



Legislation Text

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Fiscal Note

The proposed resolution will authorize a deferred loan to Red Caboose Child Care Center to offset construction costs of the new location in the Union Corners development within TID 37. Repayment of the loan will be due upon the sale, transfer, or change of use of the property. RES-16-00534 (File ID 43551), adopted on July 19th 2016, authorized the land sale for a purchase price of \$825,000; under the proposed resolution the final sale price will be \$675,000. Proceeds from the transaction will be applied to TID 37 to pay down outstanding expenses within the district; TID 37 currently has \$4.9m in unrecovered costs.

Title

Authorizing a \$150,000 loan in the form of a reduced sale price to Red Caboose Child Care Center, Inc (Borrower) to partially fund the purchase of land and improvements at 2340 Winnebago Street (Property).

Body

Background

Borrower currently operates a daycare at 654 Williamson Street. Due to the rise in demand and services, this space is no longer adequate. The organization proposes to purchase a property in the Union Corners development that will allow them to have more service capacity. The acquisition and rehabilitation of this property will provide on-site space for childcare, a playground and will host the main office headquarters for the organization.

Action

WHEREAS, the City of Madison and Borrower have entered into a Purchase and Sale Agreement effective August 31, 2016 in the amount of \$825,000 to purchase 2340 Winnebago Street (Parcel #251-0710-064-2220-9); and

WHEREAS, Borrower intends to use the Property for the purpose of operating a child care facility and additional office or retail space; and

WHEREAS, the City has a desire to maintain quality accredited child care near the downtown area; and

WHEREAS, Borrower has a mission to provide daycare services to low income families in the downtown Madison area; and

WHEREAS, Borrower is in process of a Capital Campaign and the City seeks to assist the Borrower by providing funds in the form the purchase price reduction.

NOW THEREFORE BE IT RESOLVED that sales proceeds in the amount of \$150,000 will be credited to Red Caboose Child Care Center, Inc at the time of closing evidenced by a loan agreement, mortgage, note and land use restriction made to the City of Madison under the following terms and conditions:

1. The Project. Borrower agrees to operate at that location as a child care facility for the life of the loan.
2. Form of Assistance. Loan assistance shall be disbursed at the time of purchase in the form of a One Hundred Fifty Dollar (\$150,000) loan from the City to Borrower. This will be shown as a debit to the City (the seller) and credit to the Borrower on the closing disclosure.

3. Security/Repayment Terms. The Loan shall be evidenced by a Note to the City of Madison in the amount of \$150,000, this Note will bear no interest or pre-payment penalty. The Loan shall be a long term deferred loan payable upon sale, transfer or change of use of the property. The Note will require repayment of either a percentage of the appraised value after-rehab or construction based on the amount of City funds invested in the property or a percentage of the net proceeds, whichever is less. Borrower shall execute a mortgage on the Property in favor of the City of Madison securing payment of the City Loan. The City shall agree to execute a subordination of mortgage in a form approved by the Community Development Division if necessary.
4. Land Use Restriction Agreement. The Property shall be restricted to use for the purpose of a child care facility. The restriction shall terminate upon payment of the Note.
5. Satisfaction. Mortgage shall be satisfied and the Note cancelled upon full repayment of the City loan under the terms stated above.
6. 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 small business enterprises to compete for any contracts entered into pursuant to the contract.
7. Living Wage (MGO 4.20). Borrower shall comply with Madison General Ordinance 4.20 that requires Developer to provide a living wage.
8. Accessibility (MGO 39.05). Borrower shall submit a written assurance of compliance with Madison General Ordinance 39.05.
9. Equal Opportunity. Borrower shall comply with all applicable local, state and federal provisions concerning Equal Opportunity.
10. Equal Benefits. Borrower shall comply with Madison General Ordinance 39.07 that requires Developer to provide equal benefits.
11. Ban the Box. Borrower shall comply with Madison General Ordinance 39.08 related to job applicant arrest and conviction records.
12. Project Completion. Borrower shall guarantee that the construction of the Project shall be completed by September 30, 2018. Project completion shall be evidenced by the issuance of a certificate of occupancy for the Project.
13. 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.
14. 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 paid for by the Borrower.

BE IT FURTHER RESOLVED, the Borrower must purchase the property by November 1, 2016, in accordance with the Purchase and Sales Agreement, or else this Resolution will be null and void.

BE IT FINALLY RESOLVED, that the Mayor and City Clerk are hereby authorized to execute a loan agreement and related loan documents with the Borrower, and to record documents as necessary to accomplish the purpose of this Resolution on forms to be approved by the City Attorney.