

City of Madison
RESPONSE TO TRUMAN OLSON
REQUEST FOR PROPOSALS
RFP NO. 8832-0-2019



AUGUST 9, 2019

1. DEVELOPMENT TEAM



1. DEVELOPMENT TEAM

MAURER'S MARKET is a Wisconsin-based grocery store with locations in Janesville, Wisconsin Dells, and Milwaukee. The family-owned company's focus is on smaller, full-service grocery stores that meet the unique needs of residents, workers and students, with fresh, nutritious and high-quality groceries that are competitively priced and geared toward a diverse clientele.

Kristie Maurer serves as Vice President of Maurer's Market. Kristie is a Madison resident and has been a part of the Truman Olson planning and RFP process over the last year. This proposal is truly a labor of love; she understands that this critical redevelopment can be a viable part of the community and the market study research she has done supports that notion. The building site needs to be thoughtful and the retailer needs to be prepared to take a multi-step approach to retailing. The grocery store needs to be part of the community, and help solve the food needs of the community.

After completing her MBA in 2010, Kristie moved to Madison to work at Fresh Madison Market. At Fresh Madison Market she had many different roles and eventually became Store Director for several years. Under her supervision, Fresh Madison Market was involved in a number of community organizations including: Family Business Center, DMI, Gilda's Club, Boys & Girls Club, March of Dimes and Gio's Garden. Fresh Madison Market was recently sold and is no longer a part of the Maurer's Market portfolio.

Maurer's Market currently has three stores in Wisconsin Dells, Janesville and Milwaukee. The Wisconsin Dells and Janesville stores are 25,000 to 35,000 square feet and are positioned to be more traditional. The consumer in this market is much more price conscious. The demand for fresh perishable items is high, yet the sensitivity to price is at a premium. Maurer's Market has to balance being a fresh food destination as well as keeping the "center store" grocery items as low priced as possible. Kristie also has extensive experience in owning and managing urban grocery stores. The newly opened Maurer's Urban Market, located in downtown Milwaukee, as well as her time at Fresh Madison Market, gives Kristie the necessary experience in the urban food retailing market. Having a grocery store in a downtown market is different than the suburbs or rural areas and a retailer has to be aware of factors like walking, biking, home bound trips, and bus routes.

Maurer's Market is focused always on creating the best experience for the customer and surrounding community. It's important to have an atmosphere that makes the store easy to shop. At Maurer's, the "experience" of being in the store is a priority.

Independent is best

Independent Grocers have long held a strong presence in Wisconsin. At Maurer's Market, we believe this site needs an independent grocer who is actively involved in the business and community. An engaged owner will be able to easily adapt to the community needs and the constantly changing urban footprint. Each store needs to have its own autonomy and personality. The store in this market would have its own reflections of the community and area it represents. While Kristie has experience in both retailing and downtown Madison, no two areas are the same. This store needs a retailer that is willing to be creative, challenge the preconceived notions and represent the community that it supports.

MEHMERT STORE SERVICES specializes in architecture and design for supermarkets. The firm is based out of Pewaukee and will serve as architect for the grocery store component this proposal.

GORMAN & COMPANY, LLC will serve as primary developer for the development. Gorman has been in business since 1984 and brings a fully integrated company that includes development, construction, architectural, and property/asset management experience. In our 35 years in business, Gorman has been awarded tax credits from the Wisconsin Housing and Economic Development Authority (WHEDA) for over 30 affordable housing projects within the state. This experience will be critical in this proposed mixed-use development. Gorman General Contractors, LLC will serve as General Contractor and Gorman & Company will also serve as Master Architect on both components of the development. The company believes that the best way to ensure high quality, sustainable developments is to build our projects with our own construction company and our own architects. With accountability of design, construction, and long term management within the Gorman umbrella, it provides a greater attention to detail and we are better able to support each phase of the development.

PROJECT EXAMPLES

MAURER'S MARKET

Wisconsin Dells & Janesville, WI

Maurer's Market opened a 20,000 SF store in 2016 in Wisconsin Dells, and in 2018 opened a new 28,000 SF location in Janesville, in a former Sentry. Both locations focus on catering to the local community's needs and providing fresh, affordable, products.



CARBON AT UNION CORNERS

2418 & 2518 Winnebago St, Madison WI

Carbon at Union Corners is a 90-unit mixed-use residential and neighborhood retail complex that includes two buildings connected by a pedestrian plaza, 19,000 SF of ground floor retail space, 76 affordable and 14 market-rate units, and 93 underground parking stalls. First floor tenants include a brewpub and office user. Amenities at Carbon include a community room, fitness room, on-site management, and a meeting room for neighborhood groups/meetings.



MAURER'S URBAN MARKET

777 N. Van Buren Street Milwaukee, WI

Maurer's Urban Market is a full-service supermarket emphasizing fresh, responsibly sourced products and serving residents, workers and businesses in downtown's East Town neighborhood. It is located on the ground floor of Northwestern Mutual's new 7SEVENTY7 apartment tower. The 10,500-square-foot supermarket, offers a full grocery selection, with the freshest produce, a wide selection of meats and seafood, an in-house bakery, a fresh deli and sushi bar, a large dairy and cheese assortment, frozen foods and other snacks and staples. Urban Market also features chef-prepared meals, including grab-and-go and ready-to-heat options. The store has in-store and outside patio seating, plentiful and convenient free parking, catering services and online ordering for pick-up and delivery.



Photo credit: Jeremy Jannene

2. DESIGN CONCEPT/LAND USE(S)



2. DESIGN CONCEPT/LAND USE

This proposal envisions a five-story mixed-use building fronting Park Street, incorporating the following building and site components. Preliminary plans are also included in this response.

