



Legislation Text

File #: 03194, Version: 2

Fiscal Note

This resolution would authorize the City to purchase the residential properties in the Allied Drive neighborhood referred to as the "Hauk property" for a price not to exceed \$6,000,000 including closing costs. In addition, it would authorize the City to contract for ongoing management and maintenance of these properties. While no amount has been specified for these holding costs, estimates have ranged from \$150,000 to \$250,000 per year.

Costs related to this proposed redevelopment project would be eligible TIF expenditures. However, these costs exceed the expenditures authorized in the adopted plan for the TIF district, and an amendment to the plan, approved by the Common Council and the Joint TIF Review Board, would be required to authorize TIF reimbursement. If such approval is not received, the City would be directly responsible for all costs associated with this project.

The 2006 Capital Budget authorizes expenditures of \$1,000,000 in the Allied Terrace TIF District (TID #29) for redevelopment projects of this nature, funded with the available balance within the TIF fund. Therefore, funding for the first \$1,000,000 of costs stemming from the proposed Hauk property acquisition is budgeted and available. This resolution amends the current budget to increase authorized expenditures by \$5,875,000, funded with general obligation debt. The amendment would provide sufficient authorization to finance acquisition of the property and to pay any anticipated holding costs. The permanent borrowing would likely occur during the fall of 2006, and the actual amount borrowed would be reduced if known costs prove to be lower.

Because City acquisition of this property will remove it from the tax roll at least temporarily, the acquisition will not generate the additional increment needed to retire this new debt. The costs and debt service associated with this project would, therefore, be paid from future tax increment generated within the remainder of TID #29 to the extent it is available and sufficient.

Based on the best current estimates, it is likely that all of the tax increment generated from the entire TIF district during the remaining 21 years of its life would be consumed to acquire this property and prepare it for resale. Thus, no additional TIF expenditures could be financed in this district unless future increment would significantly exceed current projections. If future tax increment would fall below the projected level, the total tax increment generated within this district would be insufficient to cover costs, and the City would be responsible for funding any future shortfall.

Title

AMENDED - Authorizing the Director of the Department of Planning and Development to submit bids to the Receiver in Dane County Circuit Court Case No. 06CV357 for the purchase of the properties located at 2317, 2345, and 2409 Allied Drive; authorizing the Mayor and Clerk to execute a management agreement for management of the properties; and to authorize the Mayor and Clerk to enter into all necessary agreements to effect the sale and management during the City's ownership, and amending the 2006 Capital Budget to appropriate \$5,875,000 to fund this purchase. 10th Ald. Dist.

Body

Preamble

On September 19, 2000, the City of Madison adopted Resolution Number 57568, ID Number 27996, creating Tax Incremental District (TID) #29 for the Allied-Dunn's Marsh Neighborhood and approving a Project Plan for said district, which plan provides for the following goals: (a) maintain a balance between the needs of its residents for housing, employment, transportation, goods and services, schools, parks and other urban amenities; (b) ensure the integrity of developing residential neighborhoods on the periphery of the City by requiring adjoining development to be part of compact planned residential neighborhoods within approved urban service areas providing the full range of adequate public facilities and public services; (c) provide adequate and accessible park, recreation and open space facilities for the enjoyment and use of all segments of the City's population; (d) maintain economically viable neighborhood commercial districts as a source of local employment, a focus of neighborhood activity, and a centralized convenience shopping and service center for residents of the

surrounding area; and (e) in residential neighborhoods, preserve the existing housing stock in sound, well-maintained condition.

As part of the City's efforts to plan for the stabilization and revitalization of the area, the Common Council adopted amended Resolution 05-00841 (Legislature ID Number 02119) on October 11, 2005. The amended Resolution authorized \$100,000 to assist in the preparation of a redevelopment implementation plan and to authorize staff to negotiate an option with Hauk Investments, LLC ("Hauk") to purchase the properties at 2317, 2345, and 2409 Allied Drive. Upon adoption of the Resolution staff began a process to engage the services of consultants to help in the development of the implementation plan. An appraisal was also ordered to establish a value for the properties which would form the basis for City negotiations to purchase the properties.

