

# City Staff Ice Arena Presentation Legistar # 86169, Version 2 (12/18/24)

**Matthew Mikolajewski, Economic Development Director**

[mmikolajewski@cityofmadison.com](mailto:mmikolajewski@cityofmadison.com)





# Background

## Locations

Hartmeyer Ice Arena: 1810 and 1834 Commercial Avenue

Madison Ice Arena: 725 Forward Drive

## Facility Use

Hockey, figure skating, and public skating (youth, high school, & adults)

Over 16,000 annual users

Between 400,000 – 450,000 annual visits

# History



- City of Madison owned and operated both facilities for many years.
- While under City ownership, City's annual operating subsidy was approaching \$250,000.
- Early 2000's, City began reviewing options for future of ice arenas to, in part, avoid annual operating subsidy.
- Decision made to sell both properties to a newly formed non-profit, Madison Ice Inc., via a Land Contract for \$1,092,696 in 2004.

# Madison Ice Inc.



- Owned and operated both ice arenas since 2004.
- No operating subsidy by the City during this time.
- Paid the City \$446,518 toward the Land Contract to date.
- Invested (since 2010) over \$5 million into both buildings.
- City refinanced debt in 2011.
- City refinanced debt and provided a \$1,075,240 capital improvement loan in 2017.



# Madison Ice Inc.

- Payments made to the City for debt (land contract and capital improvement loan) from 2004-2020.
- City restructured debt in 2021, requiring \$0 of payments in 2021 due to the Pandemic.
- 2021 payment plan was to have principal and interest payments of about \$120,000/year from 2022 until January 2028, when a final \$1,031,418 balloon payment is due.
- No payments have been made since 2020.
- Outstanding debt (land contract and capital improvement loan) is \$1,613,365.

# Madison Ice Inc.



- Annual operating expenses: about \$1.4 million
- Revenue/loss in recent years
  - 2020: \$181,045
  - 2021: \$143,130
  - 2022: **-\$56,364**
  - 2023: **-\$43,744**
- Cash available at end of fiscal year 2023 (4/30/24): \$178,042

# Madison Ice Inc.



- Hartmeyer Ice Arena requires \$3 million of new capital improvements over the next few years for a new roof, new Chiller/HVAC/Compressor equipment, upgraded electric transformers, etc.
- Madison Ice Arena will continue to require capital investment, but not as significant as Hartmeyer Ice Arena.
- Recognizing they were in default of their loan agreement, Madison Ice Inc. started to have conversations with the City in 2023 regarding outstanding debt and need for significant capital investment into Hartmeyer Ice Arena.



# City's Primary Options

- Madison Ice Inc. is currently in default of their loan agreement (including original land contract); as the City structured the sale of the properties as land contracts, the City reserves the right to take back title to the properties.
- The City can take back the properties, shut-down the ice arenas, and use the properties for something else.
- The City can take back the properties, make the \$3 million investment of needed improvements to Hartmeyer Ice Arena, improvements to Madison Ice Arena, and resume operations of the ice arenas as City facilities.
- The City can identify a privately-led fundraising and operating solution that does not require additional expenditure of City funds.





# East Madison Ice Collective (EMIC)

- City staff was directed to work with Madison Ice Inc. to identify and present the Common Council with a privately-led solution to keep the ice arenas open without the need for expenditure of additional City funds.
- Madison Ice Inc. brought the East Madison Ice Collective (EMIC) to the City as part of this solution.
- EMIC is a new non-profit with an interest owning and operating Hartmeyer Ice Arena.
- EMIC has committed to privately raise the \$3 million needed for capital improvements to Hartmeyer Ice Arena.



# East Madison Ice Collective (EMIC)

- To raise \$3 million from the private sector, EMIC believes they need a path to long-term ownership of Hartmeyer Ice Arena and a path toward forgiveness of the outstanding debt associated with the property.
- Prior to completing the property transfers and loan restructuring contemplated in the resolution (Legistar # 86169), EMIC would need to raise \$3 million (or equivalent through in-kind services) to make necessary capital improvements to the Hartmeyer Ice Arena within three (3) years.



# Legistar #86169

- Assuming EMIC raises \$3 million (or equivalent of in-kind services) to make necessary capital improvements to the Hartmeyer Ice Arena within three (3) years, the following is contemplated in Legistar #86169.
- City will terminate its existing land contract with Madison Ice Inc. for Hartmeyer Ice Arena; property will be transferred from Madison Ice Inc. to EMIC for \$1.
- Existing debt associated with Hartmeyer Ice Arena (\$1,284,612) is restructured as a forgivable loan between the City and EMIC to be forgiven over a 15-year period.