- Grocery store – Floor 1, approx. 24,000 SF
- Multi-family affordable housing – Floors 2-5
- 93 total units – (38) 1BR, (37) 2BR, (18) 3BR
- Walk-up townhomes on Park Street frontage
- Covered parking for apartment residents – Lower level, approx. 90 stalls
- Surface parking – 85 stalls
 - Grocery customers and employees
 - Apartment guests, employees, and overflow
- Extended Cedar Street on north side of site per City requirements
- Retention pond per City stormwater requirements, approx. 12,000 SF

The current design features two story massing on Park Street that is also wrapped along Cedar Street. We feel this helps bring the building down to a pedestrian scale, further activating the street level with store front glazing along Cedar Street and walk-up row house entries along Park Street. The upper floors are set back to achieve higher density while maintaining pedestrian scale. We anticipate further review of pedestrian, bicycle, and transportation connections to ensure that customers and residents are able to safely access the site. Due to the high water table, stormwater, and right of way requirements, we have focused density and structured parking towards Park Street, with surface parking and stormwater features at the rear of the site.

GROCERY

The anchor of this proposal is a 24,000 SF first floor grocery store, to be operated by Maurer's Market. The overall design prioritizes the efficiency and long-term operational feasibility of the grocery store. Early in the process, Maurer's emphasized the importance of being a part of a mixed-use building and adding density to the site. Delivery trucks will have a direct route via Cedar Street to Park Street, and the loading area is tucked on the southern edge of the building, hidden from view. Maurer's will be a pre-conscious full-service grocery store with amenities such as a small café.

HOUSING

Located above the grocery store and fronting Park Street will be approximately 93 multifamily apartment units. We envision this component being financed in part with WHEDA tax credits, and therefore units would be affordable to individuals and families between 30% and 60% Area Median Income, along with some market rate units. At a community meeting ahead of this submittal, residents expressed concern that future development could lead to gentrification in the area. When discussing affordable grocery options, it would also be mentioned that access to affordable housing helps ensure that residents can afford to purchase the necessities such as groceries. We believe this would be an excellent site for multi-family affordable housing; residents would be ideally located on a bus line and bike path, with easy access to nearby amenities, schools, healthcare, and of course – groceries.

ZONING & PLANNING

This property is impacted by several adopted City plans and ordinances. The Wingra BUILD plan identifies this property as a mixed-use redevelopment site, and outlined the extension of Cedar Street.

This plan acknowledged the need for higher density housing to support future improved transit in the corridor, as well as a need for additional affordable workforce housing in the area. The more recent Imagine Madison Comprehensive plan identified the site as Regional Mixed Use in the Future Land Use Map.

The Truman Olson property is subject to Urban Design District 7 Guidelines, which calls for multi-story buildings on Park Street, along with other design guidelines. As part of the Wingra Creek Area, buildings on this site may be up to 6 stories tall, with parking that is enclosed, located behind buildings, and shared among users. We have preliminarily designed the building to fit within these parameters, with further design details to be finalized after discussions with City staff and the community. We understand that the property is zoned CC-T and grocery is a permitted use; however, the multi-family component will require a conditional use permit and therefore additional Plan Commission and Council approvals, in addition to the UDC review.

3. FINANCING



3. FINANCING

Sources and uses summaries for both the grocery and housing components are enclosed. The grocery space will be financed separately from the housing component. Maurer's Market may also pursue funding from the City's Healthy Retail Access Program (HRAP) as indicated in the RFP. We've been informed that the site is not eligible for New Market Tax Credits, as it is not located in an NMTC eligible census tract.

The housing component would be financed primarily with low-income housing taxes credits from WHEDA's 9% competitive round. Due to timing of this RFP response and City approvals, we anticipate a December 2020 application to WHEDA. The housing component also relies on additional gap financing from the City of Madison's Affordable Housing Fund, Dane County's Affordable Housing Development Fund, and FHLB Chicago Affordable Housing Program (AHP) funding. Gorman & Company has extensive experience applying for and receiving each of these financing sources.

TIF

We are assuming the following in order to minimize the TIF funding request:

1. Cedar Street construction will be built and completed prior to the City deeding the property to the development LLC so that the property will not be assessed for the cost of the street extension.
2. There are no significant environmental remediation costs associated with developing the property.
3. Construction costs consistent with current proforma
4. TIF in the form of property acquisition for \$1.00

We understand that this is considered a TIF request of roughly \$1.08 million due to the City's original purchase price for the property. A TIF application will be required to confirm the "but for" test and need for this TIF request. The \$1.00 purchase price would apply to the whole site - both the grocery and housing components. Gorman & Company has experience with this TIF process and application, as the same structure was utilized for the Union Corners master development. The entire UC property was acquired by Gorman for \$1.00, with each parcel assigned a value that is repaid over time via property tax increment.

ECONOMIC IMPACT & COMMUNITY BENEFITS

Maurer's Market anticipates employing 10-12 full-time employees and 30-40 part-time employees at the grocery store. Maurer's Market is committed to holding a job fair to promote hiring residents in the surrounding community. The housing portion will employ an on-site property manager, part-time leasing coordinator, and part-time maintenance supervisor.

Based on current plans, we estimate a total assessed value of approximately \$4.5 million for the housing component and \$3.5 million for the grocery store. This amounts to approximately \$180,000 in annual property taxes.

The key community benefit of this proposal is the provision of an independently owned grocery store with an engaged owner that will be able to adapt to the community needs. Maurer's understands that the grocery store needs to be an integral part of the community.

This proposal will also provide quality affordable housing in an urban area that is growing and changing over time. The development will ensure that housing remains affordable and accessible to residents for the long term.

Gorman & Company

Project & Feasibility Summary: Housing

Project Name <u>Truman Olson Mixed Use - Housing</u>	Developer: <u>Gorman & Company</u>	Date: <u>8/7/2019</u>
Address <u>1402 South Park Street</u>	Development Stage: <u>Initial Feasibility Model</u>	
City <u>Madison</u>	County <u>Dane</u>	State <u>Wisconsin</u>
Occupancy: <u>Family</u>	Development Type <u>New Construction</u>	Building Type: <u>Multi-story Elevator</u>
Project Type <u>LIHTC only</u>	LIHTC Type <u>9%</u>	Located in QCT or otherwise eligible for basis boost: <u>Yes</u>
Additional Project Information (assumption, description, notes, or version details)		

Unit Mix, Rent, & Building Summary

Unit Mix Summary					Building Area Summary		Sq. Ft.
Residential	# Units	%	Sq. Ft.	%			
LIHTC/Affordable	79	84.9%	67,900	84.9%	Total Residential Living Area		80,000
Market Rate	14	15.1%	12,100	15.1%	Common Space (community room, offices, hallways)		800
Total Residential	93		80,000		Net Residential Area		80,800
					Structured Parking		28,600
LIHTC Applicable Fraction		<u>84.9%</u>			Gross Floor Area (SF):		<u>109,400</u>

