



Legislation Text

File #: 00589, Version: 2

Fiscal Note

This resolution would authorize a \$2,322,000 loan to Monroe Street Neighbors, LLC (“Developer”) for the construction of a 53-unit condominium project, 12,000 square foot grocery and 129 parking stalls (“Project”). This loan would be repaid through incremental taxes generated by the Project and represents approximately 50% of the present value of all incremental taxes anticipated from the Project throughout the maximum 27-year life of the TID. This funding level is within the 50% policy established by Common Council.

Sufficient funding for this loan is authorized in the 2005 Capital Budget to provide the initial capitalization for this loan, financed with taxable general obligation borrowing. While it is anticipated that the incremental taxes generated by the Project will be sufficient to repay the loan, the Developer is required to guarantee a minimum payment if sufficient future tax increment is not available. The Developer is also obligated to return a 50% share of any surplus net proceeds, upon the receipt of a final audit of the project cost and sales records. The increment guarantee and equity participation payment are secured by a subordinated mortgage on the property.

Title

SUBSTITUTE - Authorizing the Mayor and City Clerk to execute a development agreement to fund a Tax Incremental Finance Loan to Monroe Neighbors, LLC to assist in the development of a mixed-use redevelopment project (Monroe Commons) located at 1864 Monroe Street in Tax Incremental Finance District No. 33 (Monroe-Harrison).

Body

WHEREAS, the City of Madison has, by adoption on September 21, 2004 of Resolution Number 61,922, ID Number 36,582, creating Tax Incremental District (TID) #33, approved a Project Plan for said district; and

WHEREAS said Project Plan, among other things, provides for planned economic, commercial, housing and mixed-use development in order to maintain the area, formerly occupied by Ken Kopps' grocery and an adjacent City of Madison Parking lot, as a healthy, vibrant center and the center of community activities; and

WHEREAS, Monroe Neighbors, LLC (“Developer”) has proposed to construct 53 condominium units including 3 units that shall be made affordable, a 12,000 square foot grocery and 129 parking stalls, at an estimated total development cost of approximately \$22,922,000 (“the Project”); and

WHEREAS \$2,322,000 of TIF assistance would be provided toward constructing the grocery element of the Project, located at 1802 and 1854 Monroe Street, currently occupied by the former Ken Kopps' grocery store and an adjacent City of Madison parking lot (the “Property”); and

WHEREAS, in conformance to City of Madison TIF Policy, said TIF assistance bridges a funding gap caused by the grocery element of the Project, attributable to impact of high land cost, hard cost, soft cost and construction of 62 stalls of underground parking allocated to the grocery that, in total, comprises approximately \$5,500,000 of approximately \$22,922,000 total project cost; and

WHEREAS, City staff has conducted an analysis (See Attached Report) of the Project and has determined the gap to be \$2,322,000 and that, but for TIF assistance, the Project could not occur; and

WHEREAS, in conformance to TIF Policy, \$2,322,000 of said TIF assistance represents approximately 50% of the present value of the estimated tax incremental revenues generated by the Project; and

WHEREAS, for the purpose of eliminating blighted conditions and developing a grocery store, the City finds it necessary and appropriate to make an exception to TIF Policy 2(c) that declares write-downs for land purchases that greatly exceed the assessed value of the current land use(s) as determined by the City to be an ineligible use of TIF; and

WHEREAS, \$1,800,000 of the loan becomes a grant when the Developer sells 30 residential condominium units to owner-occupants by June 30, 2007 and the \$522,000 of the loan becomes a grant when a grocery has operated for ten years in the Project; and

WHEREAS, if a grocery discontinues operations prior to the tenth year, the City shall provide Developer a one-time grace period of one year from the date of such discontinuance to procure another grocery to occupy the space before the City calls the Loan due and the period of time of such discontinuance shall be added at the end of the ten-year term of the Loan; and

WHEREAS, in addition to any other powers conferred by law, the City may exercise any power necessary and convenient to carry out the purpose of the TIF law, including the power to cause project plans to be prepared, to approve such plans, and to implement the provisions that effectuate the purpose of such plans; and

WHEREAS, the City of Madison has provided sufficient authorization within the 2005 Capital Budget; and

WHEREAS, Tax Incremental Finance District (TID) #33 was submitted to the State of Wisconsin Department of Revenue for certification of base value and increment on December 20, 2004; and

WHEREAS, the City of Madison anticipates state certification of TID #33 no later than May 30, 2005 and TIF funds may be released only upon the City's receipt of state certification of TID #33; and

NOW, THEREFORE, BE IT RESOLVED that the City hereby finds and determines that the Project is consistent with the public purposes, plans and objectives set forth in the TID #33 Project Plan and the City's funding of the Project costs would stimulate development of the Project, thereby making more likely an accomplishment of the public purpose objectives set forth in the TIF Project Plan, the TIF Law and City TIF Policy.

