

MEMORANDUM

TO: Truman Olson Selection Committee

FROM: Dan Rolfs, Tom Otto, Yang Tao, Tim Parks, Lauren Striegl, Chris Petykowski

DATE: May 2, 2018

SUBJECT: Truman Olson Proposals – Staff Analysis

The City received two proposals to the Truman Olson RFP. They can be found at Legistar File #51275, located at the link below:

<https://madison.legistar.com/LegislationDetail.aspx?ID=3479794&GUID=3F04CB90-CBCA-4363-8904-3D970796370D>

Staff has prepared an initial report on the proposals that identify both positive areas and issues of concern. These comments are broken down department / division.

Hovde Properties / SSM (HPSSM)

Project Description: The HPSSM proposal consists of:

- A 40,000 SF grocery store with coffee shop / deli space;
- 40,000 SF of medical clinic on the second and third floors, above the grocery store, including a second floor patio;
- 20,000 SF of ground floor retail space, including 5,000 SF for a pharmacy and 15,000 SF for SSM related uses or traditional retail users;
- 48 units of house, offering one and two bedroom units (Type of housing is not yet determined);
- Demonstration kitchen included in the medical clinic;
- 334 parking stalls on two levels (one partially buried level and one at the same elevation as Park Street level);
- Bike parking;
- Cedar Street extension through to Fish Hatchery Road;
- The creation of approximately 170 new FTE jobs.

City Staff have reviewed the submittal from HPSSM and have the following initial comments regarding the proposal:

Traffic

1. The alignment of the Cedar St extension is acceptable.
2. The abandonment of Appleton Road to a realigned Cedar St / Fish Hatchery Rd is preferred over a connection with the existing Appleton Rd.
3. The final plan will need to specify what the final ROW will be (size, accommodations, etc.)
4. The City select HPSSM, the Appleton Rd vacation / Cedar St dedication should be part of any final development agreement.
5. There is no north / south street extension proposed through the site.

Engineering

1. The proposed alignment of Cedar Street is feasible, from an Engineering Streets perspective. The Cedar Street extension could be built to connect Park St through to Fish Hatchery Road.

Stormwater

1. There do not appear to be any provisions for stormwater retention in the plan.
2. There will need to be peak detention, TSS control, stay-on (infiltration) and oil and grease control incorporated into the plan.

Planning

1. The five-story apartment building on the western end of the project may need to be reconfigured, possibly to front along a realigned Cedar Street. There is too much building and dwelling units facing parking or the back of other dwelling units (to the west).
2. Concerns about future phases of SSM redevelopment projects, including large parking deck adjacent to large surface parking lots. Selection of HPSSM plan is not an endorsement of plans for projects located off of the Truman Olson RFP site.
3. The proposed off-site parking structure should be removed from consideration unless it is being proposed as a specific part of the proposal.
4. Proposed bus stop location and service will need final coordination with Madison Metro.
5. The plan emphasizes “attractive” Park Street façade; higher FAR (Floor Area Ratio) could be supported as transit-oriented development (for Bus Rapid Transit (BRT)).

Financials / Real Estate

1. **Total City Assistance Requested - \$5,600,000 - \$5,900,000**
 - a. TIF Request – \$4,000,000
 - b. Land Write Down - \$1,600,000 – \$1,900,000
2. **Estimated TIF Generated - \$3,000,000**
 - a. This level of TIF support may be infeasible, given that Staff estimates this would generate approximately \$3,000,000 in TIF Funds (at 40% of NPV). Staff estimated the value of the project at completion at approximately \$38 million.
3. Purchase Price: \$200,000. This is below the City’s appraised value for the site of between \$1,875,000 and \$2,125,000.
4. Staff needs additional information regarding the rental rates used in the proforma provided with the response.

Welton

Project Description: The Welton proposal consists of two different versions; Option A and Option B. Option A includes more density but requires significantly more financial assistance from the City. Option B has a less intensive use of the site, but requires less financial assistance from the City. The two proposals consist of:

Option A:

- A 237 stall parking structure, plus 38 surface stalls;
- A 25,000 SF grocery store and food production facility;
- 7,650 SF of office and clinic space;
- 100 market rate apartments;
- 72 workforce / affordable apartments and townhomes

Option B:

- 160 surface parking stalls;
- A 25,000 SF grocery store and food production facility;
- 72 workforce / affordable apartments and townhomes

City Staff have reviewed the submittal from Welton and have the following initial comments regarding the proposal:

Traffic

1. There is no final discussion about where Cedar St would go to Fish Hatchery Rd. This final alignment must be determined before moving forward.
2. There is no north / south street extension proposed through the site.

Engineering

1. The proposed alignment of Cedar Street from Park Street to Fish Hatchery Road is feasible. However, as Welton only controls a portion of the final actual street layout, the City would need to work with SSM Health to build the remainder of the street extension. The street could be built as a cul-de-sac through the Truman Olson site until this final alignment is constructed.

Stormwater

1. Area designated for stormwater management appears to be a reasonable size in comparison to total site area for peak detention.
2. Stormwater Engineering will need further data to analyze the proposed site plan, including details regarding peak detention, TSS control, stay-on (infiltration) and oil and grease control for the site.

Planning

1. The grocery store appears to be consistent with the Wingra BUILD Plan (though the recommendation was for the adjacent parcel to the north).
2. The plan emphasizes “attractive” Park Street façade; higher FAR (Floor Area Ratio) could be supported as transit-oriented development (for Bus Rapid Transit)).
3. Residential units should be more north-south oriented than east-west to reduce units facing parking or other nearby units.

Financials / Real Estate

Option A

1. **Total City Assistance Requested for Option A - \$8,732,184 - \$9,032,184**
 - a. TIF Request – \$7,032,184
 - b. Land Write Down - \$600,000 - \$900,000
 - c. City Affordable Housing Funds - \$1,100,000
2. **Option A TIF Request –\$7,032,184**
 - a. \$1,250,000 – Workforce Housing
 - b. \$5,882,184 – Parking Structure for Market Rate Housing, Grocery, and Clinic
 - c. **Estimated TIF Generated - \$2,000,000**
 - i. This level of TIF support is infeasible, given that Staff estimates this would generate approximately \$2,000,000 in TIF Funds (at 50% of NPV). Staff estimated the value of the project at completion of approximately \$24 - \$25 million. \
3. Purchase Price - \$1,200,000. This is below the City’s appraised value for the site of between \$1,875,000 and \$2,125,000.

Option B

1. **Total City Assistance Requested for Option B - \$5,100,000 - \$5,400,000**
 - a. TIF Request – \$2,400,000
 - b. Land Write Down - \$600,000 – \$900,000
 - c. City Affordable Housing Funds - \$1,100,000
2. **Option B TIF Request - \$2,400,000**
 - a. \$1,250,000 – Workforce Housing
 - b. \$1,150,000 – Grocery
 - c. **Estimated TIF Generated - \$640,000**
 - i. This level of TIF support is infeasible, given that Staff estimates this would generate approximately \$640,000 in TIF Funds (at 50% of NPV). Staff estimated the value of the project at completion of \$8,000,000.
3. Purchase Price: \$1,200,000. This is below the City’s appraised value for the site of between \$1,875,000 and \$2,125,000.