Other Income

Type	Monthly	Annual
Misc Fees - Application, Pet, etc.	\$1,200	\$14,400
Parking \$50 per space	\$4,250	\$51,000

Summary by AMI

AMI	Units	%
30%	19	24%
40%		
50%	37	47%
60%	23	29%
	79	100%

LIHTC/Affordable Units

# Bed room(s)	Description (optional)	Set Aside	# Units	Area (Sq. Ft.)	Utility Allowance	Net Rent	Monthly Rent
1		30%	9	600	\$91	\$474	\$4,266
1		50%	13	600	\$91	\$800	\$10,400
1		60%	11	600	\$91	\$975	\$10,725
2		30%	7	950	\$112	\$566	\$3,962
2		50%	14	950	\$112	\$950	\$13,300
2		60%	9	950	\$112	\$1,150	\$10,350
3		30%	3	1,225	\$129	\$654	\$1,962

Gross Rent	Sec 42 Limit	% of Limit
\$565	\$565	100.0%
\$891	\$941	94.7%
\$1,066	\$1,130	94.3%
\$678	\$678	100.0%
\$1,062	\$1,130	94.0%
\$1,262	\$1,356	93.1%
\$783	\$783	100.0%

Market Rate Units

# Bed room(s)	Description (optional)	Set Aside	# Units	Area (Sq. Ft.)	Utility Allowance	Net Rent	Monthly Rent
1			5	600		\$1,095	\$5,475
2			7	950		\$1,295	\$9,065
3			2	1,225		\$1,525	\$3,050
			14				\$17,590

Gorman & Company

Project & Feasibility Summary: Housing

Net Operating Income, DCR, Cash Flow, & Operating Expenses

Net Operating Income, DCR, Cash Flow	Monthly	Annual
Gross Rental Income	\$87,605	\$1,051,260
Other Income	\$5,450	\$65,400
Total Gross Income	\$93,055	\$1,116,660
Less Residential Vacancy 7.0%		(\$73,588)
Less Other Vacancy 7.0%		(\$4,578)
Effective Gross Income		\$1,038,494
Operating Expenses		\$558,000
Net Operating Income		\$480,494
Total Annual Hard Debt Service		\$417,595
Debt Service Coverage (DCR) - Year 1		1.151
Cash Flow		\$62,899

Operating Expenses	Annual	Per Unit
Operating Expenses	\$418,500	\$4,500
Real Estate Taxes	\$111,600	\$1,200
Subtotal	\$530,100	\$5,700
Replacement Reserves	\$27,900	\$300
Total	\$558,000	\$6,000

LIHTC & PERMANENT DEBT DETAIL

Tax Credit Equity

Credit Type	Annual Credit	Years	Pricing	Owner %	Total Equity
LIHTC	\$1,317,336	X 10	X \$0.920	X 99.99%	= \$12,118,279

Permanent Debt Information

Source	Amount	Interest	Term	Amort	Annual Pmt
First Mortgage	\$6,560,000	5.40%	15	35	\$417,595
Madison CDD AHF Cash Flow Loan	\$925,000	2.75%	16	30	\$45,315
Madison CDD AHF Deferred Loan	\$925,000		16	35	
AHP	\$900,000		15	40	
Dane County Funding	\$500,000		16	35	
Deferred Developer Fee	\$936,317				

Gorman & Company

Project & Feasibility Summary: Housing

SOURCES & USES SUMMARY

SOURCES	FINANCING	PER UNIT	%
First Mortgage	\$6,560,000	\$70,538	28.7%
Madison CDD AHF Cash Flow Loan	\$925,000	\$9,946	4.0%
Madison CDD AHF Deferred Loan	\$925,000	\$9,946	4.0%
AHP	\$900,000	\$9,677	3.9%
Dane County Funding	\$500,000	\$5,376	2.2%
Deferred Developer Fee	\$936,317	\$10,068	4.1%
LIHTC	\$12,118,279	\$130,304	53.0%
General Partner Equity	\$100	\$1	0.0%
Total	\$22,864,696	\$245,857	100.0%

USES	COST	PER UNIT	%
Acquisition (land + building)	\$1	\$0	0.0%
Hard Construction Costs	\$17,763,035	\$191,000	77.7%
Soft Costs	\$4,563,863	\$49,074	20.0%
Reserves	\$537,797	\$5,783	2.4%
Total	\$22,864,696	\$245,857	100%

Gap Analysis	TOTAL
Total Sources of Funds	\$22,864,696
Total Development Costs	\$22,864,696
Oversourced / (Undersourced)	

Gorman & Company

Grocery Component

Madison, Wisconsin

8/7/2019

Grocery Assumptions

Total Square Feet	24,000
Net Leasable Square Feet	24,000

Rent (PSF)

Other Commercial/Retail Space	\$0 PSF
Grocery NNN (\$/SF)	\$15 PSF

Sources & Uses

Sources

First Mortgage	\$4,934,029
Private Equity	\$689,172
Total Sources	\$5,623,201

Uses

Core and Shell	\$3,792,000
Tenant Improvements	\$1,320,000
Soft Costs	\$511,200
Other	\$0
Reserves	\$0
Land Acquisition	\$1
Total Uses	\$5,623,201
Financing Gap/Surplus	\$0

Grocery Income & Expenses

<u>Commercial Rent</u>	<u>Income</u>	<u>Per mo.</u>
Commercial Space Rent	\$0	-
NNN - Grocery	\$360,000	\$30,000
Retail Space	\$0	-
Reserved	\$0	-
TOTAL	\$360,000	30,000

Commercial Vacancy	0%
	\$0

Effective Commercial Income	\$360,000
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Operating Expenses	(52,000)
Management Fee	0
Real Estate Taxes	(80,000)
Total Operating Expenses	(\$132,000)

Tenant Reimbursement	\$132,000
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Net Commercial Income	\$360,000
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Permanent Commercial Debt

