



Legislation Text

File #: 05701, **Version:** 1

Fiscal Note

This resolution would authorize a \$250,000 end loan from the Madison Capital Revolving Fund to 20 West Mifflin Associates, LLC for structural improvements and renovation of the building located at 20 West Mifflin, formerly occupied by McDonald's. 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 loan would be a maximum of seven (7) years at an interest rate of 3% in Years One (1) through Five (5), interest of 4% in Year Six (6) and interest of 5% in Year Seven (7). The borrower will make quarterly principal and interest payments with a balloon payment of principal and interest due in Year Seven (7). The Borrower's obligation to repay would be secured by a subordinated mortgage on the property and a personal guaranty. The Adopted 2007 Planning and Development Capital Budget (project #7) authorized \$240,000 for MCRF loans. A budget amendment is therefore required to authorize an additional \$10,000. The existing fund balance in the MCRF program is sufficient to fund this amended amount without additional borrowing.

Title

Authorizing 1) an amendment to the 2007 Capital Budget to appropriate an additional \$10,000 from the Madison Capital Revolving Fund (MCRF) and 2) the Mayor and City Clerk to execute an agreement to fund a \$250,000 Madison Capital Revolving Fund loan to 20 West Mifflin Associates, LLC to renovate the property at 20 West Mifflin into 4,477 square feet of commercial space.

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, Martin Rifken is the managing member of 20 West Mifflin Associates, LLC ("Borrower") and has proposed to renovate the property at 20 West Mifflin (on the Capitol Square), formerly occupied by McDonald's, at an estimated total development cost of approximately \$1,799,000 ("Project"); and

WHEREAS, the Borrower has requested that the City of Madison provide \$250,000 of MCRF assistance to write-down higher construction costs attributable to structural improvements to the facade and interior renovation; 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 February 8, 2007 the CDA approved a MCRF loan to Borrower of \$250,000 at the terms and conditions described herein.

NOW THEREFORE BE IT RESOLVED that an end loan in the amount of \$250,000 be made to 20 West Mifflin Associates, LLC, evidenced by a note made to the City of Madison under the following terms and conditions:

1. Distribution of Proceeds. Proceeds shall be distributed in the form of an end loan, upon the Borrower providing certification that the project has been completed and evidence that all contractual work has been paid by the Borrower.
2. Seven-Year Note. The loan shall be evidenced by a seven (7) year note to the City of Madison amortized over 20 years at an interest rate of 3% compounded annually, in years 1 through 5, 4% in Year 6 and 5% in Year 7. Principal and interest shall be paid quarterly.

3. Security. The loan shall be secured by a second mortgage on the real estate and improvements made thereon located at 20 W. Mifflin Street. Borrower's first mortgage shall not exceed \$850,000.
4. Loan to Value. Prior to closing, Borrower shall also submit an appraisal indicating a loan to value ratio of not more than 90%.
5. Evidence of Lease. Prior to closing, borrower shall provide evidence of a lease to CDA demonstrating a lease term of at least five (5) years and base rent of not less than \$23 per SF for the ground floor space.
6. Land Contract Subordination. Land Contract Vendor shall subordinate any interest that he has in the property.
7. Personal Guaranty. Borrower shall provide a personal guaranty of the loan.
8. The Project. Borrower agrees to renovate and improve 4,477 SF of the existing structure located at 20 West Mifflin. Any material changes to the size or use other than that which is proposed, will subject this loan commitment to reconsideration by the City.
9. 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 and paid for one full year following commencement of construction. The policy shall name the City of Madison as an additional insured.
10. Title Insurance. At funding, Borrower 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 at the completion of construction.
11. Environmental Assessment. Borrower shall provide the City an environmental assessment of the site which is acceptable to staff.
12. MCRF Funding Sign. Borrower 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 Capital Revolving Fund."
13. Project Completion. Borrower must guarantee that the construction of the Project will be completed by April 30, 2008 and provide evidence that financing for such construction has been obtained by the Borrower.
14. Loan Commitment Expiration Date. The Borrower understands and agrees that the City of Madison, at its option, may cancel this loan commitment if the project is not completed by April 30, 2008 or does not comply with the plans as approved by the Plan Commission and Planning Unit.
15. Satisfaction. The Mortgage shall be satisfied and the Note cancelled upon full payment of the MCRF Loan.
16. Affirmative Action (MGO 3.58 (9)). Borrower 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, Borrower shall contact the City's Affirmative Action Office to assure that the developer is in compliance with the aforementioned requirements. Borrower shall assist and actively cooperate with the Affirmative Action Office in obtaining the compliance of contractors and subcontractors with such applicable provisions of the Madison General Ordinance. Borrower shall allow maximum feasible opportunity to minority/disadvantaged women business enterprises to compete for any contracts entered into pursuant to the contract.
17. Prevailing and Living Wage (MGO 4.20 & 4.23). Borrower agrees to comply with Madison General Ordinances 4.20 and 4.23 that require Borrower to provide a living wage and a prevailing wage.
18. Accessibility (MGO 3.72). Borrower agrees to meet applicable accessibility accommodations for the project as required by Madison General Ordinance 3.72.

BE IT STILL FURTHER RESOLVED that the 2007 Planning and Development Capital Budget is amended to appropriate an additional \$10,000 from the Madison Capital Revolving Fund.

BE IT STILL FURTHER RESOLVED that the MCRF assistance to the Project 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.