



Legislation Text

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Fiscal Note

This resolution would authorize a \$250,000 end loan from the Madison Capital Revolving Fund to Sherman Plaza, Inc. for the improvements to the building located at 1865 Northport Drive. End loan proceeds shall be provided upon satisfactory completion of the project in conformance to the terms and conditions of the MCRF Loan, as stated herein. Terms of the MCRF Loan would be a maximum of seven (7) years, amortized over fifteen (15) years at an interest rate of 5% fixed, with a balloon payment of principal and interest due at note maturity. The Borrower shall make quarterly principal and interest payments. The Borrower's obligation to repay would be secured by a second mortgage security on the property located at 1865 Northport Drive. The Borrower shall provide the City with the personal guaranties of David W. Bruns and Donald B. Bruns for the MCRF Loan. The Capital Revolving Fund has an estimated fund balance of \$865,000 of which \$500,000 was authorized for MCRF loans in the 2012 Operating Budget. To date, the City has closed one (1) loan in the amount of \$120,000 authorized in 2011. The MCRF loan fund balance is sufficient to fund this amount without additional borrowing.

Title

Authorizing the Mayor and City Clerk to execute an agreement to fund a \$250,000 Madison Capital Revolving Fund loan to Sherman Plaza, Inc. to assist in making tenant improvements to the building located at 1865 Northport Drive.

Body

WHEREAS, on May 19, 1987 the Common Council accepted a report by the Madison Capital Revolving Fund Task Force recommending the creation of a Madison Capital Revolving Fund (MCRF); and

WHEREAS, the Community Development Authority (CDA) has been designated as agent of the City of Madison for the operation and administration of the Program; and

WHEREAS, on April 16, 1996, the Common Council accepted the MCRF objectives and criteria as proposed by the CDA; and

WHEREAS, Sherman Plaza, Inc. (the "Borrower") has proposed to make tenant improvements to a vacant 15,000 square foot space within the building located at 1865 Northport Drive (the "Property") that will facilitate its use as an office for the Dane County Aging and Disability Regional Center (the "Tenant") at an estimated total development cost of approximately \$600,000 (the "Project"); and

WHEREAS, the Tenant proposes to create 60 new jobs; and

WHEREAS, the Borrower has requested that the City of Madison provide \$250,000 of MCRF loan assistance ("MCRF Loan") to make tenant improvements to the Property; and

WHEREAS, staff has completed its review of the MCRF Loan request for financial assistance for the Project and finds that it meets the objectives of the MCRF Loan program; and

WHEREAS, on May 10, 2012 the CDA approved the MCRF Loan to the Borrower of \$250,000 at the terms and conditions described herein.

NOW THEREFORE BE IT RESOLVED that a MCRF end loan in the amount of \$250,000 be made to Sherman Plaza, Inc., evidenced by a loan agreement and note made to the City of Madison under the following terms

and conditions:

1. The Project. Borrower agrees at a minimum the Project ("Project") will include:
 - a. Construction of tenant improvements located within the Property that facilitates its use for office for the Dane County Aging and Disability Regional Center.
2. Form of Assistance. MCRF loan assistance in the amount of Two Hundred and Fifty Thousand and 00/100 Dollars (\$250,000) shall be provided in the form of an end loan ("MCRF Loan"), disbursed by the City upon the City's receipt of a certificate of occupancy certifying completion of building improvements. Said MCRF Loan proceeds to Borrower shall partially fund construction of tenant improvements to the Property.
3. Loan to Value. Prior to MCRF Loan disbursement, Borrower shall provide the City with a current appraisal of the Property that shall demonstrate, to the City's satisfaction, that all liens and mortgages against the Property including the MCRF Loan shall not exceed 90% of the Property's fair market value.
4. Note, Security and Personal Guaranty. The MCRF Loan shall be evidenced by a Seven (7) - Year Note from Borrower, amortized over fifteen (15) years, payable to the City of Madison in quarterly installments of principal and interest, bearing an interest rate of 5% fixed ("Note") with a balloon payment of remaining principal and interest due at Note maturity. Borrower shall provide the City of Madison a second mortgage security interest in the Property in the amount of the MCRF Loan. All obligations of the Borrower shall be secured by the personal guaranties of David W. Bruns and Donald B. Bruns, each in the amount of the MCRF Loan.
5. Changes of Ownership in Borrower. Any material changes to the ownership of the Borrower than as stated in the MCRF Loan Application dated February 28, 2012 and its attachments and amendments submitted to the City shall require prior written notification of and approval by the City of Madison. Any such changes made without prior notification and approval of the City of Madison shall subject this MCRF Loan commitment to reconsideration by the City, or if the loan has been made to immediate repayment of the MCRF Loan by Borrower.
6. Satisfaction. The MCRF Loan and Mortgage shall be satisfied, the Note cancelled and the personal guaranties shall be released upon full payment of the MCRF Loan.
7. 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 for minority/disadvantaged women business enterprises to compete for any contracts funded by the Loan.
8. Living Wage and Equal Benefits (MGO 4.20 & 39.07). Borrower shall comply with Madison General Ordinances 4.20 and 39.07 that require Borrower to provide a living wage and benefits to employees with domestic partners that are equal to benefits provided to married employees with spouses.
9. Accessibility (MGO 39.05). Borrower shall submit a written assurance of compliance with Madison General Ordinance 39.05.
10. Material Changes. Any material changes to the size, use or ownership of the Project than as stated in the MCRF Loan Application dated February 28, 2012 and its attachments and amendments submitted to the City shall subject this MCRF Loan commitment to reconsideration by the City, or if the loan has been

made to immediate repayment of the MCRF Loan by Borrower.

11. Project Completion. Borrower shall guarantee that the Project will be completed by December 31, 2012. Completion shall be evidenced by the issuance of a certificate of occupancy.
12. 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.
13. Title Insurance. At least thirty (30) days prior to Loan closing, Borrower shall provide a commitment for title insurance on the Property issued by a title company licensed in Wisconsin in a form approved by the City Attorney. The City shall receive a lender's policy in the amount of the Loan within thirty (30) days of Loan closing

BE IT STILL FURTHER RESOLVED that the MCRF Loan to the Project is hereby approved and that the Mayor and City Clerk are hereby authorized to execute a loan agreement and other documents as may be necessary to effectuate the transaction, all of which are subject to the approval of the City Attorney.