Lender	TBD
Amount	\$4,934,029
Amortization	30
Interest Rate	4.50%
Monthly Debt Service	\$25,000
Annual Debt Service	\$300,000
DCR	1.200

Gorman & Company

Grocery Component

Madison, Wisconsin

8/7/2019

Grocery 10-Year Cash Flow Pro Forma

Year	1 2022	2 2023	3 2024	4 2025	5 2026	6 2027	7 2028	8 2029	9 2030	10 2031
Grocery Income - Triple Net (NNN)*	\$15	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$396,000	\$396,000	\$396,000	\$396,000
Less Vacancies	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Effective Gross Income (EGI)		\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$396,000	\$396,000	\$396,000	\$396,000
Operating Expenses	3%	(\$52,000)	(\$53,560)	(\$55,167)	(\$56,822)	(\$58,527)	(\$60,283)	(\$62,091)	(\$63,954)	(\$65,873)
Management Fee	0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Real Estate Taxes		(\$80,000)	(\$80,000)	(\$80,000)	(\$80,000)	(\$80,000)	(\$88,000)	(\$88,000)	(\$88,000)	(\$88,000)
Total Operating Expenses		(\$132,000)	(\$133,560)	(\$135,167)	(\$136,822)	(\$138,527)	(\$148,283)	(\$150,091)	(\$151,954)	(\$153,873)
Grocery Tenant Reimbursement		\$132,000	\$133,560	\$135,167	\$136,822	\$138,527	\$148,283	\$150,091	\$151,954	\$153,873
Grocery Net Operating Income (NOI)		\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$396,000	\$396,000	\$396,000	\$396,000
First Mortgage Debt Service		(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)
Other Debt Service		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total must-pay debt		(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)	(\$300,000)
Debt Coverage Ratio - (DCR)		1.20	1.20	1.20	1.20	1.20	1.32	1.32	1.32	1.32
Cash Flow		\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$96,000	\$96,000	\$96,000	\$96,000

*Rent is flat in years 1-5, then increases by 10% in year 6 and held flat until year 10; however, this assumption is subject to lease negotiation with grocer.

4. OWNERSHIP STRUCTURE



4. OWNERSHIP STRUCTURE

An affiliate entity of Gorman & Company, LLC will take title to the entire property for the mixed-use development. Transfer of the property would occur after Cedar Street construction is complete so that the property will not be assessed for the cost of the street extension.

5. PROCESS/TIMELINE



5. PROCESS/TIMELINE

Due to timing of this RFP response, award of the RFP, and City approvals for zoning, we anticipate the following timeline:

Date	Task
June 15, 2019	Notice of Intent to Apply Submitted
August 9, 2019	RFP Response Submitted
September 26, 2019	Neighborhood Meeting
Oct 2019	Office of Real Estate Services Manager makes recommendation to Common Council (CC)
Oct-Nov 2019	CC Review and Acceptance of Recommendation
Nov 2019 – Jan 2020	Term sheet negotiated
Jan-Feb 2020	Action by CC and subcommittees on Term Sheet
June 2020	Neighborhood Meeting Commence Zoning and TIF process
Dec 2020	Submit 2021 WHEDA 9% LIHTC Application
Apr 2021	LIHTC Award Announcement
Nov 2021	Financial Closing and Construction Begins
Summer 2023	Construction completion



