schedule.

### Title

Authorizing amendments to the land contracts entered into between the City of Madison and Madison Ice Hartmeyer, LLC and Madison Ice MIA LLC for the purchase of the Hartmeyer and Madison Ice Arenas and reimbursement of expenses for improvements at Hartmeyer.

### Body

WHEREAS, in 2004 the City of Madison entered into land contracts with Madison Ice Hartmeyer, LLC and Madison Ice MIA, LLC (together, the "LLCs") for the ownership and operation of the Hartmeyer and Madison Ice Arenas (together the "Land Contracts"); and

WHEREAS, the City refinanced the debt owed on the Land Contracts in 2011 in order to assist in capital improvements to the arenas; and

WHEREAS, Hartmeyer Ice Arena has undergone recent capital improvements; and

WHEREAS, the LLCs now seek a loan to reimburse the cost of the improvements to Hartmeyer and refinance outstanding debt owed on the ground leases; and

WHEREAS, the funds for the loan were approved in the 2017 Capital Budget.

NOW THEREFORE BE IT RESOLVED, that the Common Council authorizes an amendment to the land contracts executed between the City of Madison and Madison Ice Hartmeyer, LLC and Madison Ice MIA, LLC for the reimbursement of expenses related to the improvements to the Hartmeyer Ice Arena and the refinancing of debt remaining on the land contracts substantially on the following terms and conditions:

1. Form of Assistance.
  - a. Loan assistance shall be disbursed in the form of a One Million Seventy Five

Thousand Two Hundred Forty Dollar (\$1,075,240) loan (the "Loan") to Hartmeyer, LLC bearing three percent (3%) interest on a term of 10 years, with a 20 year amortization.

- b. Refinancing - the LLCs currently owe \$725,760 (the "Debt") combined on the land contracts for Hartmeyer and MIA (the "Land Contracts") divided equally between the Ice Arenas. The Debt shall be refinanced at three percent (3%) interest on a term of 10 years, with a 20 year amortization (the "Refinanced Debt"). Together, for Hartmeyer, LLC, the Loan and the Refinanced Debt are the "Combined Debt".
  - c. Balloon Payment - at the end of Year 10, the remaining Refinanced Debt and Combined Debt on the Land Contracts will be due and payable.
2. Method of Payment. Payments on the Combined Debt and Refinanced Debt shall be contained in a schedule that shall be attached to amended Land Contracts.
  3. Security. The LLCs currently own equitable title to the Ice Arena under the Land Contracts entered into with the City. The City, therefore, still holds legal title to the Ice Arenas. The Land Contracts shall not be subordinated to any other lien or debt. In addition, Hartmeyer, LLC shall provide a letter of credit in the total amount of Sixty Thousand Dollars (\$60,000) at the end of Year 5 (July 1, 2023) divided equally between the Ice Arenas (i.e., a \$30,000.00 letter of credit for each Ice Arena) for the benefit of the City as additional security in the case of default.
  4. Satisfaction. Upon repayment of the Combined Debt and the Refinanced Debt, the City shall deliver quit claim deeds to the LLCs for the Ice Arenas pursuant to the terms of the existing Land Contracts.
  5. Material Changes. Any material changes to the size, use or ownership of the Ice Arenas after the date of introduction of a resolution to the Common Council to approve the Assistance, may subject this commitment to reconsideration by the City, or if the Loan has been made to immediate repayment of the Loan by Hartmeyer. Notwithstanding the foregoing, nothing in this paragraph shall prevent the LLCs from seeking City approval for any material changes to the Project.
  6. Project Completion. In advance of closing, Hartmeyer, LLC agrees to provide the City with written evidence reasonably satisfactory to the City of the capital improvements previously made to Hartmeyer, and the costs incurred by Hartmeyer, LLC for all such capital improvements (the "Project"). Hartmeyer, LLC shall guarantee that the Project shall be completed by June 30, 2018, subject to any force majeure events beyond Hartmeyer, LLC's control. Project completion shall be evidenced by the issuance of a certificate of occupancy for the Project.
  7. Property Insurance. Prior to funding, evidence shall be provided that a property insurance policy of the proper type and amount of coverage to protect the City's participation has been obtained. The policy shall name the City of Madison as an additional insured.
  8. Title Insurance. At least fifteen (15) days prior to closing, Borrower shall provide a commitment for a title insurance policy of the proper type and amount of coverage to the City.
  9. Land Use Approval Contingency. The terms and conditions of this assistance are contingent upon approval of zoning and other land use approvals for the Project.

BE IT FURTHER RESOLVED, that any other terms and conditions shall remain in full force and effect.

BE IT FINALLY RESOLVED, that the Mayor and City Clerk are authorized to execute amendments to the Land

Contracts, and any other documents necessary to effectuate the transaction in a form to be approved by the City Attorney.