After receipt of the appraisal, staff did have discussions with Hauk to enter into the option. On February 2, 2006, Hauk assigned its interest in the properties to a Receiver. As a result of the assignment for the Benefit of Creditors, in this case Amcore Bank ("Amcore"), the ability to acquire an option from Hauk was no longer viable. A request to Amcore to consider an option on the properties - in order to allow the planning process to proceed culminating in a design Charrette to be held between July 6-July 7, 2006, within the Allied Drive community was denied by Amcore.

To be able to be a part of any auction to be held by the Receiver on behalf of the creditors, the City needs to be prepared to bid at the auction, scheduled to be held on or about April 18, 2006, at a time and location to be determined.

BE IT RESOLVED, that the City of Madison, will work with the current residents of the Allied Drive/ Dunn's Marsh neighborhood and the American Institute of Architects (AIA) to develop a comprehensive Allied Revitalization Plan. The Scope of this Allied Revitalization Plan will be developed by an open participatory process that includes all key City committees, the Allied Task Force, Allied and Dunn's Marsh neighborhood residents--including residents of Fitchburg--and other community stakeholders. The actual Plan will be subject to Common Council approval. Said Plan will give specific attention to the creation of detailed housing redevelopment strategies for the neighborhood and a timetable for redevelopment. The Plan will describe the City role in financing aspects of this plan but, after initial City stimulation, the majority of the redevelopment is intended to be done by the private sector **with maximum financial assistance provided by private and non-city capital.** The process for developing a more detailed physical plan for the neighborhood than currently exists and identifying the redevelopment strategies will involve a charrette conducted by the AIA mid summer 2006; as well as follow-up work to the charrette by the Allied Area Task Force, residents, City staff, and other community stakeholders.

BE IT FURTHER RESOLVED, that the City will address the needs of the current Allied residents by utilizing financial and other tools to permit those current residents who have lived in the neighborhood for years and who have made the commitment to work to improve the neighborhood to remain in the neighborhood in the face of rising rents and property values when the City's initiative shows success. This will be done by a combination of strategies designed to improve, maintain and expand the supply of high-quality affordable rental housing units in the Allied-Dunn's Marsh area, particularly three-bedroom units and strategies that keep Allied housing affordable for those current long-term residents who live on fixed and/or lower incomes. The City will commit to identifying and using effective strategies that reduce displacement while creating a range of opportunities for homeownership. The Allied Revitalization Plan will be designed to promote racial and economic diversity.

BE IT STILL FURTHER RESOLVED, that the redevelopment planning for the subject properties will include a target percentage of owner-occupied housing that will occur through a variety of ownership options and housing types. The Plan will also address the need for affordable housing by establishing a goal of providing a percentage of affordable units for incomes at 30% or more of County median income. The planning process will determine actual percentages.

BE IT STILL FURTHER RESOLVED, that redevelopment of the subject property is expected to occur in 2006 and 2007 with construction of housing units designed for homeownership commencing in mid-2007.

NOW, THEREFORE, BE IT RESOLVED that the City of Madison is authorized to bid at auction for the purchase of real estate from Michael Polsky (the "Receiver") for the property located at 2317, 2345, and 2409 Allied Drive, as shown on the attached map and described as: PARCEL A - Lot Ninety-seven (97), 1st Addition to Allied Terrace, in the City of Madison, Dane County, Wisconsin. PARCEL NO. 251-0609-052-0706-0. PARCEL B - Lots Ninety-eight (98) and Ninety-

nine (99), 1st Addition to Allied Terrace, in the City of Madison, Dane County, Wisconsin. PARCEL NO. 251-0609-052-0707-8. PARCEL C - Lot One Hundred (100), 1st Addition to Allied Terrace, in the City of Madison, Dane County, Wisconsin. PARCEL NO. 251-0609-052-0709-4 (Collectively the "Sale Parcels"), on the following terms and conditions:

1. The maximum bid the City is authorized to offer on the Sale Parcels, together with the buildings, improvements and to the extent they are currently owned by Receiver, fixtures, and personal property located thereon, to the City for the total purchase price of \$5,875,000, payable in cash at closing, subject to the adjustments and prorations herein provided.
2. The Receiver has given the City a full opportunity to inspect the Sale Parcels. The City shall accept the Sale Parcels in "AS IS" condition, without any warranties, express or implied, except for the warranty of title contained in the Receiver's Deed to be executed at closing.
3. The Receiver will provide to the City, at the Receiver's expense, a title insurance commitment (the "Commitment") for the Sale Parcels in the amount of the total purchase price. The commitment shall show title, as of a date no more than fifteen (15) days before such title proof is provided to the City, to be in the condition called for herein, subject only to liens which will be paid out of the proceeds of the closing and to any standard title insurance exceptions acceptable to the City. The City shall notify the Receiver of any valid objection to title, in writing, within fifteen (15) days of such title being provided to the City. The Receiver shall have a reasonable time, but not exceeding fifteen (15) days thereafter, to remove the objections, and closing shall be extended as necessary for this purpose. Should the Receiver be unable or unwilling to correct a valid legal defect in title which the City is unwilling to waive, the City may, in its discretion, decline to close, and its bid shall be void. Any endorsements desired by the City shall be at the City's sole expense, except that the Receiver shall provide a gap endorsement and UCC search at closing at the Receiver's expense.
4. Conditions of Sale:
 - a. The Receiver shall convey the Sale Parcels to the City subject to residential housing leases in effect on the date of closing.
 - b. Until the Closing Date, the Receiver shall maintain the Sale Parcels in a reasonable state of repair. Except in the event of emergency, the Receiver shall obtain the prior written approval of the City before taking any action which could have a material adverse affect on the value of the Sale Parcels.
5. Closing:
 - a. Closing of the transaction shall take place on a date mutually agreeable to the parties, provided that such date (the "Closing Date") shall not occur later than May 31, 2006, unless both the City and the Receiver agree upon another date.
 - b. The Receiver agrees to execute and deliver to the City at closing a Receiver's Deed conveying to the City fee simple title to the Sale Parcels, free and clear from all liens and encumbrances, excepting municipal and zoning ordinances, recorded easements, recorded building and use restrictions and covenants, taxes levied in the year of closing and all subsequent years, and exceptions to title previously approved by the City. The Receiver agrees to execute a Bill of Sale for the personal property.
 - c. A proration of all income and operating expenses relating to the Sale Parcels (other than expenses of real estate taxes and assessments) shall be made as of the Closing Date, with the Receiver responsible for the expenses and entitled to the revenues accrued or applicable to the period prior to the Closing Date and the City responsible for the expenses and entitled to the revenues accrued or applicable on and after the Closing Date, which shall include, but not be limited to the following: Assignment of leases presently in force at the time of the closing; transfer of security deposits, interest on security deposits presently held in escrow by the Receiver, and income due to the City through coin laundry revenue.
 - d. Real Estate taxes delinquent, due, and payable on the Sale Parcels shall be paid by the Receiver. Current

year taxes shall be prorated based on the net general taxes for the current year, if known, or the latest assessment times the latest known mill rate.

- e. The Receiver shall be responsible for any and all special assessments, area assessments, connection charges, interceptor charges or any other charges payable to any municipality or utility with regard to the Sale Parcels which are due and owing as of the Closing Date.

BE IT FURTHER RESOLVED that the Common Council hereby finds and determines that this acquisition is consistent with the public purposes, plans and objectives set forth in the TID 29 Project Plan and the City's funding of the acquisition is an eligible project cost pursuant to TIF law.

BE IT FURTHER RESOLVED that the 2006 Planning and Development Capital Budget be amended to authorize the purchase of the Sale Parcels for an amount not to exceed \$5,875,000, funded with general obligation borrowing.

BE IT STILL FURTHER RESOLVED that staff is authorized to negotiate agreements to provide for the ongoing management and maintenance of the Sale Parcels during the time of the City's ownership of the Sales Parcels.

BE IT STILL FURTHER RESOLVED that if negotiations for property management are agreeable that the proposed agreement will be brought before the Common Council for further action.

BE IT STILL FURTHER RESOLVED that an amount not to exceed \$125,000 be allocated to fund miscellaneous acquisition costs including environmental testing, prorated taxes (approximately \$98,600) and other closing costs, funded with available TIF increment revenue.

BE IT STILL FURTHER RESOLVED that the Comptroller is authorized to internally borrow to finance the cost of this acquisition until the next permanent borrowing takes place.

BE IT STILL FURTHER RESOLVED that the Mayor and City Clerk are authorized to sign any and all documents related to this acquisition that are necessary to complete the purchase.