PROPOSED

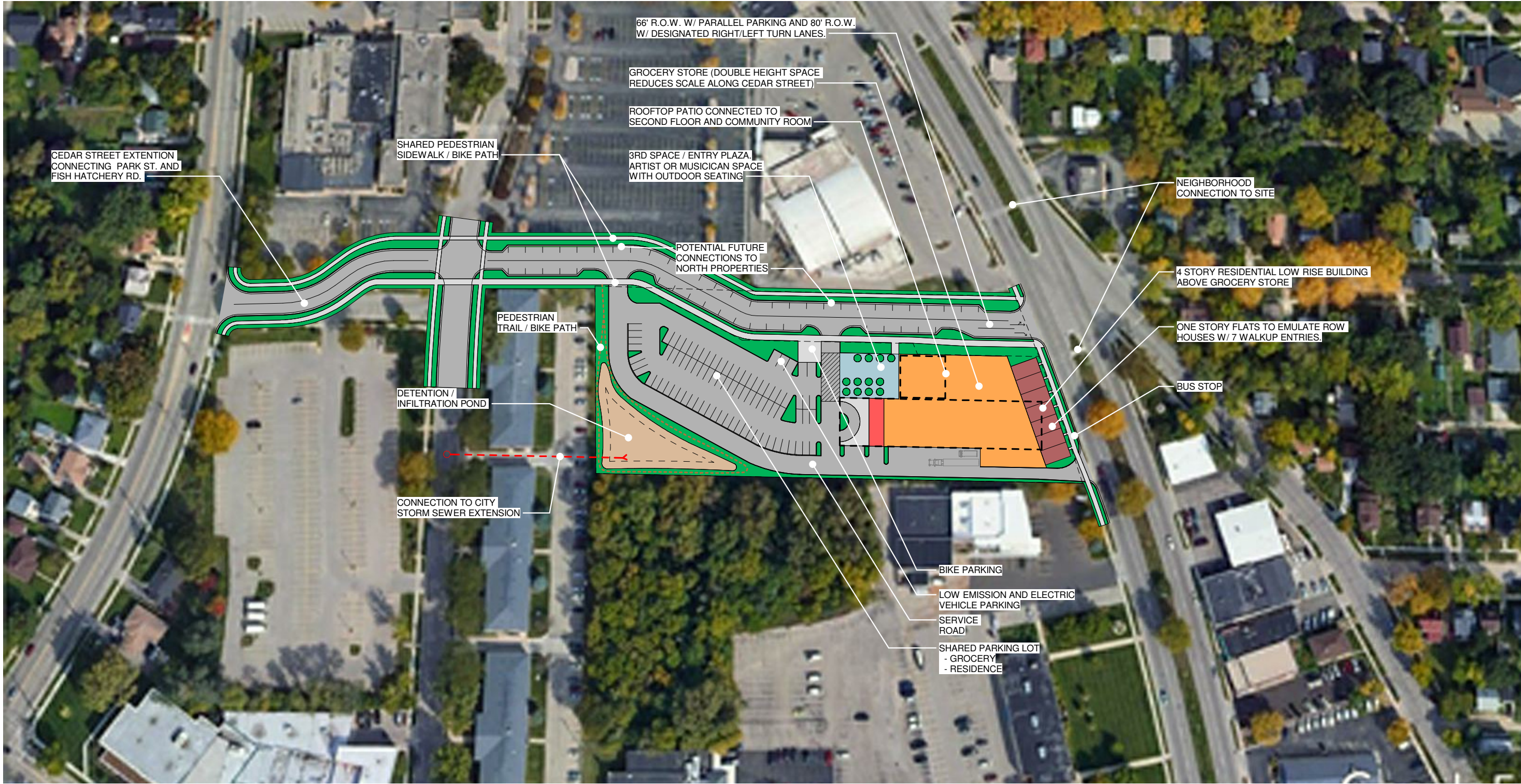


EXISTING

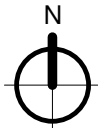


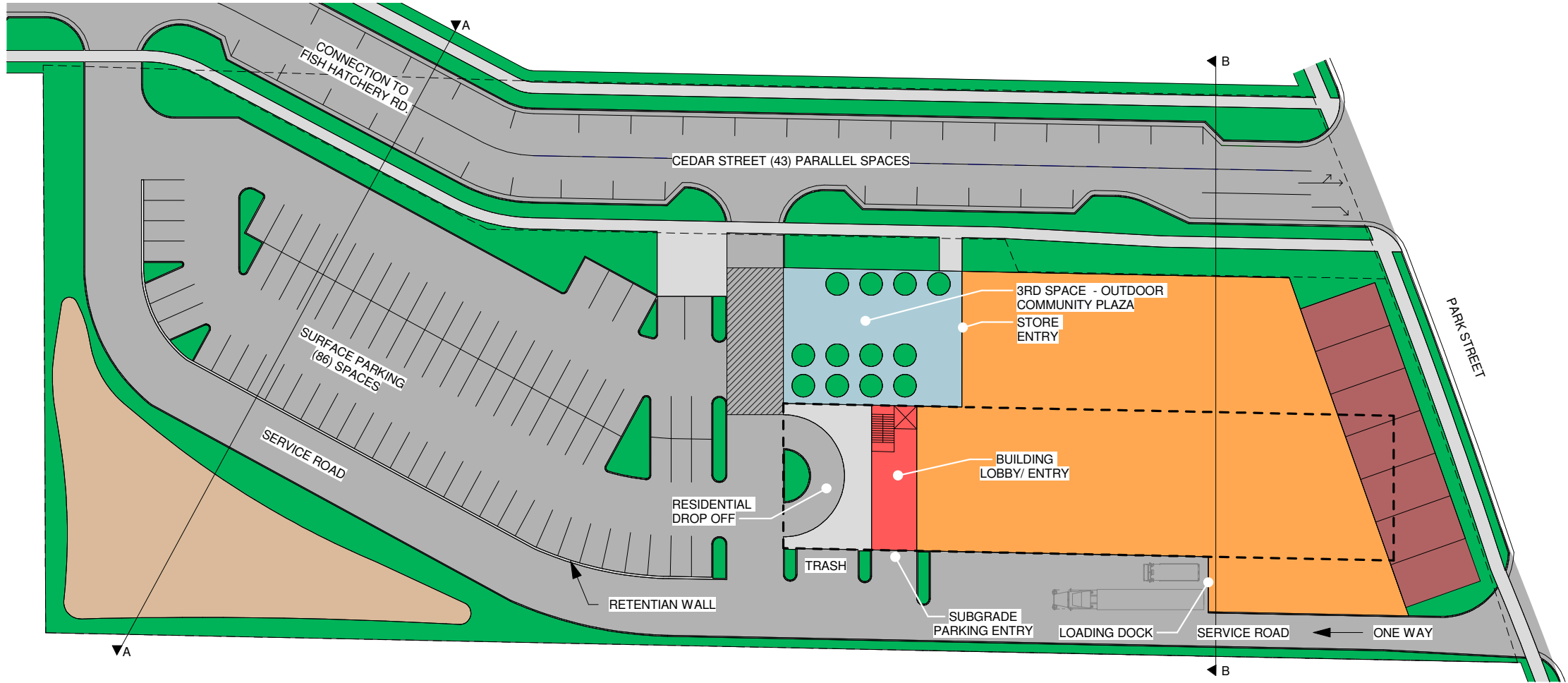
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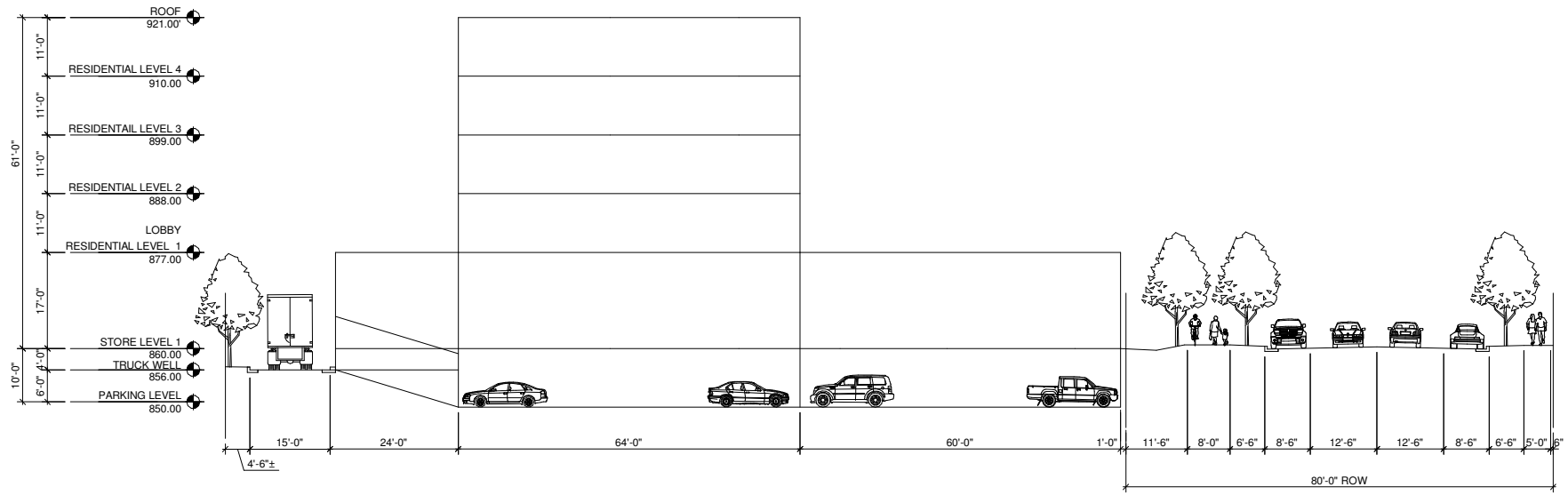
PROPOSED



