



Legislation Text

File #: 06967, **Version:** 1

Fiscal Note

This resolution would authorize a \$2,700,000 loan to Arbor Gate Development, LLC ("Developer") for the redevelopment of the southeast corner of the West Beltline Frontage Road and Todd Drive. The redevelopment consists of an approximately 200,000 SF medical and commercial office building and not less than 750 surface and ramped parking stalls ("Project"). This loan would be repaid through incremental taxes generated by the Project and represents approximately 47% of the present value of all incremental taxes anticipated from the Project throughout the remaining 25-year life of the TID.

Funds to capitalize this loan would require authorization in the 2008 Capital Budget, funded with general obligation debt. While it is anticipated that the incremental taxes generated by the Project will be sufficient to repay the loan within approximately 9 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 seven percent (7%) 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 July 5, 2032, whichever occurs first, in an amount not to exceed \$2,700,000. The increment guarantee and equity participation payment are secured by a subordinated mortgage on the property. The TIF Loan is contingent upon Developer providing the City evidence, to the City's satisfaction, that at least 50% of the 174,000 SF of medical and office uses are pre-leased, or some other pre-lease percentage as evidenced by a primary lender financial commitment.

Title

Authorizing the Mayor and City Clerk to execute a development agreement to fund a \$2,700,000 Tax Incremental Finance Loan to Arbor Gate Development, LLC to assist in the development of the Arbor Gate commercial redevelopment project located on the southeast corner of the intersection of Todd Drive and the West Beltline Highway in TID #35 (Todd Drive).

Body

WHEREAS, the City of Madison has, by adoption on July 5, 2005 of RES-05-00580 File ID Number 01262, created the boundary and project plan for Tax Incremental District (TID) #35; and

WHEREAS the intent and purpose of the Project Plan, among other things, is to eliminate blighting conditions and attract and retain businesses and employment in the West Beltline Frontage Road - Todd Drive area; and

WHEREAS, the Project would generate additional tax increment that would pay for additional public works and improvements to the West Beltline Frontage Road - Todd Drive area, would retain the existing employers in said area and stimulate new employment, these outcomes being consistent with said intent and purposes of the Project Plan and City of Madison TIF Policy; and

WHEREAS, toward those objectives, the City of Madison and State of Wisconsin have already made significant infrastructure and streetscape improvements to said area; and

WHEREAS, Arbor Gate Development, LLC ("Developer") has proposed to construct no less than 200,000 square feet of medical clinic, commercial office and retail space and no less than 750 surface and ramped parking stalls, at an estimated development cost of approximately \$46,900,000 ("Project") on property generally located at the southeast corner of the intersection of the West Beltline Highway and Todd Drive ("Property"); and

WHEREAS, in conformance to City of Madison TIF Policy, the \$2,700,000 gap is attributable to the high land cost, demolition and relocation; and

WHEREAS, City staff has conducted an analysis (See Attached Report) of the Project and has determined the gap to be \$2,700,000 and that, but for TIF assistance, the Project could not occur; and

WHEREAS, \$2,700,000 of said TIF assistance represents approximately 47% of the present value of the estimated tax

incremental revenues generated by the Project 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 2008 and thereby would require authorization in the City of Madison 2008 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 #35 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 West Beltline Frontage Road - Todd Drive area and finance additional public works and improvements that would stimulate planned commercial redevelopment in TID #35, 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. Developer agrees to develop:
 - a. Not less than 200,000 square feet of office and commercial space of which not less than 70,000 square feet of shall be occupied by medical imaging and clinics including, but not limited to health services consulting and wellness and rehabilitative services.
 - b. No fewer than 750 surface and ramped parking stalls
2. Form of Assistance. TIF assistance shall be provided in the form of a zero percent interest (0%) loan at closing from the City to Developer, in the amount of Two Million Seven Hundred Thousand Dollars (\$2,700,000) ("TIF Loan") to partially finance Developer's development of the Property. Said TIF Loan becomes a grant when tax increments recovered from the Project and/or cash payments by Developer are sufficient to repay the TIF Loan.
3. Method of Payment and Guaranty. The City's expenditure in providing the TIF Loan shall be repaid by Developer through tax increments generated by the Project and/or cash payments by Developer. Developer shall guaranty the City's receipt of tax increment revenue.
4. Security. The TIF Loan shall be evidenced by a Note to the City of Madison in the amount of the TIF Loan bearing 0% interest ("Note"). Developer shall execute a second mortgage of the Property in favor of the City of Madison ("Mortgage") securing payment of the TIF Loan and equity participation payment. The City shall agree to execute a subordination of mortgage in a form approved by the City Attorney. An individual principal(s) of the Developer shall execute a personal guaranty guaranteeing payment of the TIF Loan and equity participation payment.
5. Equity Participation Payment. Developer shall pay the City either seven percent (7%) 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 July 5, 2032, whichever occurs first, in an amount not to exceed \$2,700,000 ("equity participation payment").
6. Satisfaction. The Mortgage shall be satisfied and the Note cancelled upon full payment of the TIF Loan and the equity participation payment.
7. Affirmative Action (MGO 39.02 (9)). Developer 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, Developer shall contact the City's Affirmative Action Division to assure that Developer is in compliance with the aforementioned requirements. Developer 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. Developer shall allow maximum feasible opportunity to minority/disadvantaged women business enterprises to compete for any contracts entered into pursuant to the contract.

8. Prevailing and Living Wage (MGO 4.20 & 4.23). Developer shall comply with Madison General Ordinances 4.20 and 4.23 to ensure the payment of a living wage or a prevailing wage to employees working on the project.
9. Accessibility (MGO 39.05) Developer shall submit a written assurance of compliance with Madison General Ordinance 39.05
10. Equal Opportunity. Developer shall comply with all applicable local, state and federal provisions concerning Equal Opportunity.
11. Material Changes. Any material changes concerning the size, use, ownership or financial feasibility of the Property or Project that is stated in the TIF Application dated May 23, 2007, 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 Developer.
12. Pre-Lease Deadline, Automatic Rescinding of Authorization. Provided no material changes exist as stipulated in Paragraph 11, TIF Loan Funds shall not be disbursed until Developer has demonstrated, in a form acceptable to the City, that either of 50% of the leaseable area of the 174,000 SF medical and commercial offices in the Project has been pre-leased or such other percentage of such leasable area as is required in an executed primary construction lender commitment. The City shall automatically rescind the funding authorization for the TIF Loan described herein in the event Developer does not provide the City with such evidence of pre-leasing of the Project by September 30, 2008. Evidence of lease shall include copies of leases of the medical and commercial offices in the Project for an aggregate term of not less than 10 years.
13. Project Completion. Developer shall guarantee that the construction of the Project will be completed by December 31, 2008.
14. Property Insurance. At least fifteen (15) days prior to funding, Developer shall provide evidence 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.
15. Title Insurance. At funding, Developer 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.
16. Environmental Assessment. Developer shall provide the City an environmental assessment of the site which is acceptable to staff.

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.