# Legistar #86169



- Madison Ice Inc. will continue to own and operate the Madison Ice Arena.
- City will terminate its existing land contract with Madison Ice Inc. for Madison Ice Arena and transfer full ownership of Madison Ice Arena to Madison Ice Inc. for \$1.
- Existing debt associated with Madison Ice Arena (\$328,753) is restructured as a forgivable loan between the City and Madison Ice Inc. to be forgiven over a 15-year period.
- No payments toward existing debt expected during this three-year EMIC fundraising period.

# Legistar #86169



- EMIC and Madison Ice Inc. each required to maintain a cash reserve equivalent to 25% of their typical annual expenses to cover unanticipated capital and operating needs.
- A Deed Restriction will be placed on both properties requiring their continued use as “sports and recreation” facilities. City would have ability to negotiate release of Deed Restrictions at a future date if one or both non-profits desire to cease operations of one or both of the ice arenas and sell/use the properties for something else. The City may require compensation for this release.

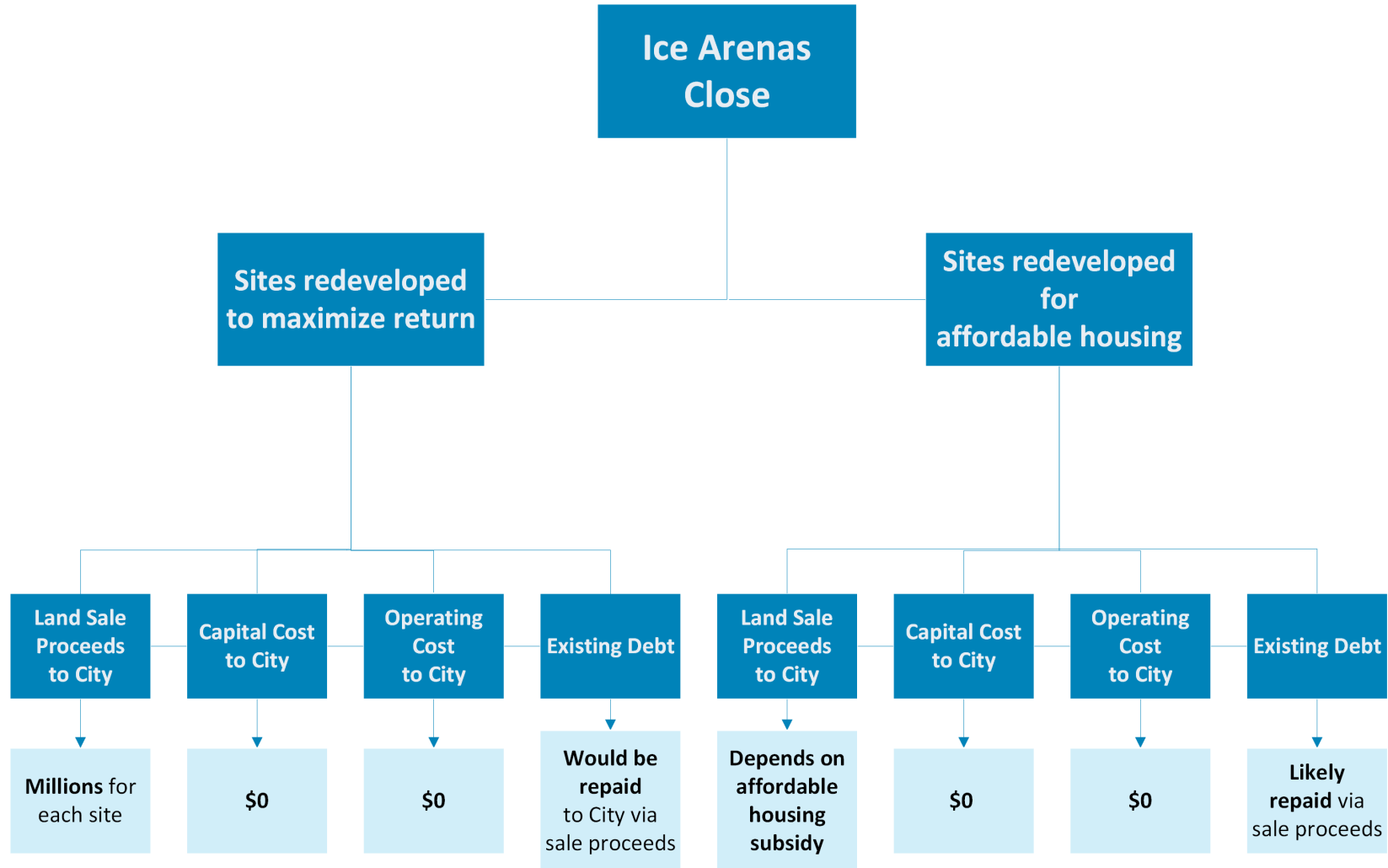
# Policy Questions



- Is there a public interest in keeping the ice arenas open?
- Do policy makers support providing EMIC with three (3) years to attempt to raise \$3 million leading to the restructuring of ownership and debt outlined in Legistar #86169?