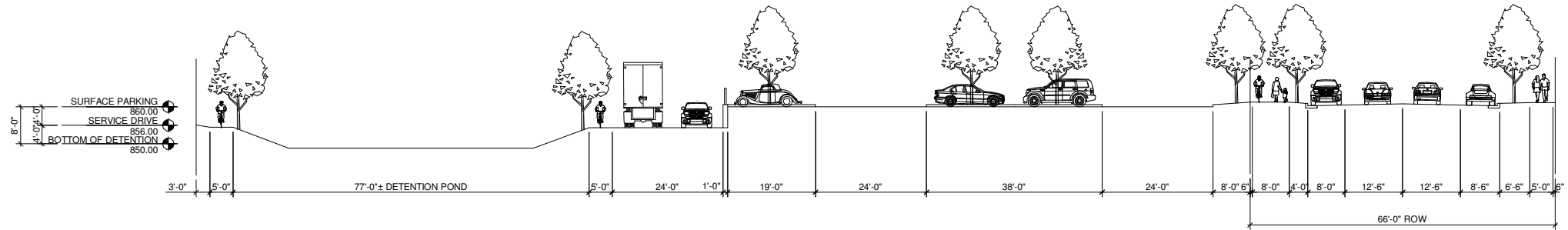


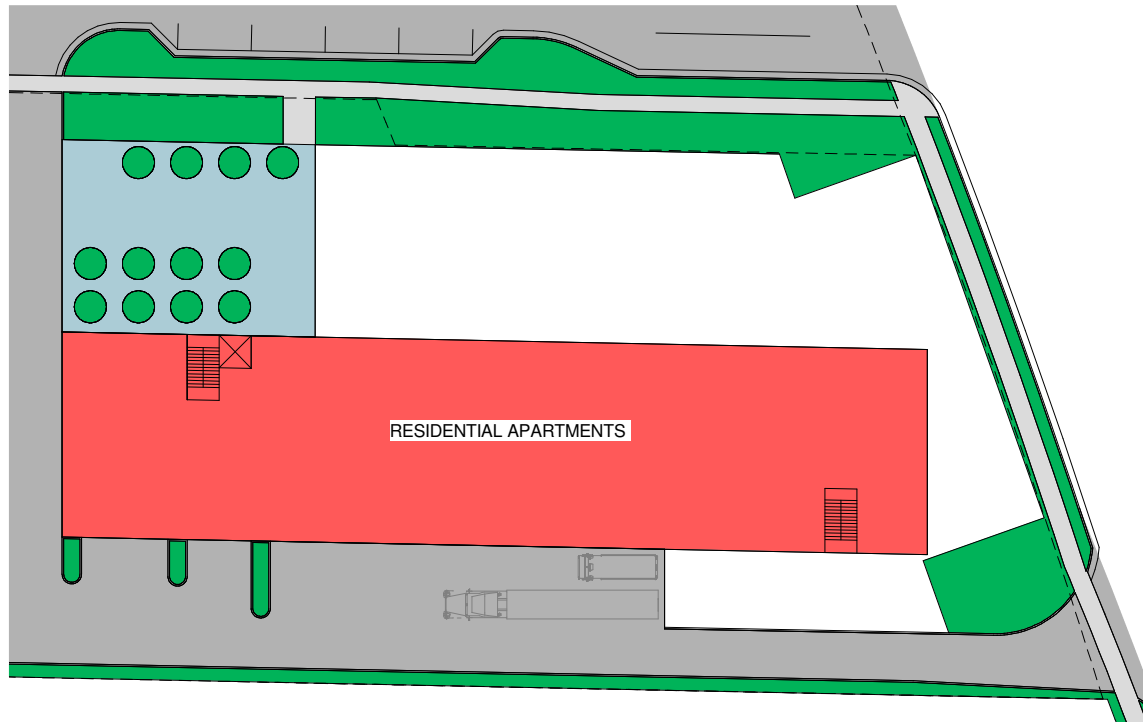
- PEDESTRIAN WALKING PATH
- VEHICLE ACCESS
- GREEN SPACE
- DETENTION / INFILTRATION POND
- GROCERY STORE W/ ACCESS TO COMMUNITY SPACE AND RESIDENTIAL (25,000 SF)
- 3RD SPACE - OUTDOOR COMMUNITY PLAZA
- PARK STREET FLATS (7) WALKUP UNITS
- RESIDENTIAL LOBBY / BUILDING AND COMMUNITY ROOM ENTRY
- RESIDENTIAL HOUSING
 - 1BR: 38
 - 2BR: 30
 - 3BR: 18
 - TOTAL: 86 UNITS