BE IT FURTHER RESOLVED that funding is subject to the following conditions:

1. The Project. Developer agrees to develop or cause to develop:
 - a. 50 new, market-rate, residential condominium units
 - b. 3 condominiums made affordable to households at a stipulated percentage of Dane County Median Income (DCMI) and for a period of affordability set forth and executed in an Inclusionary Zoning agreement.
 - c. Approximately 12,000 net square feet of ground-level space to be occupied by a grocery store.
 - d. 129 parking stalls
2. Form of Assistance. TIF assistance shall be provided in the form of a zero interest (0%) loan ("TIF Loan") from the City to Developer, in the amount of Two Million Three Hundred Twenty Two Thousand Dollars (\$2,322,000) to partially finance Developer's development of the Property. One Million Eight Hundred Thousand Dollars (\$1,800,000) of said Loan becomes a grant when Developer sells 30 residential condominium units to owner-occupants and the remaining Five Hundred Twenty Two Thousand Dollars (\$522,000) of said Loan becomes a grant when a grocery has operated in the project for ten years. If a grocery discontinues prior to the tenth year, the City shall provide Developer a one-time grace period of one year from the date of such discontinuance to procure another grocery to occupy the space before the City calls the Loan due. The ten-year term of the Loan shall be extended by the period of discontinuance of grocery operations.
3. Method of Payment. The City's expenditure in providing the TIF Loan shall be repaid by tax increments generated by the Project and guaranteed by the Developer and secured by a subordinated mortgage on the Property in a form acceptable to the City.
4. Evidence of Grocery Lease. Developer shall provide an executed lease of not less than 10 years, to the City's satisfaction, to occupy no less than 12,000 square feet of the Project to be operated as a grocery store.
5. Evidence of TID #33 Certification. The City shall make TIF funds available no sooner than the date the City receives evidence of the base value certification of TID #33 from the State of Wisconsin Department of Revenue.

6. Distribution of Proceeds. The proceeds of the TIF Loan shall be distributed to the Developer at closing. The TIF Loan shall be evidenced by a Note to the City of Madison bearing 0% interest. Developer shall execute a mortgage in favor of the City of Madison and an individual principal of the Developer shall execute a personal guaranty.
7. Equity Participation Payment. Developer shall pay the City fifty percent (50%) of residual profits that exceed those estimated in Developer's TIF Application of October 27, 2004 and amendments, resulting from net sales of the condominiums, less total audited costs, less the allowable annual return on investment (12%).
8. Satisfaction. The Mortgage shall be satisfied and the Note cancelled upon full payment of the Loan and Equity Participation and full compliance with the affordability requirement.
9. Affirmative Action (MGO 3.58 (9)). Developer and its contractors/subcontractors must comply with all applicable provisions of the Madison General Ordinance (MGO) 3.58 (9), concerning contract compliance requirements. Prior to commencing construction, Developer shall contact the City's Affirmative Action Department to assure that the developer is in compliance with the aforementioned requirements. Developer shall assist and actively cooperate with the Affirmative Action Department in obtaining the compliance of contractors and subcontractors with such applicable provisions of the Madison General Ordinance. Developer shall allow maximum feasible opportunity to minority/disadvantaged women business enterprises to compete for any contracts entered into pursuant to the contract.
10. Prevailing and Living Wage (MGO 4.20 & 4.23). Developer agrees to comply with Madison General Ordinances 4.20 and 4.23 that require Developer to provide a living wage and a prevailing wage.
11. Accessibility (MGO 3.72). Developer agrees to meet applicable accessibility accommodations for the Project as required by Madison General Ordinance 3.72.
12. Equal Opportunity and Fair Housing. Developer shall comply with all applicable local, state and federal provisions concerning Equal Opportunity and Fair Housing.
13. Material Changes. Any material changes to the size or use of the Project, which is stated in the TIF Assistance Application dated October 27, 2004 and its attachments and amendments submitted to the City as of the date of introduction of this resolution, will subject this loan commitment to reconsideration by the City and immediate repayment of the loan by Developer.
14. Project Completion. Developer must guarantee that the construction of the project will be completed by December 31, 2006. Developer shall guaranty the City's receipt of increment revenue as found on the City's TIF Increment Projection, titled "Monroe Commons: Developer's Guaranteed Assessment Schedule" dated February 10, 2005 and provide evidence that financing for such construction has been obtained by the Developer.
15. Property Insurance. Prior to funding, evidence must 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.
16. Title Insurance. At funding, Developer must provide a commitment for a title insurance policy of the proper type and amount of coverage to the City. The City shall receive a lender's policy.
17. Environmental Assessment. Developer shall provide the City an environmental assessment of the site which is acceptable to staff.
18. TIF Funding Sign. Developer agrees to erect a sign on the site to include the following language in print of the same size, color and type as that identifying the other project financing sources: "Financing provided in part by City of Madison Tax Incremental Finance (TIF) Funds."

BE IT STILL FURTHER RESOLVED that the City, at its sole discretion, finds it necessary and appropriate to make exception to City of Madison TIF Policy 2(c) that declares write-downs for land purchases that greatly exceed the

assessed value of the current land use(s) as determined by the City to be an ineligible use of TIF.

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