



Legislation Text

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Fiscal Note

In summary, under the cooperation and development agreement outlined in this resolution, the City would invest a total of roughly \$8,900,000 to acquire and improve property in the Allied Drive area and transfer that property to the CDA. The CDA would commit to pay the City ~~\$384,000~~ \$392,000 for the improved site, and would invest an additional \$9,000,000, obtained from a variety of financing sources including City backstop, to accomplish the initial stage of redevelopment. No draft development agreement was available for review prior to the introduction of this resolution and the preparation of this fiscal note.

Under the terms of this proposed resolution, the City would transfer all of the City-owned properties in the Allied Drive area to the CDA. This includes the residential properties formerly known as the "Hauk Properties" (purchased by the City in 2006 for \$4,350,000), additional residential properties on Jenewein Drive (purchased in 2005 for \$377,000) and an area of public greenway currently recorded as an asset of the Stormwater Utility with a recorded value of \$18,000. Prior to transfer of the property to the CDA for redevelopment, the City will continue to incur holding and tenant relocation costs chargeable to TIF District #29. Under the terms of the proposed agreement, the City would be reimbursed by the CDA for tenant relocation costs.

The proposed redevelopment agreement would also require the City to demolish the existing buildings located on the redevelopment property and construct public improvements to benefit the redevelopment. It is estimated that demolition and public improvements will cost \$3,900,000. General Obligation borrowing of \$2,200,000 is budgeted in the 2008 Planning and Development Capital Budget for these purposes, although specific improvement projects have not been identified. The remaining \$1,700,000 of City cost would need to be appropriated in 2009.

In total, the City will have invested approximately \$8,900,000 to acquire properties, demolish the existing buildings and construct public improvements including sidewalks, streets, sewer infrastructure and street lighting. The total price charged to the CDA for this property would be ~~\$384,000~~ \$392,000, based on the assumption that the CDA would develop 48 units of tax credit housing and one resident manager unit on this site. This transfer would be financed with a deferred payment note from the City and no payment from the CDA would occur in the foreseeable future.

To provide short term financing for its redevelopment effort, the CDA would borrow up to \$2,100,000 using its existing Fannie Mae line of credit. This CDA line of credit is backstopped by the City's existing general obligation pledge to repay any principal and interest due if the CDA is unable to fulfill its repayment obligations.

The entire proposed redevelopment agreement would be contingent upon the CDA's ability to obtain \$9,000,000 of redevelopment financing by August 1, 2008. Currently, it is anticipated that \$7,500,000 of this financing could be available from tax credit equity, with the additional \$1,500,000 available through a first mortgage on the property and miscellaneous grant sources.

Title

AMENDED SUBSTITUTE - Authorizing the Mayor and the City Clerk to execute a Cooperation and Development Agreement with the CDA for the Redevelopment of the Allied Drive Neighborhood.

Body

WHEREAS, the City created Tax Increment Finance District No. 29 for the purpose of redeveloping and assisting the Allied Drive neighborhood; and

WHEREAS, the CDA and City approved the creation of and adopted the Allied Drive Redevelopment District Plan on May 11, 2006 and on July 19, 2006, respectively, for the purpose of fostering redevelopment in the Allied Drive neighborhood; and

WHEREAS, pursuant to Secs. 66.1105, Wis. Stats. (the "TIF Law") and 66.1333 (the "Redevelopment Act") the City may furnish services or facilities, provide property, lend or contribute funds, and enter into a cooperation agreement with the CDA to further the objectives of a redevelopment plan; and

WHEREAS, by Amended Alternate Second Substitute Resolution No. RES-07-00847 adopted August 7, 2007, by

Amended Second Substitute Resolution No. RES-07-00926 adopted September 4, 2007, and by Resolution No. RES-07-01064 adopted November 6, 2007 (collectively, the "Preliminary Allied Resolutions"), the Common Council adopted an Allied Drive affordable housing plan and authorized the City to negotiate with the CDA to act as Master Developer of the City-owned properties located at 2317, 2345 and 2409 Allied Drive and 4705 and 4713 Jenewein Drive (collectively, these City-owned properties, along with the Greenway parcel located south of the Boys and Girls Club parking lot, shall be known as the "Redevelopment Property"); and

