



Legislation Text

File #: 86169, **Version:** 1

Fiscal Note

The proposed resolution authorizes the termination of existing land contracts between the City and Madison Ice MIA, LLC and Madison Ice Hartmeyer, LLC for the ice arenas located at 725 Forward Dr (Madison Ice Arena) and 1810 and 1824 Commercial Ave (Hartmeyer Ice Arena), respectively. The resolution further authorizes the fee simple sale of said properties to Madison Ice Inc. (Madison Ice Arena) and East Madison Ice Collective (Hartmeyer Ice Arena) for \$1. The resolution further authorizes the restructuring of the existing land contracts with Madison Ice Inc. and East Madison Ice Collective into forgivable loans, such that the existing land contract debt for both facilities and the existing balance of a 2017 capital improvement loan for the Hartmeyer Ice Arena made to Madison Ice Inc. will result in the eventual forgiveness of approximately \$1,613,365. In exchange for this debt forgiveness and land sale, East Madison Ice Collective will be required to raise the equivalent of \$3.0 million for capital improvements to Hartmeyer Ice Arena. No additional City appropriation is required.

Title

Authorizing the eventual forgiveness of \$1,613,365 of debt held by Madison Ice Inc. for the Madison Ice Arena (725 Forward Drive) and Hartmeyer Ice Arena (1810 and 1834 Commercial Avenue), authorizing the termination of existing land contracts for both ice arenas with Madison Ice Hartmeyer, LLC and Madison Ice MIA, LLC (Madison Ice, Inc.), authorizing the fee simple sale of Hartmeyer Ice Arena to East Madison Ice Collective and the fee simple sale of Madison Ice Arena to Madison Ice, Inc. for \$1, authorizing a fundraising requirement of approximately \$3 million by East Madison Ice Collective for capital improvements to Hartmeyer Ice Arena, and authorizing additional terms related to the renegotiation of the City's relationship to the ice arenas (District 12 and District 19).

Body

WHEREAS, the City of Madison historically owned Madison Ice Arena at 725 Forward Drive and Hartmeyer Ice Arena at 1810 and 1834 Commercial Avenue; and,

WHEREAS, in 2004 the City of Madison entered into a 30-year Land Contract at a price of \$1.1 million with Madison Ice Hartmeyer, LLC and Madison Ice MIA, LLC for the ownership and operation of the Hartmeyer Ice Arena and Madison Ice Arena by Madison Ice Inc.; and,

WHEREAS, under the Land Contracts, Madison Ice Inc. was responsible for making Land Contract payments to the City leading to the eventual full repayment of the Land Contracts and full ownership of both ice arenas after 30 years; and,

WHEREAS, the City of Madison refinanced the debt owed on the Land Contracts in 2011 to assist with capital improvements to the arenas (Legistar 21438); and,

WHEREAS, the City of Madison loaned an additional \$1,075,240 to Madison Ice Inc. and refinanced outstanding Land Contract debt in 2017 to assist with additional capital improvements at Hartmeyer Ice Arena (Legistar 47680); and,

WHEREAS, Madison Ice Inc. stopped making payments in 2021 of this outstanding debt and has not made any payments since; and,

WHEREAS, the inability to make payments on this debt was related to the inability to use the ice arenas, and generate income, as a result of the Pandemic; and,

WHEREAS, Hartmeyer Ice Arena is in need of additional capital improvements including a new roof, new HVAC equipment, and upgraded electric transformers; and,

WHEREAS, both of the ice arenas are once again being heavily utilized and the City desires to assist with keeping them open; and,

WHEREAS, although the ice arenas generate enough income to maintain staffing and operations, they will not generate enough revenue to repay the City's outstanding debt, as well as pay for needed future capital improvements; and,

WHEREAS, a new non-profit organization, East Madison Ice Collective (EMIC) has been established to raise money for capital improvements and assume management responsibility of Hartmeyer Ice Arena; and,

WHEREAS, staff have negotiated a potential restructuring of the Land Contracts and gradual forgiveness of the outstanding debt in a manner that will keep the ice arenas operating, while not requiring an investment of additional new City funding; and,

WHEREAS, this new relationship between the City of Madison and the ice arenas includes the following principal terms:

- a) The City of Madison will terminate its existing Land Contract with Madison Ice MIA LLC (Madison Ice Inc.) for the Madison Ice Arena at 725 Forward Drive and transfer full ownership of the property to Madison Ice Inc. or its assigns for \$1.
- b) The existing Land Contract debt (\$328,753) associated with Madison Ice Arena will be restructured as a forgivable loan to Madison Ice Inc. with no payments or interest. There will be no reduction in the balance for the first five years following closing; for each closing anniversary year 6-15, there would be a 10% reduction in the balance until the loan is fully forgiven. Full payment of any outstanding balance would be required immediately upon the sale or transfer of the property; or, change or discontinuance of the use as an ice arena.
- c) The City of Madison will terminate its existing Land Contract with Madison Hartmeyer LLC (Madison Ice Inc.) for the Hartmeyer Ice Arena (1810 and 1834 Commercial Avenue). Madison Ice Inc. would concurrently transfer full ownership of the property to East Madison Ice Collective or its assigns for \$1.
- d) The existing Land Contract debt (\$328,752) and existing balance of the 2017 capital improvement loan (\$955,860) associated with Hartmeyer Ice Arena will be restructured as a forgivable loan to East Madison Ice Collective with no payments or interest. There will be no reduction in balance for the first five years following closing; for each closing anniversary year 6-15, there would be a 10% reduction in balance until the loan is fully forgiven. Full payment of any outstanding balance would be required immediately upon the sale or transfer of the property; or, change or discontinuance of the use as an ice arena.
- e) Prior to closing on the real estate transactions and loan agreements contemplated in this resolution, within three (3) years following execution of the "Master Agreement" outlined below, East Madison Ice Collective (EMIC) must raise the lesser of (a) \$3 million; or, (b) the

