

**City of Madison EDC Report**  
Gorman / Union Corners Proposal  
July 11, 2013

Background

The City purchased the Union Corners/Winnebago Street properties (2507, 2504, and 2340 Winnebago St shown on the attached map, collectively, the "Property") in 2010 for approximately \$3.577M (including pro-rated taxes and closing costs). The Property was purchased with land banking funds and is located within Tax Increment District #37-Union Corners. As such, the debt service of approximately \$420,000 per year is charged to the TID. Upon sale of the properties, sale proceeds will be credited to the TID.

In June, 2012, the ad hoc Union Corners Selection Committee (the "Committee") issued a Request for Proposals (the "RFP") to solicit firms interested in the purchase and redevelopment of Union Corners. The Committee received five (5) proposals to the RFP. The Committee ultimately selected the proposal from Gorman & Company, Inc. ("Gorman"). The Committee designated the proposal from Livesey & Company as a second option should negotiations with Gorman not come to fruition.

**Gorman Project Data**

Total Land Area	497,191SF (11.41 acres)
Purchase Price	\$1
Phase 1	60,000 SF medical clinic with structured parking
Phase 2	50-100 residential units (with parking)
Phase 3	Commercial and residential units (with parking)
Phase 4	Retail, restaurant and / or residential units
Phase 1 Estimated Value	\$16 million
Project's Total Estimated Value	\$54 million
Phase 1 Estimated Annual Real Estate Taxes	\$368,000
Project Estimated Annual Real Estate Taxes	\$1.2 million
Estimated New Permanent Jobs Created	423
Estimated Construction Jobs	300-500
Total Dwelling Units	185
Total Parking Stalls	678

City staff have negotiated the terms and conditions of a Purchase and Sale Agreement (the "PSA") with Gorman & Company, Inc. ("Gorman") for the conveyance and redevelopment of the Property, as set forth in a Letter of Intent executed between the parties on June 13, 2013. The PSA will contain terms and conditions for the conveyance of the Property to Gorman and the City's financial assistance to the Project. The City will convey the Property to Gorman for One Dollar (\$1) subject to Gorman submitting a TIF Application that demonstrates that the Project cannot be developed but for \$6,000,000 of TIF assistance from the City. Upon demonstration of the need for this amount of TIF assistance, the parties will enter into a TIF Loan Agreement (the TIF Loan Agreement) in the amount of \$6,000,000 (the "TIF Loan"). The TIF Loan will be repaid through tax increments generated by the Projects and/or out of pocket payments by Gorman under the terms of a corporate guaranty (this will require an exception to TIF Policy which requires a personal guaranty). The TIF Loan Agreement will provide that no Equity Participation Payment shall be due from Gorman (this will require an exception to TIF Policy which requires an Equity Participation Payment). Subsequent to the conveyance of the Property and the execution of the TIF Loan Agreement, separate LLCs of which Gorman is a member ("Gorman LLC") may be created for the purpose of owning and developing the Property in phases. The TIF Loan will be apportioned to each Phase based on the estimated increment generated by each phase which increment shall be guaranteed by the respective Gorman LLC. None of the Gorman LLCs will be eligible for additional TIF assistance. If any phase or a portion of a phase is sold or transferred to a tax exempt entity an annual PILOT payment will be required through July 18, 2033 (the TID expiration date). There will be a reversionary interest in the deed from the City that will provide that if Gorman does not commence development on any and all of the phases within 5 years of conveyance of the Property that Gorman will be required to reconvey the undeveloped phase or phases to the City for \$1 and receive credit in the amount of the TIF Loan apportioned to such phase or phases against the balance of the TIF loan. Gorman will be able to reconvey any or all undeveloped phases to the City at any time within the 5 year period and receive the credit. The City will construct public improvements (a street and utilities) across the Property from East Washington Avenue and Winnebago Street and assess the costs of the public improvements against the abutting phases of the Project. The assessments shall be paid by Gorman or the Gorman LLC for the phase that the public improvements are assessed against.



# The Property





**LEGEND**

A	Restaurant
B	Grocery store
C	Library with community hub Senior housing above
D	Medical clinic
E	Coffee shop
F	Local small retail space
G	Local small retail space
H	Multi-family housing The Town homes at Union Green

Master Site Plan