

City of Madison TIF Report
Wingra Clinic Project (1102 South Park Street, LLC)
January 3, 2012

Background

The proposed project is situated on a 2.25 AC site comprising part of the former Bancroft Dairy property, located at 1102 South Park Street, and adjacent properties assembled by Ghidorzi Development (“Developer”). The proposed project would be located within the boundary of an anticipated TID #42 (Wingra) to be created in 2012 depicted in the map at right.

Clark Street, LLC owns the former Bancroft Dairy property and is selling it to Developer. Developer has requested \$1.89 million of TIF loan assistance to construct 305 parking stalls—66 surface stalls and 239-stall parking ramp to serve a 76,800 SF clinic and office facility. The TIF request represents 56% of the TIF per the 50% Rule that would require an exception to TIF Policy. Tenants will include the Wingra Clinic, occupying 38,400 SF, other health-related tenants occupying 19,200 SF, and 19,200 SF of tenants currently under negotiation.



The Project has an estimated value of approximately \$19.09 million. Total project cost is \$24.8 million. The Wingra Clinic tenant alone is anticipated to retain approximately 127 jobs and create 18 jobs in the City of Madison. Job figures regarding the other tenants are not available at this time.

Payment In Lieu of Tax (PILOT) – Tax Exempt Sale Provision

As a condition of approval, the City of Madison requires a PILOT payment in the event the project is sold or transferred to a tax-exempt entity. Such PILOT payment is made at the time of sale until 2039. Said sale or transfer shall not occur until the TIF assistance provided is recovered through the project’s tax increment payments. The term sheet language, signed by the developer, for the Project is noted below.

“9. Sale to Tax Exempt Entity – PILOT Payment. Borrower shall be prohibited from selling or transferring the Property prior to the Borrower’s repayment of the TIF Loan. If



*Borrower sells or transfers the Property to the UW Health other such tax exempt entity (“Buyer”), whereupon such ownership renders the Property as property tax exempt, Buyer shall pay the City an annual payment in lieu of taxes (PILOT) in the amount of property tax last levied as of the date of sale to Buyer, frozen, through 2039. **The City of Madison shall share said PILOT in proportion with the overlying taxing jurisdictions [emphasis mine].** Buyer shall execute a PILOT Agreement and a mortgage in favor of the City in the amount of the PILOT payments (“Buyer’s Mortgage”) at the time of Buyer’s acquisition of the Property. The Buyer’s Mortgage and PILOT Agreement shall be released and terminated by the City upon the receipt by the City of the required PILOT payments.”*

Project Data

Land Uses (rounded)

Medical Offices, Clinics	38,400 SF
Commercial, Office	19,200 SF
Other Office	<u>19,200 SF</u>
Total	76,800 SF

Parking 66 surface stalls, 239-stall ramp

Estimated Value @ Stabilization \$19,090, 000

TIF Available @ 50% \$1,708,000

PROJECT COST

Proposed

Land Acquisition \$ (3,177,000) \$32/SF. Satisfactory for assemblage.

Hard Cost

Site Improvements \$ (1,382,000) Incl. High St., Park St., Demo, Skywalk, Pilings

Construction – Clinic & Offices \$ (14,348,000) \$186/SF. Satisfactory.

Parking Construction (3,657,000) \$15,600/stall for below-grade, \$13,500 above grade

Total Hard Cost \$(19,387,000)

Soft Cost

\$ (2,253,000) 11.6% of Hard Cost, Satisfactory

TOTAL PROJECT COST

\$ (24,818,000)

Sources and Uses (Gap Analysis)

Equity \$ 4,584,000

Debt \$ 18,336,000

Total Sources \$ 22,920,000

Less: Total Project Cost \$ (24,818,000)

Gap \$ (1,898,000)

TIF Recommendation

\$ 1,898,000 56% of TIF. Requires TIF Policy exception.

