



Legislation Text

File #: 24230, **Version:** 1

Fiscal Note

This resolution would authorize a \$1,372,000 loan to GI Clinic, LLC ("Developer") for the redevelopment of the southeast corner of the former Erdman property located at the southwest corner of University Avenue and Whitney Way. The redevelopment consists of an approximately 60,000 SF medical and commercial office building being leased by the University of Wisconsin Hospital and Clinic Authority for a Digestive Health Clinic and 265 parking stalls ("Project"). This loan would be repaid through incremental taxes generated by the Project and represents approximately 29% of the present value of all incremental taxes anticipated from the Project throughout the 27-year life of TID #41, created on September 6, 2011. The TIF Loan is contingent upon evidence of TID base value certification being provided by the Wisconsin Department of Revenue, anticipated in the first quarter of 2012.

Funds to capitalize this loan are included in the 2012 Executive Capital Budget of the Planning, Community and Economic Development Division, Project No. 13, "TID 41 - University/Whitney," Account No. 824101, which authorizes a total of \$3.4 million in financial assistance for development projects in the TID. Funding will be general obligation debt proceeds, with the debt service to be supported by TID incremental revenues. While it is anticipated that the incremental taxes generated by the Project will be sufficient to repay the loan within approximately 5 years, the Developer is required to guarantee a minimum payment if sufficient future tax increment is not available.

The Developer is also obligated to return an equity participation payment equal to either six percent (6%) of the gross selling price of the Property, including improvements thereon, on the day of sale or seven percent (7%) of the assessed valuation of the Property, including improvements thereon on September 6, 2038 whichever occurs first, in an amount not to exceed \$1,372,000.

The increment guarantee and equity participation payment are secured by a subordinated mortgage on the property. The TIF Loan also requires that Developer be prohibited from selling or transferring the Property prior to repayment of the TIF Loan. If Developer sells or transfers the Property to the University of Wisconsin Hospital and Clinic Authority or other tax-exempt entity, Buyer shall pay an annual payment in lieu of taxes (PILOT) in the amount of the property tax paid as of the date of sale, frozen, through 2038.

Title

Authorizing the Mayor and City Clerk to execute a development agreement to fund a \$1,372,000 Tax Incremental Finance Loan to GI Clinic, LLC to assist in the development of the University Crossing commercial redevelopment project located on the southwest corner of the intersection of University Avenue and the Whitney Way in the proposed TID #41 (University-Whitney).

Body

WHEREAS the City of Madison has on September 6, 2011 by adoption on of RES-11-00752 File ID Number 23263, created the boundary and Project Plan for Tax Incremental District (TID) #41; and

WHEREAS the intent and purpose of the Project Plan, among other things, is to eliminate blighting conditions and attract and retain business and employment in the former Erdman property located southwest corner of the intersection of University Avenue and Whitney way; and

WHEREAS, GI Clinic, LLC ("Developer") has proposed to construct no less than 60,000 square feet of medical clinic and not less than 265 parking stalls, leased by the UW Hospital and Clinic Authority for a Digestive Health Clinic at an estimated development cost of approximately \$21,862,000 ("Project") on property generally

located at the southwest corner of the intersection of the University Avenue and Whitney Way ("Property"); and

WHEREAS, the Project would generate additional tax increment that would pay for additional public works and improvements to the University Avenue - Whitney Way area, would retain 35 existing jobs and create 127 new jobs in said area and stimulate additional new employment, these outcomes being consistent with said intent and purposes of the Project Plan and City of Madison TIF Policy; and

WHEREAS, in conformance to City of Madison TIF Policy, the \$1,372,000 gap is attributable to demolition and infrastructure costs, including construction of new streets and sanitary sewer; and

WHEREAS, City staff has conducted an analysis (See Attached Report) of the Project and has determined the gap to be \$1,372,000 and that, but for TIF assistance, the Project could not occur; and

WHEREAS, \$1,372,000 of said TIF assistance represents approximately 29% of the present value of the estimated tax incremental revenues generated by the Project and is consistent with TIF Policy that no more than 50% be made available to a project; and

WHEREAS, the TIF Loan becomes a grant when tax increment received from the Project and/or Developer out-of-pocket payments are sufficient to repay the TIF 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, funding of the loan proceeds to this project is anticipated in 2012 and thereby would require authorization in the City of Madison 2012 Capital Budget; 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 #41 Project Plan and that the City's loan to Developer demonstrates the potential to eliminate blighting conditions and attract and retain businesses and employment in the University Avenue - Whitney Way area and finance additional public works and improvements that would stimulate planned commercial redevelopment in TID #41, thereby making more likely an accomplishment of the public purpose objectives set forth in the Project Plan and its amendment, the TIF Law and City TIF Policy.

