



Legislation Text

File #: 22617, **Version:** 1

Fiscal Note

This resolution would authorize an \$80,000 end loan from the Madison Capital Revolving Fund to Cathay Pacific, Inc. for the improvements to the building located at 2 South Mills Street and the adjacent lot located at 1107 Regent Street. End loan proceeds shall be provided upon satisfactory completion of the project in conformance to the terms and conditions of the MCRF Loan, as stated herein. Terms of the MCRF Loan would be a maximum of five (5) years, amortized over ten (10) years at an interest rate of 5% fixed, with a balloon payment of principal and interest due at note maturity. The Borrower shall make quarterly principal and interest payments. The Borrower's obligation to repay would be secured by a first mortgage security on the property located at 2 South Mills Street and 1107 Regent Street. The Borrower shall provide the City with the personal guaranties of Siu Cheung (Philip) Leung and Siu Wah (Terry) Leung for the MCRF Loan. The Capital Revolving Fund has a \$1,023,400 fund balance of which \$500,000.00 was authorized for MCRF loans in the 2011 Operating Budget. There are two (2) pending 2010 MCRF loans from 2010, in the amount of \$187,440.00, awaiting closure. The existing fund balance in the MCRF program is sufficient to fund this amount without additional borrowing.

Title

Authorizing the Mayor and City Clerk to execute an agreement to fund a Madison Capital Revolving Fund loan to Cathay Pacific, Inc. to assist in making improvements to the building located at 2 South Mills Street and 1107 Regent Street.

Body

WHEREAS, on May 19, 1987 the Common Council accepted a report by the Madison Capital Revolving Fund Task Force recommending the creation of a Madison Capital Revolving Fund (MCRF); and

WHEREAS, the Community Development Authority (CDA) has been designated as agent of the City of Madison for the operation and administration of the Program; and

WHEREAS, on April 16, 1996, the Common Council accepted the MCRF objectives and criteria as proposed by the CDA; and

WHEREAS, Siu Cheung ("Phillip") Leung and Siu Wah ("Terry") Leung are principals of Cathay Pacific, Inc. (the "Borrower") that has proposed to make improvements to the building located at 2 South Mills Street and the adjacent lot at 1107 Regent Street (the "Property") that facilitates its use for outdoor restaurant seating at an estimated total development cost of approximately \$87,635.00 (the "Project"); and

WHEREAS, Cathay Pacific, Inc. does business at 2 South Mills Street as Hong Kong Café; and

WHEREAS, said principals are also the principals of New World Investments, LLC ("Building Owner") that owns the property and lease it to the Borrower; and

WHEREAS, the Borrower proposes to utilize MCRF loan to expand Hong Kong Café's restaurant operation by constructing an outdoor seating area on the adjacent lot at 1107 Regent Street; and

WHEREAS, the Borrower has requested that the City of Madison provide \$80,000.00 of MCRF loan assistance ("MCRF Loan") to make improvements to the Property; and

WHEREAS, staff has completed its review of the MCRF Loan request for financial assistance for the Project

and finds that it meets the objectives of the MCRF Loan program; and

WHEREAS, on May 14, 2011 the CDA approved the MCRF Loan to the Borrower of \$80,000.00 at the terms and conditions described herein.

NOW THEREFORE BE IT RESOLVED that a MCRF end loan in the amount of \$80,000.00 be made to Cathay Pacific, Inc., evidenced by a loan agreement and note made to the City of Madison under the following terms and conditions:

1. The Project. Borrower agrees at a minimum the Project ("Project") will include:
 - a. Construction of exterior building improvements located within the Property that facilitates its use for outdoor restaurant seating.
2. Form of Assistance. MCRF loan assistance in the amount of Eighty Thousand and 00/100 Dollars (\$80,000.00) shall be provided in the form of an end loan ("MCRF Loan"), disbursed by the City upon the City's receipt of a certificate of occupancy certifying completion of building improvements. Said MCRF Loan proceeds to Borrower shall partially fund construction of building improvements to the Property.
3. Note, Security and Personal Guaranty. The MCRF Loan shall be evidenced by a Five (5) - Year Note from Borrower, amortized over ten (10) years, payable to the City of Madison in quarterly installments of principal and interest, bearing an interest rate of 5% fixed ("Note") with a balloon payment of remaining principal and interest due at Note maturity. Cathay Pacific, Inc. shall ensure that New World Investments, LLC, shall provide the City of Madison a first mortgage security interest in the Property in the amount of the MCRF Loan. All obligations of the Borrower shall be secured by the personal guaranties of Siu Cheung (Phillip) Leung and Siu Wah (Terry) Leung, each in the amount of the MCRF Loan.
4. Changes of Ownership in Borrower. Any material changes to the ownership of the Borrower than as stated in the MCRF Loan Application dated May 12, 2011 and its attachments and amendments submitted to the City shall require prior written notification of and approval by the City of Madison. Any such changes made without prior notification and approval of the City of Madison shall subject this MCRF Loan commitment to reconsideration by the City, or if the loan has been made to immediate repayment of the MCRF Loan by Borrower.
5. Satisfaction. The MCRF Loan and Mortgage shall be satisfied, the Note cancelled and the personal guaranties shall be released upon full payment of the MCRF Loan.
6. Affirmative Action MGO 39.02 (9). Borrower and its contractors/subcontractors shall comply with all applicable provisions of the Madison General Ordinance (MGO) 39.02 (9), concerning contract compliance requirements. Prior to commencing construction, Borrower shall contact the City's Affirmative Action Division to assure that Borrower is in compliance with the aforementioned requirements. Borrower shall assist and actively cooperate with the Affirmative Action Division in obtaining the compliance of contractors and subcontractors with such applicable provisions of the Madison General Ordinance. Borrower shall allow maximum feasible opportunity for minority/disadvantaged women business enterprises to compete for any contracts funded by the Loan.
7. Prevailing and Living Wage (MGO 4.20 & 4.23). Borrower shall comply with Madison General Ordinances 4.20 and 4.23 that require Borrower to provide a living wage and a prevailing wage.
8. Accessibility (MGO 39.05). Borrower shall submit a written assurance of compliance with Madison General Ordinance 39.05.

9. Material Changes. Any material changes to the size, use or ownership of the Project than as stated in the MCRF Loan Application dated May 12, 2011 and its attachments and amendments submitted to the City shall subject this MCRF Loan commitment to reconsideration by the City, or if the loan has been made to immediate repayment of the MCRF Loan by Borrower.
10. Project Completion. Borrower shall guarantee that the Project will be completed by December 31, 2011. Completion shall be evidenced by the issuance of a certificate of occupancy.
11. Property Insurance. Prior to funding, evidence shall be provided that a property insurance policy of the proper type and amount of coverage to protect the City's participation has been obtained. The policy shall name the City of Madison as an additional insured.
12. Title Insurance. At least thirty (30) days prior to Loan closing, Borrower shall provide a commitment for title insurance on the Property issued by a title company licensed in Wisconsin in a form approved by the City Attorney. The City shall receive a lender's policy in the amount of the Loan within thirty (30) days of Loan closing

BE IT STILL FURTHER RESOLVED that the MCRF Loan to the Project is hereby approved and that the Mayor and City Clerk are hereby authorized to execute a loan agreement and other documents as may be necessary to effectuate the transaction, all of which are subject to the approval of the City Attorney.