



Legislation Text

File #: 76475, **Version:** 2

Fiscal Note

Funds for the \$3,500,000 of tenant and grocery improvements were allocated in the 2023 Economic Development Division Capital Budget. The \$4,600,000 in funding required to purchase the Unit 2 Grocery Condominium was allocated in an amendment to the 2021 Capital Budget (Legistar #66789, RES-21-00614). No additional appropriation required.

Title

SUBSTITUTE - Authorizing the execution of a Purchase and Sale Agreement for the purchase of Unit 2 of the Fourteen02 Park Condominium as part of the Truman Olson project, the execution of a lease with Maurer's Urban Market as grocery operator, the execution of documents related to the construction of grocery and tenant improvements, and the execution of condominium documents for the project.

Body

WHEREAS, the City of Madison is committed to ensuring healthy food access to all residents; and

WHEREAS, South Madison is facing the loss of the only full service grocery store that currently serves this neighborhood; and

WHEREAS, the City seeks to ensure that South Madison has continued access to a full service grocery store so as to avoid the creation of a food desert; and

WHEREAS, the City previously acquired the former Truman Olson Army Reserve property located at 815 Cedar St (the "Property"); and

WHEREAS, the City of Madison Common Council approved a development agreement (the "Development Agreement") between the City of Madison and Rule Enterprises, LLC and Movin' Out, Inc. (collectively, the "Developer") on February 23, 2021 (RES-21-00148, Legistar 63900) to redevelop the Property to include a full service grocery store, which is Unit 2 of the Fourteen02 Park Condominium (the "Grocery Condominium Unit"); and

WHEREAS the Development Agreement was amended by the Common Council on August 3, 2021 (RES-21-00614, Legistar 66789) to authorize the City to purchase the Grocery Condominium Unit and provide up to \$4,700,000 for the purchase of the Grocery Condominium Unit; and

WHEREAS, the City has negotiated a Purchase and Sale Agreement (the "PSA") with the Developer for the purchase of the Grocery Condominium Unit for \$4,600,000 (the "Purchase Price") as previously authorized by Legistar 66789; and

WHEREAS, the PSA includes \$554,000 in additional improvement costs (collectively, the "Grocery Improvements") over the Purchase Price necessary to operate a grocery store on the Property, and

WHEREAS, the Developer has agreed to construct the Grocery Improvements as a condition of the City's purchase of the Grocery Condominium Unit, and

WHEREAS, Maurer’s Urban Markets (the “Grocer”) has agreed to lease the Grocery Condominium Unit from the City under the terms described within this resolution, and

WHEREAS, the Grocer must make tenant improvements that will allow the operation of a full service grocery store that cost \$7,946,000 (the “Tenant Improvements”); and

WHEREAS, the Grocer has secured \$5,000,000 from the Small Business Administration (the “SBA”) to pay for said Tenant Improvements, and

WHEREAS, in addition to the \$554,000 of Grocery Improvements noted above, the City will contribute up to \$2,946,000 towards the Tenant Improvements in the form of Tenant Improvement financing and predevelopment loans to be repaid through payments on the Lease, and

WHEREAS, predevelopment loans will be used for the acquisition of equipment contemplated as part of the Tenant Improvements, and other predevelopment activity, which shall be secured by financing statements and/or guarantees of repayment by the Grocer in the event the project does not close, but shall otherwise be repaid by the Lease rent payment; and

WHEREAS, the \$554,000 of Grocery Improvements and \$2,946,000 of Tenant Improvements total \$3,500,000 enumerated in the 2023 Economic Development Division Capital Budget.

NOW THEREFORE BE IT RESOLVED, that the Common Council hereby authorizes the execution of the PSA under the material terms and conditions shown on the attached PSA; and,

BE IT FURTHER RESOLVED, that the Common Council authorizes the execution of any documents required for the expenditure of up to \$3,500,000 to facilitate the construction of the Grocery Improvements and Tenant Improvements that will allow Grocer to prepare the Grocery Condominium Unit for operation as a full service grocery store; and,

BE IT FURTHER RESOLVED, that the Common Council authorizes the expenditure of up to \$500,000 toward the Tenant Improvements in the form of a short-term forgivable predevelopment loan to the Grocer for the purposes of purchasing equipment and funding predevelopment costs, which funds shall be secured via a lien against any equipment purchased and a personal or corporate guaranty from the Grocer in a form approved by the City Attorney;

BE IT FURTHER RESOLVED, that the Common Council authorizes the execution of a lease of the Grocery Condominium Unit (the “Lease”) to Maurer’s Urban Markets (the “Grocer”) under the material terms and conditions described shown below

The Grocer shall, beginning on the date (the “Rent Commencement Date”) that Grocer opens for business on the Grocery Condominium Unit, and for the entire remaining term of this Lease, pay to the City, at such place and City may from time to time in writing designate, an annual Base Rent (the “Base Rent’) in equal monthly installments, payable in advance on the first day of each calendar month, without any setoff, counterclaim or deduction whatsoever or any prior demand, with the aggregate annual amounts shown below:

Total Annual Lease Payments	
Year 1	\$ 234,790

Year 2	\$ 234,790
Year 3	\$ 281,748
Year 4	\$ 281,748
Year 5	\$ 305,227
Year 6	\$ 328,706
Year 7	\$ 328,706
Year 8	\$ 335,280
Year 9	\$ 345,339
Year 10	\$ 355,699
Year 11	\$ 366,370
Year 12	\$ 377,361
Year 13	\$ 388,682
Year 14	\$ 400,342
Year 15	\$ 412,352

The Grocer shall have three (3) options (the “Extension Option(s)”) to extend the term of this Lease with respect to all (but not less than all) of the Premises for three consecutive period(s) of five (5) years each (the “Option Terms”), with the first Option Term commencing on the first day of the fifteenth (15th) Lease Year and ending on the last day of the twentieth (20th) Lease Year, and the second Option Term commencing on the first day of the twenty-first (21st) Lease Year and ending on the last day of the twenty-fifth (25th) Lease Year, and the third Option Term commencing on the first day of the twenty-sixth (26th) Lease Year and ending on the last day of the thirtieth (30th) Lease Year, provided that the City receives written notice from Grocer of its election to exercise the Extension Option at least six (6) months prior to the last day of the then-expiring term.

For the duration of the Lease and any Extension Options, Grocer shall assume all rights and responsibilities of the City for the care and maintenance of the Grocery Condominium as defined in the Fourteen02 Park Condominium condo declaration; and,

BE IT FURTHER RESOLVED, that the Common Council authorizes the execution of condominium documents necessary to implement this resolution in a form approved by the City Attorney; and,

BE IT FINALLY RESOLVED that the Common Council authorizes the Mayor and City Clerk to sign, accept, and record any and all documents and legal instruments and take such other actions as shall be necessary or desirable to accomplish the purpose of this resolution in a form approved by the City Attorney.