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

1. The Project. Borrower agrees to develop:
 - a. Not less than 60,000 gross square feet of clinic space or other use allowed by the zoning text.
 - b. No fewer than 265 parking stalls allocated for employees, visitors and customers of the clinic or other use allowed by the zoning text.
2. Form of Assistance. TIF assistance shall be provided in the form of a zero interest (0%) loan at closing from the City to Borrower, in the amount of One Million Three Hundred and Seventy Two Thousand Dollars (\$1,372,000) ("TIF Loan") to partially finance Borrower's development of the Project. Said TIF Loan becomes a grant when tax increment recovered from the Project and/or cash payments by Borrower are sufficient to repay the TIF Loan and the City's associated borrowing costs.
3. 2012 Capital Budget Authorization. Funding of the TIF Loan is anticipated for 2012. The TIF Loan is contingent upon funding being authorized in the 2012 City of Madison Capital Budget.

4. Evidence of Lease. Prior to the TIF Loan closing, Borrower shall provide an executed lease or leases in a form acceptable to the City by December 31, 2012, with clinic tenant(s), with primary terms of not less than 15 years and such tenant(s) occupying not less than 60,000 square feet of the Project (approximately 100% of leaseable area stated as of the April 20, 2011 TIF Application and its amendments or attachments).
5. Evidence of TID #41 Certification of Boundary and Project Plan. The City shall make TIF funds available no sooner than the date the City receives evidence of the base value certification of a Boundary and Project Plan from the State of Wisconsin Department of Revenue to create TID #41.
6. Method of Payment and Tax Increment Guaranty. The City's expenditure in providing the TIF Loan shall be repaid by Borrower through tax increments generated by the Project and/or cash payments by Borrower. Borrower shall guaranty the City's receipt of increment revenue.
7. Security. The TIF Loan shall be evidenced by a Note to the City of Madison in the amount of the TIF Loan bearing zero percent (0%) interest ("Note"). Borrower shall execute a second mortgage in favor of the City of Madison securing payment of the TIF Loan and equity participation payment ("Mortgage"). The City shall agree to execute a subordination of mortgage in a form approved by the City Attorney. An individual principal of the Borrower shall execute a personal guaranty guaranteeing payment of the TIF Loan and equity participation payment.
8. Equity Participation Payment. In addition to all other payments required to be made by Borrower to the City, Borrower shall pay the City six percent (6%) of the gross sale proceeds, representing the percentage of TIF assistance disbursed for TIF-eligible project costs, not to exceed One Million Three Hundred and Seventy Two Thousand Dollars (\$1,372,000) on the day of sale or transfer of the Project, including improvements thereon or on September 6, 2038, whichever occurs first. ("Equity Participation").
9. Sale to Tax Exempt Entity - PILOT Payment. Borrower shall be prohibited from selling or transferring the Property prior to the Borrower's repayment of the TIF Loan. If Borrower sells or transfers the Property to the UW Hospital and Clinics Authority or other such tax exempt entity ("Buyer"), whereupon such ownership renders the Property as property tax exempt, Buyer shall pay the City an annual payment in lieu of taxes (PILOT) in the amount of property tax last levied as of the date of sale to Buyer, frozen, through 2038. The City of Madison shall share said PILOT in proportion with the overlying taxing jurisdictions. Buyer shall execute a PILOT Agreement and a mortgage in favor of the City in the amount of the PILOT payments ("Buyer's Mortgage") at the time of Buyer's acquisition of the Property. The Buyer's Mortgage and PILOT Agreement shall be released and terminated by the City upon the receipt by the City of the required PILOT payments.
10. Satisfaction. The Mortgage shall be satisfied and the Note cancelled upon full payment of the TIF Loan and equity participation payment.
11. 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 to minority/disadvantaged women business enterprises to compete for any contracts entered into pursuant to the contract.
12. Living Wage (MGO 4.20). Borrower shall comply with Madison General Ordinance 4.20 that requires

Borrower to provide a living wage.

13. Accessibility (MGO 39.05). Borrower shall submit a written assurance of compliance with Madison General Ordinance 39.05.
14. Equal Opportunity. Borrower shall comply with all applicable local, state and federal provisions concerning Equal Opportunity.
15. Material Changes. Any material changes to the size, use or ownership of the Project or Property that is stated in the TIF Application dated April 20, 2011 and its attachments and amendments submitted to the City as of the date of introduction of a resolution to the Common Council to approve this TIF Loan, shall subject this TIF Loan commitment to reconsideration by the City, or if the loan has been made to immediate repayment of the TIF Loan by Borrower.
16. Project Completion. Borrower shall guarantee that the construction the Project shall be completed by December 31, 2013. Project completion shall be evidenced by the issuance of a certificate of occupancy.
17. 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.
18. Title Insurance. At least fifteen (15) days prior to closing, Borrower shall 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.
19. Environmental Assessment. Borrower shall provide the City an environmental assessment of the site which is acceptable to staff.
20. Land Use Approval Contingency. The terms and conditions of this TIF assistance are contingent upon approval and recording of the GDP/SIP for the Project as described in the April 20, 2011 TIF Application and its amendments and attachments including no less than 60,000 gross square feet of commercial and 265 parking stalls.

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.