2 SECTION B
1/32" = 1'-0"

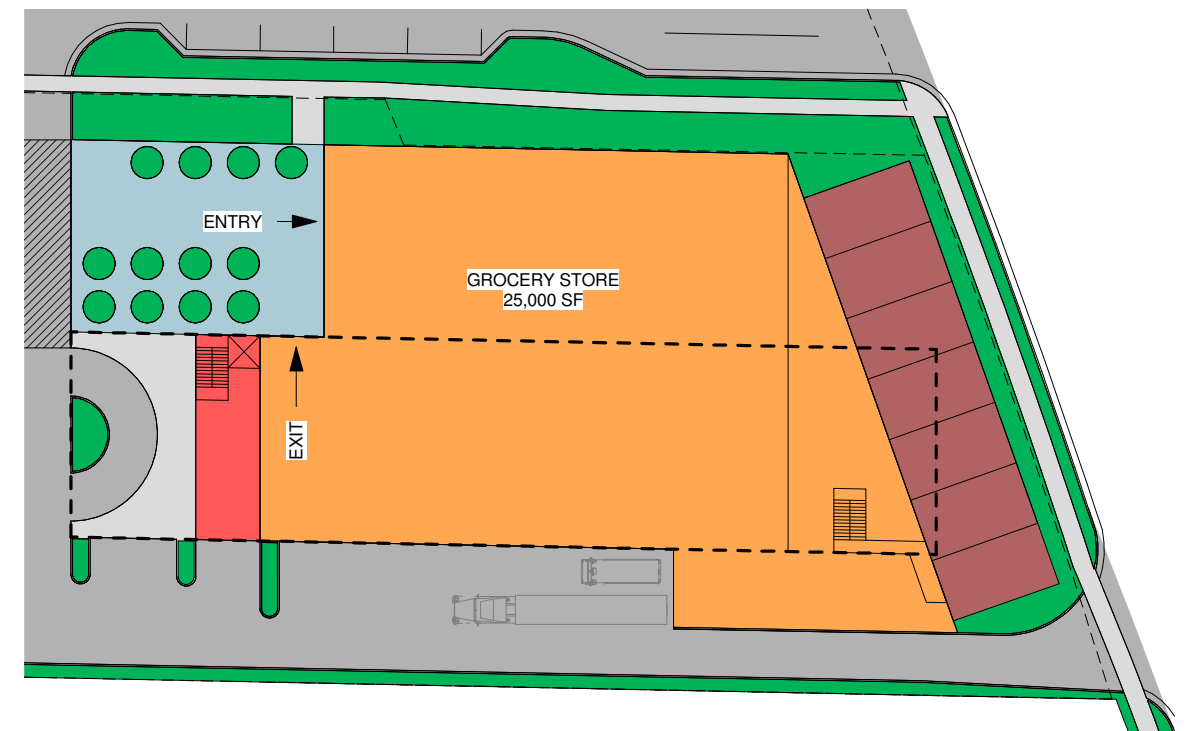


1 SECTION A
1/32" = 1'-0"

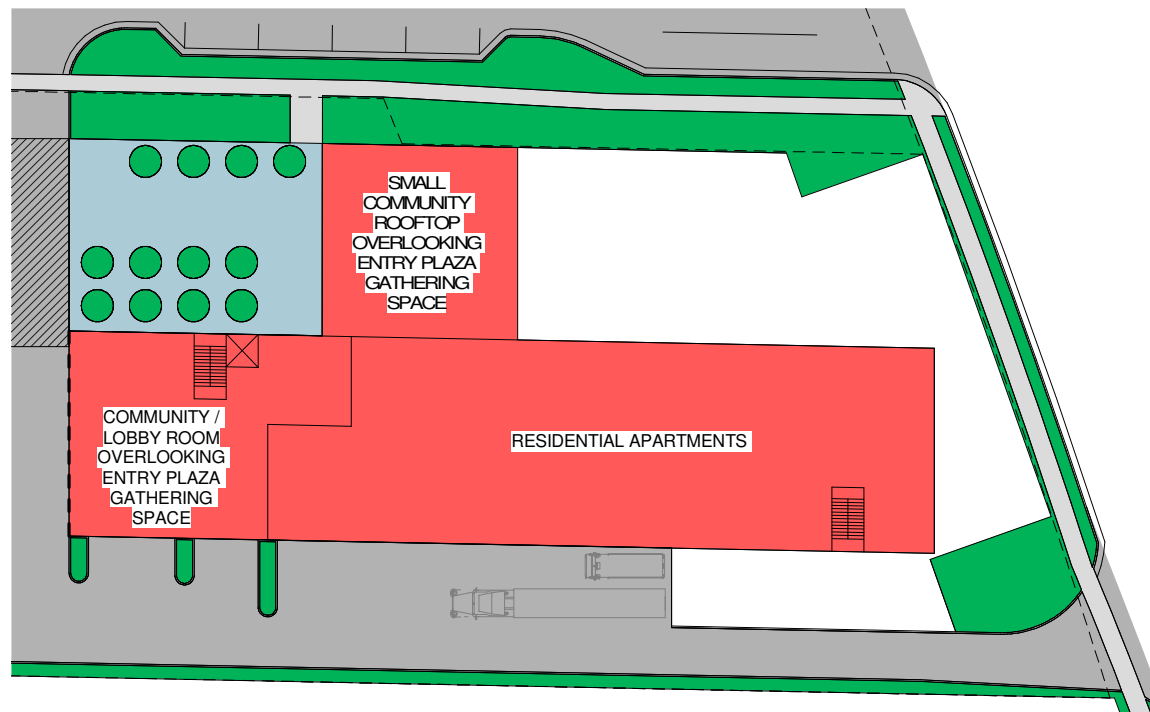




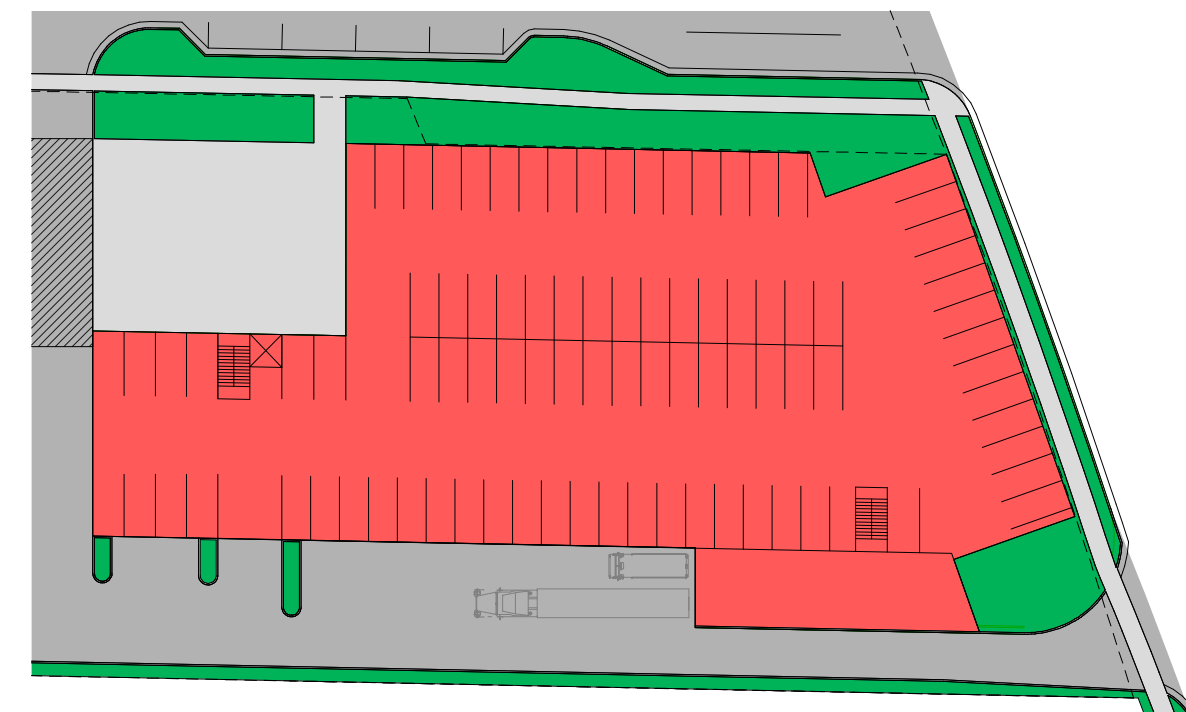
4 UPPER FLOOR - 3RD -5TH FLOOR
RESIDENTIAL
1" = 60'-0"



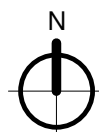