WHEREAS, the City and CDA intend to enter into a Cooperation and Development Agreement to delineate certain duties and obligations of the City and CDA for the conveyance of the Redevelopment Property and the design, planning, financing, development and construction of residential housing and related improvements thereto to be located in the Allied Drive Redevelopment District and Tax Increment Finance District No. 29 (the "Project").

NOW THEREFORE, BE IT RESOLVED, that the Common Council hereby authorizes the conveyance of the Redevelopment Property to the CDA and authorizes the Mayor and City Clerk to execute a Cooperation and Development Agreement with the CDA and all related documents, all in a form approved by the City Attorney, which will include the following material terms and conditions:

1. CDA as Master Developer. The CDA shall act as Master Developer for redevelopment of the Redevelopment Property, and shall be solely responsible for the Project's market analysis, design, land subdivision, planning, financing, construction, operation and maintenance. The terms and conditions contained in the Preliminary Allied Resolutions shall be incorporated, as appropriate, in the Cooperation and Development Agreement and other Project documentation.

2. Conveyance of City Property. The City will convey to the CDA the Redevelopment Property by quit claim deed for the sum of **\$392,000 (\$8,000 per unit x 48 units of tax credit housing and one property manager unit developed)**, free and clear of all liens and encumbrances except the standard exceptions. The CDA shall execute a deferred payment note to the City at closing in the amount of **\$392,000** the Purchase Price. Payment shall be due under the note when the CDA conveys the redevelopment Property, or any portion thereof, to any entity other than a limited liability company to be created by the CDA. The City will subject the Redevelopment Property to various restrictions to ensure it reverts to the City: if the CDA fails to receive an sufficient allocation of Section 42 Low Income Housing Tax Credits of approximately \$750,000 annually for ten years in 2008; if sufficient funding for the Project is not obtained; or if the development of the Project is not undertaken and accomplished in accordance with the Cooperation and Development Agreement.

3. Limited Liability Company. The CDA shall create a Wisconsin limited liability company ("Developer") that will be the legal entity to develop, construct and operate the tax credits housing portion of the Project. The CDA may assign to Developer its WHEDA tax credit allocation, and its rights, duties and obligations under the Cooperation and Development Agreement, construction contract, architecture and design contract and any other agreements related to the tax credits portion of the Project. **In contracts issued under this paragraph, the CDA shall endeavor, to the fullest extent possible, to provide employment and training opportunities to Allied area residents, including granting additional points to proposals that offer such opportunities.**

4. Tax Credits Housing. The CDA shall commence the Project by developing the northern third of the Redevelopment Property into ~~40 to 47~~ **48** units of Section 42 low income rental housing ("Phase 1 Housing"). The Phase 1 Housing shall remain affordable for a minimum of ~~25~~ **30** years at the levels of affordability and pursuant to the conditions enumerated in Resolution No. RES-07-00847 (File Number ~~05247~~ **05427**). The CDA will convey a portion of the Redevelopment Property to Developer by long term ground lease for construction thereon of the Phase 1 Housing.

5. Fannie Mae Loan. The CDA or Developer may borrow an amount not to exceed \$2,100,000 from the Fannie May American Communities Capital Revolving Fund Program and utilize the loan proceeds to assist in developing the Phase 1 Housing. All outstanding principal and interest payments under the Fannie Mae loan shall be due on or before December 31, ~~2010~~ **15, 2011**. Such loan shall be evidenced by a note and secured by a mortgage.

6. Public Improvements. The City, at its expense, shall construct certain public improvements to benefit the Redevelopment Property. The City shall also, prior to conveying the Redevelopment Property, **except as outlined in # 8 below**, demolish the improvements located thereon. Such demolition and public improvements shall be performed as public works construction projects under the direction of and pursuant to the discretion of the City Engineer, and are limited by the extent of funding authorized, from time to time, by the Common Council.

