Legislation Details (With Text)

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File created:	2/16/2011		**In control:**	BOARD OF ESTIMATES (ended 4/2017)	
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Enactment date:	3/16/2011		**Enactment #:**	RES-11-00220	
Title:	Authorizing amendments to the land contracts entered into between the City of Madison and Hartmeyer LLC and Madison Ice MIA LLC for the purchase of the Hartmeyer and Madison Ice Arenas.				
Sponsors:	David J. Cieslewicz, Satya V. Rhodes-Conway				
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Attachments:	1. ice debt proforma 2-4-11.pdf, 2. 3.15.2011 registrations				

Date	Ver.	Action By	Action	Result
3/15/2011	1	COMMON COUNCIL	Adopt	Pass
3/7/2011	1	BOARD OF ESTIMATES (ended 4/2017)	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER	Pass
2/22/2011	1	COMMON COUNCIL	Referred	
2/16/2011	1	Economic Development Division	Referred for Introduction	

Fiscal Note

The proposed land contract amendment contains three changes with a direct financial impact. First, the payment schedule would be lengthened from the current ten year contract with semi-annual payments and a balloon payment of $741,348.94 due on January 30, 2014. The amended contract provides for a twenty-five year term with semi-annual payments and no balloon payment due at contract completion on January 30, 2036. Second, the interest rate would be reduced from the current five percent to a new level of three percent. And third, no payment would be due on January 30, 2011. This payment would be rolled into the new financing package, with the new schedule of semi-annual payments commencing on July 30, 2011.

The new contract would have both short term and long term impacts. In the short term, the City would earn less interest revenue in each of the years 2011 through 2013. Lost interest revenues would amount to $29,721.42 in 2011, $15,001.60 in 2012, and $13,336.92 in 2013.

In the long run, however, interest revenue is increased as the payments are made over a much longer length of time. Beginning in 2014, interest revenues would be higher in each of the years through contract end in 2036. Total net interest revenues would increase by $231,509.18 under the new contract over the next twenty-five years.

In addition to the direct effects of the new land contract, there are at least two indirect financial impacts to consider. First, keeping the two facilities in nonprofit private sector hands has allowed the City to avoid payment of an operating subsidy. This subsidy amounted to $237,616 in 2003, the last full year of budgeted subsidy. And second, the current nonprofit management group has indicated that the financial relief provided by the refinancing will be used to implement a new capital improvement program. To the extent that the two facilities are kept modern and up to date, the City would benefit in the event of a default on the land contract. Therefore, encouraging reinvestment in the facilities could be considered advantageous to all parties.

Title

Authorizing amendments to the land contracts entered into between the City of Madison and Hartmeyer LLC and Madison Ice MIA LLC for the purchase of the Hartmeyer and Madison Ice Arenas.

Body

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On June 15, 2004, the Common Council adopted an Amended Third Substitute Resolution (Resolution No. 61584 ID No. 35176) which accepted an Offer to Purchase from Madison Ice Hartmeyer LLC and Madison Ice MIA LLC (collectively the "LLCs) for the purchase of the Hartmeyer Ice Arena and the Madison Ice Arena (the "Arenas"). The City was operating the Arenas with an annual deficit and wanted to divest itself of this operating loss while maintaining a minimum of two ice sheets within the City. The purchase price of the Arenas was $1.1 million and was to be paid under the terms of a separate land contract for each ice arena (the "Land Contracts") that were entered into by the parties in July, 2004. Each land contract had a principal amount of $550,000 to be paid in the following manner: 10 year term, twenty year amortization, semi-annual payments, a balloon payment, a 5% interest rate compounded semi-annually. In addition, the Land Contracts provided that the LLC's maintain a minimum of two (2) ice sheets within the City of Madison for a period of twenty (20) years from the date of execution of the Land Contracts. The LLCs are current on their land contract payments.

The LLCs have requested that the City modify the payment schedules of the Land Contracts to reduce the amount of the semi-annual payments to provide working capital for capital improvements to the Arenas. The capital improvements are estimated to cost approximately $360,000. The LLCs have provided a schedule of the capital improvements and their estimated costs. City staff have inspected the Arenas to confirm the condition of the facilities and, based on these inspections, agree with the need for the proposed capital improvements. In addition, the LLCs have provided the City with operating budgets and financial statements to demonstrate their creditworthiness and have agreed to provide the City with a representative on their Board of Directors. The adoption of this resolution will authorize amendments to the Land Contracts that will modify the payment schedules of the Land Contracts, the time period that the LLCs are required to maintain a minimum of two (2) ice sheets within the City (currently a period of twenty (20) years from the date of the execution of the Land Contracts, and provide for City representation on the LLCs Board of Directors.

NOW, THEREFORE, BE IT RESOLVED that the Common Council authorizes the amendment of the Land Contracts executed between the City of Madison and Madison Ice Hartmeyer LLC in July, 2004 for the purchase of the Hartmeyer Ice Arena, located at 1834 Commercial Avenue, and with Madison Ice MIA LLC for the purchase of the Madison Ice Arena, located at 725 Forward Drive, on the following terms and conditions:

1. The balance remaining on the current Land Contracts on December 31, 2001 shall be amortized over twenty-five (25) years beginning on July 30, 2011 with interest compounded semi-annually at the rate of 3%. Payments of principal and interest shall be made on a semi-annual basis throughout the term of the Land Contracts. There will be no balloon payments,

2. The LLCs shall be required to maintain two (2) ice sheets within the City for a period of twenty-five (25) years from the date of the execution of the amendments to the Land Contracts.

3. The City shall have a representative on the Board of Directors of the LLCs.

BE IT STILL FURTHER RESOLVED THAT the Mayor and City Clerk are authorized to execute the amendments to the Land Contracts, and any and all other documents necessary to complete this transaction.

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