

From: [Jennifer Argelander](#)
To: [Finance Committee](#); [Latimer Burris, Amani](#)
Subject: Oppose Legistar 87067
Date: Monday, February 17, 2025 1:26:29 PM

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Dear Finance Committee members:

I oppose Item 15 Legistar 87067 which authorizes the City of Madison to negotiate a loan contract with Lincoln Avenue Capital. This amount, not to exceed \$329,000, is for the purpose of assisting in the remediation of contaminated soil on the former Hartmeyer property. A similar loan was discussed in October. At that time, it was recommended that an independent real estate appraisal of the market value of the developer's three properties on the former Hartmeyer site would be needed before loaning money to Lincoln Avenue Capital or its affiliates. That appraisal is also needed for the new loan.

The maximum amount of the two loans is close to 1.4 million. Because this loan is a no interest loan, the developer can be expected to borrow the maximum amount available.

The City should do their due diligence and plan for the risk that Lincoln Avenue might default on the loan. As with any real estate loan, the City needs a claim on collateral in case of default. The first step is to get an independent real estate appraisal of the market value of the developer's three properties on the former Hartmeyer site. The City's only hope of recovering any of the unpaid loan amounts, in the event of default, is to make a claim on the project's assets. Only an independent real estate appraisal of the project's market value can tell City officials whether the project has adequate collateral to protect the City in the case of default.

Lincoln Avenue Capital has protected its assets by creating three affiliated companies for this housing project—Roth Street 1, Roth Street II, and Conway at Huxley. The City needs to protect its interests too. LAC has over promised and underestimated the costs of building on a wetland and all the contamination and has been short changing the original design. The third building should NOT be built if they can't afford to build it safely.

Finally, I want to be clear as a the Sherman Neighborhood Association co-chair, that we in the community have repeatedly raised the concern of the serious contamination and concerns with these buildings (we are not opposed to development). The City has consistently dismissed our concerns and continued with the intent of building as many housing developments as they can push through. So now LAC needs a second loan to clean up contamination. Really? The City is not being a good steward our of tax dollars if you approve this request especially given that we have to pay a tax increase because of a tax shortage nor has the City listened to the community.

Please do your due diligence and do not approve this loan without an independent real estate appraisal of the market value of this project to protect us from the risk of default.

Thank you
Jennifer Argelander
Sherman Neighborhood Association Co-chair

From: gordian@nym.hush.com
To: [Finance Committee](#)
Subject: Oppose Legistar 87067
Date: Monday, February 17, 2025 10:00:48 AM

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Feb. 16, 2025

Finance Committee members,

Please oppose Agenda item 15, Legistar 87067.

Legistar 87067 [1] authorizes the City of Madison to negotiate a loan contract with Lincoln Avenue Capital. The amount, not to exceed \$329,000, is for the purpose of assisting in the remediation of contaminated soil on the former Hartmeyer property. A similar loan [2] was approved last October. An independent real estate appraisal of the market value of the developer's three properties on the former Hartmeyer site is needed before loaning more money to Lincoln Avenue Capital or its affiliates.

The maximum amount of the two loans, is $\$1,027,300 + \$329,000 = \$1,356,300$. Because this loan is a no interest loan, the developer can be expected to borrow the maximum amount available. It's free money.

The City should plan for the risk that Lincoln Avenue might default on the loan. As with any real estate loan, the City needs a claim on collateral in case of default. The first step is to get an independent real estate appraisal of the market value of the developer's three properties on the former Hartmeyer site. An independent real estate appraisal of the projects' market value is required due diligence on the City's part.

The full cost of the additional remediation needed at the Hartmeyer site is \$401,380. Lincoln Avenue Capital will pay a required financial match of \$72,380, which is 18% of the remediation cost. Lincoln Avenue Capital might argue that the \$72,380 is adequate protection against the risk of default. The Wisconsin DNR might be satisfied with that argument because it receives the entire \$72,380. The City of Madison, however, is still left owing the Wisconsin DNR some part of \$329,000 if the developer defaults. Keep in mind that the total of the two loans to Lincoln Avenue Capital is \$1,356,300. The City's only hope of recovering any of the unpaid loan amounts, in the event of default, is to make a claim on the project's assets. Only an independent real estate appraisal of the project's market value can tell City officials whether the project has adequate collateral to protect the City in the event of default.

Before project construction began, Lincoln Avenue Capital had to withdraw their original, City approved design because costs had exceeded their budget. The Madison Common Council

approved a cheaper design with far fewer amenities [3 & 4]. Last October, the developer asked the City to request a \$1,027,300 loan from the Wisconsin DNR to cover its remediation costs [2]. Now the developer wants the City to request yet another loan from the Wisconsin DNR to cover additional unexpected remediation costs. This track record indicates a precarious credit risk.

Lincoln Avenue Capital is in a tight spot. Their rental revenues are capped by WHEDA regulations, but their costs could rise unexpectedly, which has already happened. The loan period is 10 to 20 years, and the future is always uncertain.

Citibank is the lender for both the project's construction loan and mortgage loan. The City should anticipate that Citibank has protected its interests by making sure that Citibank has a solid claim on the project's assets in case of default. Would there be any assets left over for the City to claim in case of default? The difficulty of answering this question is why no creditor likes to be the subordinate lender.

Lincoln Avenue Capital has shielded its assets by creating three affiliated companies for this housing project. The affiliates are Roth Street 1, limited partnership, and Roth Street II, limited partnership, and Conway at Huxley, LLC. [1 & 2] The City needs to protect its interests too.

In the long list of "WHEREAS" clauses found in Legistar 87067 [1], nothing says that an independent real estate appraisal of the market value of the project has been performed and that there will be adequate collateral left for the City after Citibank has exercised its claims to the properties' assets in case of default. If those two statements cannot be made, the City should require that the developer post a bond ensuring that the both loans of Wisconsin DNR money, totalling \$1,356,300, will be repaid. As written, Legistar 87067 authorizes an unsecured loan.

Without adequate collateral, in the form of a claim on assets, whose market value has been estimated by an independent real estate appraiser, or in the form of a bond payable on default, these two loans would be a reckless gamble with the Madison tax dollars.

Don Lindsay

[1] The web page for Legistar 87067, \$329,000 loan, is found at

<https://madison.legistar.com/LegislationDetail.aspx?ID=7129982&GUID=927C006F-A718-4F6D-B03E-C3E18B706B34&FullText=1>

Accessed 20250208

[2] The web page for Legistar 85140, \$1,027,300 loan, is found at

<https://madison.legistar.com/LegislationDetail.aspx?ID=6855677&GUID=C320FD81-CBB3-47A6-B898-829BDC667633&Options=&Search=&FullText=1>

Accessed 20240924

[3] Hartmeyer family redesign approved

<https://madison.legistar.com/LegislationDetail.aspx?ID=6449524&GUID=A1D2C574-96B6-419A-8627-3199E9C66C3C&Options=ID|Text|&Search=81252>

Accessed 20231220

[4] Hartmeyer senior redesign approved

<https://madison.legistar.com/LegislationDetail.aspx?ID=6449523&GUID=5060C81C-2F27-4EFC-9ACF-82688291B63C&Options=ID|Text|&Search=81251>

Accessed 20231220