7. Existing Tenants. The CDA or Developer will reimburse the City, on or before the receipt of the first installment of tax credit equity, for all of the City's expenses in relocating existing residential, commercial and non-profit tenants located in the Redevelopment Property.

7. Financing. The CDA will be responsible for procuring sufficient financing for the Project. The Cooperation and Development Agreement shall be null and void and of no further effect if the CDA fails to obtain at least \$9,000,000 in firm financing commitments by August 1, 2008. The City's financial contribution will be limited to its contribution of land to the CDA, **demolition and public improvement costs outlined in item 6 above**, and its credit backstop of the Fannie Mae revolving line of credit loan.

Any equity capitalization, developer fee or other fee received by the CDA or Developer from the Project shall be reinvested in the Allied Drive neighborhood and other community development initiatives consistent with the City's policies, plans and objectives. **Additionally, following the completion of Phase 1:**

- **At least 20% of the developer fee shall be reinvested specifically into the development of low- and moderate- income rental housing, consistent with the City's policies, plans, and objectives.**
- **An additional 20% of the developer fee shall be set-aside for loans and grants to assist with affordability in Phase 2 of the Allied Redevelopment Project.**

8. Housing During Construction. The CDA will retain two Birch Hill Square buildings during construction of Phase 1 to be housing for tenants waiting to move into the Phase 1 project as well as for other tenants who are displaced in the Allied Drive Area, subject to the screening criteria developed by the Allied Area Task Force.

9. Relocation. The CDA will provide relocation costs to tenants currently residing in the redevelopment. Relocation costs will include at a minimum the following:

- a. Front-end moving and hook-up cost plus one free month's rent
- b. Renovation costs
- c. Back-end moving and hook-up costs.

10. If the units in Phase 1 are converted to condominiums, the net proceeds received due to the sale of rental housing shall be reinvested in rental housing for households at or below 50% AMI.

11. Final Approval. All aspects of the development for Phase 2 including the Request for Proposals, the final site plan, the level of affordability, the unit count by ownership and number of bedrooms shall be referred to the Housing Committee, CDBG Commission, Plan Commission, and Allied Drive Area Task Force for recommendations to the Common Council for final approval.

12. Affordability Targets. The CDA shall strive for units that are created in Phase 2 of the project which are affordable as follows:

- **Approximately 1/3 of the units will be affordable for people at 30-50% AMI**
- **Approximately 1/3 of the units will be affordable for people at 50-80% AMI**
- **Approximately 1/3 of the units will be affordable for people over 80% AMI.**

13. Land Sales Proceeds. At least 20% of any land sales proceeds from Phase 2 shall be reinvested specifically into the development of low- and moderate- income rental housing, consistent with the City's policies, plans, and objectives.

14. Connectivity. The CDA will work with City of Madison staff, the CDBG Commission, and the City of Fitchburg to ensure adequate connectivity throughout and between the redevelopment property and the two Fitchburg neighborhoods that surround it. This should include at least a sidewalk / bike path connection, and possibly a street connection, between Lovell Lane and Pawnee Pass.

15. Mixed Use. The CDA will strive to include live / work units in Phase 2. Additionally, the CDA and City of Madison shall work to encourage the development of neighborhood retail in the adjacent Madison Plaza

Shopping Center.

6. 16. Employment Opportunities. To the fullest extent possible, the CDA shall endeavor to provide employment and training opportunities to Allied area residents in the development of Phase 2, including granting additional points to development proposals that offer such opportunities.

NOW THEREFORE BE IT FURTHER RESOLVED that the Common Council finds that the development of the Project as described herein and in the Preliminary Allied Resolutions is in the vital and best interests of the City and its residents and is in accordance with the public purposes of the Redevelopment Act and the TIF Law under which the Project is being carried out.