actual amounts needed to complete certain agreed upon capital improvements and repairs to Hartmeyer Ice Arena, including a full roof replacement, new Chiller/HVAC/Compressor equipment, interior/exterior clean-up, locker room repairs, a new Zamboni, and costs to upgrade electrical transformers not covered by Madison Gas & Electric. The fair market value of donations of labor and materials, as well as the fair market value of discounted services, will count towards this requirement.

- f) No payments expected on either the existing Land Contracts or existing 2017 Hartmeyer Ice Arena capital improvement loan are expected by Madison Ice Inc. during the six-month document negotiation period and the three-year fundraising period noted above.
- g) A Deed Restriction will be placed on both properties in perpetuity limiting their use to sport and recreation facilities, a definition of which is to be further negotiated. The City would have the ability to negotiate with one or both of the non-profits to release of the Deed Restriction(s) on one or both of the properties in the future if it becomes clear that an alternative use for the property is warranted.
- h) East Madison Ice Collective and Madison Ice Inc. will each establish a reserve cash fund to cover unexpected expenses. The organizations will target a cash reserve of 25% of their annual operating budget. In the event that funds are drawn from the reserve fund, the organizations will use reasonable efforts to timely replenish back to the target amount.

NOW THEREFORE BE IT RESOLVED that the Common Council authorizes the negotiation, preparation, and execution by the Mayor and City Clerk (when appropriate) of the following:

- 1) A Tri-party "Master Agreement" between City of Madison, Madison Ice, Inc., and East Madison Ice Collective, Inc. outlining the interconnected agreements to move this transaction forward. The City would have two primary contingencies to close on this transaction: successful 3-year fundraising campaign for the capital investments noted above by East Madison Ice Collective, Inc. for the Harmeyer Ice Arena, including upgrading the electric transformers. If the City contingencies are not met within three years following execution of the "Master Agreement," the City has the right to call the outstanding notes and/or renegotiate the transaction. A reference to the need for the reserve cash fund noted above will be included in the "Master Agreement."
- 2) Purchase and Sale Agreement to sell Hartmeyer Ice Arena (1810 and 1834 Commercial Avenue) fee simple from Madison Hartmeyer LLC (Madison Ice, Inc.) to East Madison Ice Collective, Inc. or its assigns for \$1; existing land contract between Madison Hartmeyer LLC (Madison Ice, Inc.) and City of Madison would be concurrently terminated.
- 3) Termination of the land contract between Madison Ice MIA LLC (Madison Ice, Inc.) and City of Madison for Madison Ice Arena at 725 Forward Drive. Madison Ice, Inc., or its assigns, would assume full fee simple ownership of the Madison Ice Arena for \$1.
- 4) Loan Agreement with East Madison Ice Collective, Inc. for a \$1,284,612 (existing \$328,752 Land Contract balance plus \$955,860 2017 capital improvement loan balance on Hartmeyer Ice Arena facility) forgivable loan with no payments and no interest. There will be no reduction in the balance for the first five years following closing; for each closing anniversary year 6-15, there would be a 10% reduction in balance until the loan is fully

forgiven. Full payment of any outstanding balance would be required immediately upon the sale or transfer of the property; or, change or discontinuance of the use as an ice arena.

- 5) Loan Agreement with Madison Ice, Inc. for a \$328,753 forgivable loan (outstanding Land Contract debt associated with Madison Ice Arena) with no payments and no interest. There will be no reduction in balance for the first five years following closing; for each closing anniversary year 6-15, there would be a 10% reduction in balance. Full payment of any outstanding balance would be required immediately upon the sale or transfer of the property; or, change or discontinuance of the use as an ice arena.
- 6) A Deed Restriction would be placed on both properties limiting their use to sport and recreation facilities, a definition of which is to be further negotiated. The Deed Restriction would be in perpetuity; however, more likely to be enforceable for the first 30-years that the Deed Restriction would appear on Title Reports. The City would have the ability to negotiate with one or both of the non-profits to release of the Deed Restriction(s) on one or both of the properties in the future if it becomes clear that an alternative use for the property is warranted.
- 7) Forbearance document(s) with Madison Ice, Inc. memorializing City's intent to not collect payment or interest on either the original Land Contracts or 2017 Hartmeyer Ice Arena capital improvement loan during this three-year fundraising period.

BE IT FURTHER RESOLVED that The "Master Agreement" referenced above must be executed within six (6) months following Common Council approval of this resolution; and,

BE IT FURTHER RESOLVED that the City Attorney is authorized, during the course of negotiations with East Madison Ice Collective and Madison Ice Inc., to make modifications to what is outlined in this resolution if it better effectuates the intent of this resolution; and,

BE IT FURTHER RESOLVED that the dollar amounts outlined in this resolution may be adjusted to reflect additional accrued interest at the time a pay-off amount is calculated; and,

BE IT FINALLY RESOLVED that the Mayor and City Clerk are authorized to execute agreements and documents necessary to effectuate this transaction, all of which are subject to the approval of the City Attorney.