2 GROUND LEVEL- GROCERY STORE
1" = 60'-0"

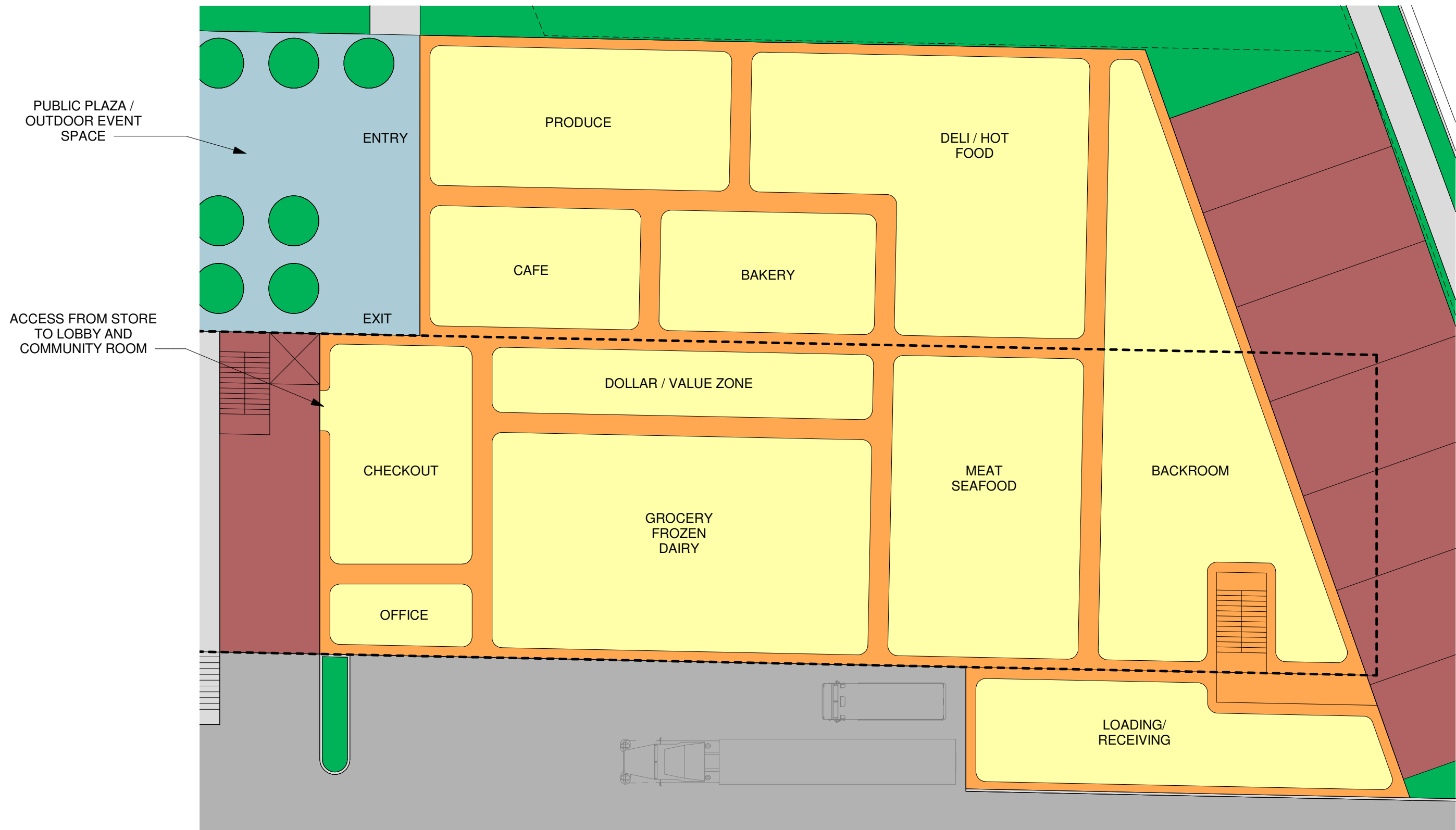


3 UPPER LEVEL - 2ND FLOOR
COMMUNITY ROOM AND RESIDENTIAL
1" = 60'-0"



1 SUBGRADE LEVEL - RESIDENT PARKING
(90) SPACES
1" = 60'-0"





GROUND LEVEL - GROCERY STORE
CONCEPT PLAN

1" = 20'-0"

