City of Madison

Legislation Details (With Text)

File #:	43090	**Version:** 1 **Name:**	Amending RES 16-00237 Authorizing the Mayor and City Clerk to execute a development agreement to fund a $2,885,000 Tax Incremental Finance Loan to assist in the development of a housing and commercial redevelopment project located at the former Madison Da
Type:	Resolution	**Status:**	Passed
File created:	5/19/2016	**In control:**	BOARD OF ESTIMATES (ended 4/2017)
On agenda:	6/21/2016	**Final action:**	6/21/2016
Enactment date:	6/23/2016	**Enactment #:**	RES-16-00450

Title: Amending RES 16-00237 Authorizing the Mayor and City Clerk to execute a development agreement to fund a $2,885,000 Tax Incremental Finance Loan to assist in the development of a housing and commercial redevelopment project located at the former Madison Dairy property in the proposed Project Plan and Boundary Amendment area of TID #36 (Capitol Gateway) to facilitate new developer corporate structure.

Sponsors: Paul R. Soglin, Ledell Zellers

Indexes:

Code sections:

Attachments: 1. BODY

Date	Ver.	Action By	Action	Result
6/21/2016	1	COMMON COUNCIL	Adopt	Pass
6/13/2016	1	BOARD OF ESTIMATES (ended 4/2017)	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER	Pass
6/7/2016	1	COMMON COUNCIL	Refer	Pass
5/19/2016	1	Attorney's Office	Referred for Introduction	

Fiscal Note

This resolution would authorize a $2,885,000 loan to SHD, Inc. ("Borrower") for the redevelopment of the former Madison Dairy property located at the north 1000 Block of East Washington Avenue. The property is located outside the TID 36 boundary and the TID has also expended all $22 million of TIF funds authorized in the original Project Plan, requiring an amended TID Boundary and Project Plan.

TIF loan disbursal shall be contingent upon the approval of a TID 36 Project Plan and Boundary amendment by the Common Council and TIF Joint Review Board. Certification of the TID #36 amendment by the Wisconsin Department of Revenue is anticipated during the first quarter of 2017.

The $2,885,000 TIF loan, out of a total of $3,450,000 of TIF loan assistance disbursed to Borrower, would partially fund the construction of approximately 140 market-rate apartment units, 61,000 gross square feet of office, 18,000 gross square feet of retail space and approximately 362 parking stalls ("Project").

A separate, companion resolution introduced to the Common Council on March 15, 2016 would authorize $565,000 of TIF loan assistance to Borrower to develop a 65-unit affordable housing project. The separation of these two TIF loans is due to federal low-income housing tax credit regulations that exclude commercial and retail-related costs, including parking from tax credit consideration.

Both TIF loans would be repaid through incremental taxes generated by the Project and guaranteed by principals of Borrower.

The overall TIF assistance to both projects, totaling $3,450,000, represents 67% of the present value of all incremental taxes anticipated from both projects throughout the remaining 16-year life of TID #36 and its proposed boundary amendment. This figure exceeds the 55% Gateway established in TIF Policy. As required by TIF Policy, TIF staff met with the Board of Estimates on January 25, 2016 that authorized an exception to the 55% Gateway.

Upon completion of the Project, the City will review the Developer's audit of project costs and financing, to the City's satisfaction, or conduct its own audit. In the event that project costs are less than stated in the TIF Application, Developer shall make a clawback payment to the City of 50% of the difference between actual project cost and actual project financing ("Clawback"). This Clawback formula is consistent to the formula recently utilized for condominium projects over the last several years.

Funds to capitalize this loan were authorized in the 2016 Capital Budget, funded with general obligation debt. The City's General Obligation borrowing may not occur until after this TIF Loan is proposed for disbursal. Therefore, funds will be internally borrowed until they are reimbursed by scheduled General Obligation borrowing in the fall of 2016
.
While it is anticipated that the incremental taxes generated by the Project will be sufficient to repay the loan within approximately 9 years, the Developer is required to guaranty a minimum payment if sufficient future tax increment is not available.
If Developer sells or transfers the Property to a tax-exempt entity, Buyer shall pay an annual payment in lieu of taxes (PILOT) in the amount of the property tax paid as of the date of sale, frozen, through 2032. The increment guarantee and PILOT payment are secured by a subordinated mortgage on the property.

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Body
SEE BODY ATTACHED.