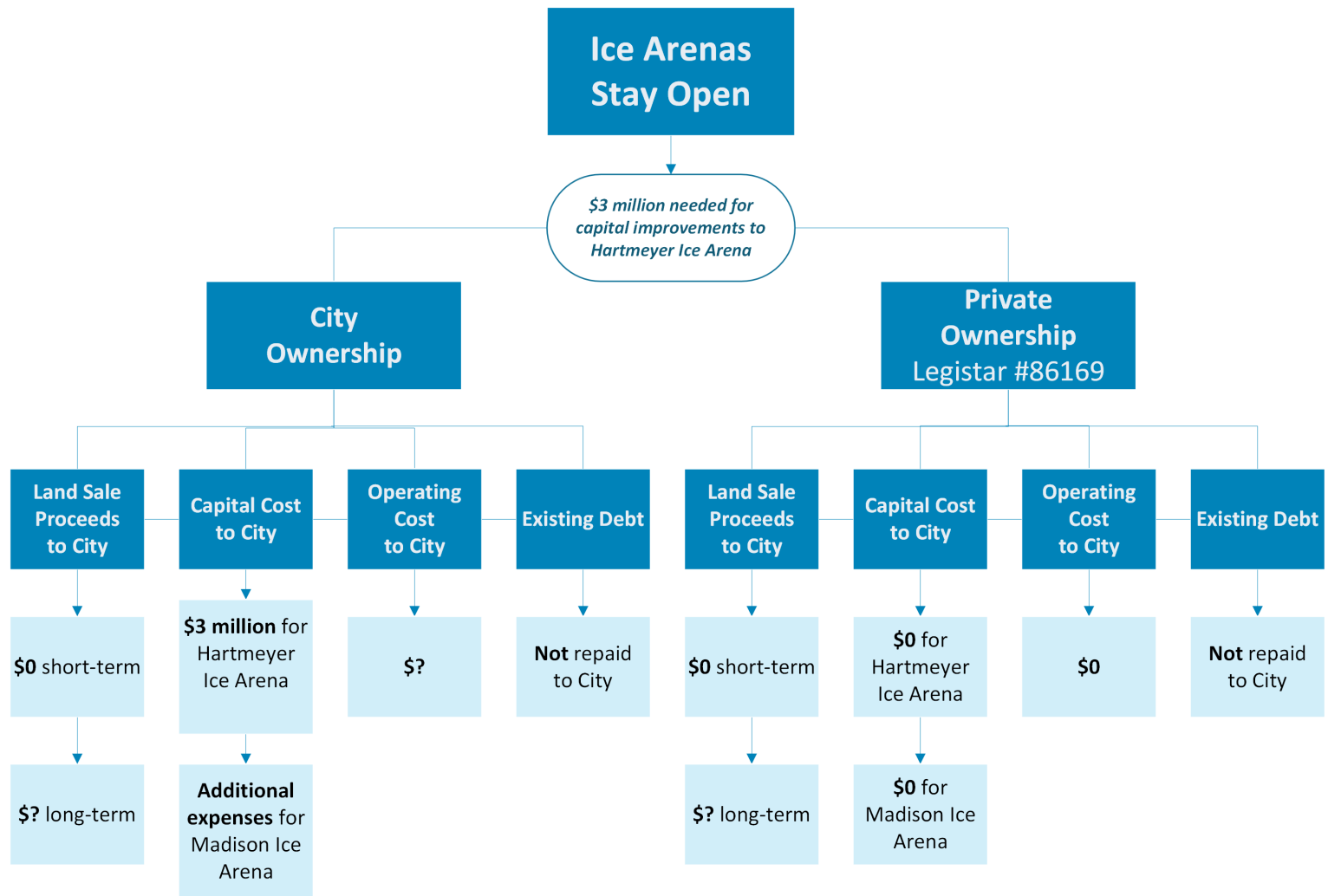


# Summary of Primary Options





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## **Properties Returned to City – Ice Arenas Closed**

Existing debt repaid with no additional City expense

Most financially beneficial to the City, least costly

## **Properties Returned to City – Ice Arenas Remain Open**

Existing debt not repaid with millions of additional City expense

Least financially beneficial to the City, most costly

## **Properties Remain Private – Ice Arenas Remain Open (Legistar #86169)**

Existing debt not repaid with no additional City expense

Mix of financial benefit and cost



# Next Steps

- Assuming Council approves Legistar #86169:
- City, Madison Ice Inc., and EMIC will negotiate and execute a “Master Agreement” within six months detailing each of the transactions.
- EMIC will then have three years to raise \$3 million for capital improvements to Hartmeyer Ice Arena, or the equivalent of in-kind services.
- If successful, in accordance with “Master Agreement,” property transfers and loan closings will be completed.
- If unsuccessful, the City will need to revisit next steps.