



Department of Planning & Community & Economic Development

Economic Development Division

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Office of Business Resources
Office of Real Estate Services

To: Dave Schmiedicke, Finance Director

From: Matthew B. Mikolajewski

Date: July 11, 2018

Subject: 2019 Economic Development Division Operating Budget Transmittal Memo

The proposed 2019 Economic Development Division (EDD) Operating Budget is a “cost to continue” submission of our adopted 2018 Operating Budget. Staffing, supplies, and purchased services remain consistent from 2018 to 2019 with one “technical change;” \$30,000 of funding for Owl Creek holding costs are proposed to be transferred from our Operating Budget to the Capital Budget per conversations that we have had with the Finance Department.

The Economic Development Division includes two services; Office of Business Resources and the Office of Real Estate Services. Our key priorities for 2019 within each of the services include the following:

Office of Real Estate Services (ORES)

- Timely and accurate management of over 500 real estate projects, including property acquisitions, easements, encroachment agreements, and leases
- The sale of City-owned property within the Center for Industry & Commerce and the BioAg Gateway
- Maintenance of City-owned real estate holdings
- Continued implementation of the City’s TIF Program, to likely include underwriting TIF projects and the implementation of new TIF Districts
- Work to facilitate the reuse/redevelopment of the former Oscar Mayer facility

Office of Business Resources (OBR)

- Providing a timely response to all business and developer inquiries
- Completing proactive business retention and expansion visits, including at least two “Business Walks”
- Successful management of City economic development programs, to include the Healthy Retail Access Program and Cooperative Enterprise Development Fund

- Starting construction of the Madison Public Market
- Continued work on Priority 1 projects outlined in the *Connect Madison* economic strategy
- Work to facilitate the reuse/redevelopment of the former Oscar Mayer facility
- Successful management of the street vending and sidewalk café programs

Over 90% of the Economic Development Division Operating Budget is devoted to salaries and benefits of our existing staff. The remainder of the budget, supplies and purchased services, doesn't provide a lot of opportunity to add new staff or adjust the use of funds to meet the changing needs of the City. As such, the Economic Development Division is submitting the following six supplemental budget requests in priority order. Although we recognize the current budget constraints facing the City, we believe these requests are justified by a need to support growing core City services, a desire to approach economic development in new and creative ways, and an opportunity to improve the efficiency and effectiveness of the services that we provide. Our supplemental budget requests include the following:

1. Add a new 1.0 FTE Real Estate Agent to City staff (\$79,700)
2. Increase the existing 0.5 FTE Street Vending Monitor position to 1.0 FTE (\$31,647)
3. Designate the City of Madison as a Kiva City (\$50,000) ***
4. Increase an existing 0.6 FTE Clerk Typist Position to 1.0 FTE (\$18,500)
5. Subscribe to CoStar to assist with underwriting TIF projects (\$5,000)
6. Increase funding for Economic Development Business Walks (\$7,000)

Please do not hesitate to let me know if you have any questions regarding these supplemental requests. I look forward to working with you, your team, and the Mayor on the preparation of the 2019 Operating Budget submission.

*** The Kiva City designation was originally included as an EDD Capital Budget request. Under the guidance of the Finance Department, this request will now be considered as part of the Operating Budget. The request materials; however, are still found within the Capital Budget.

Agency: EDD

Proposed Budget

	Cost to Continue	Proposed	Change
Revenue	-\$30,000	\$0	\$30,000
Expenditures	\$1,810,068	\$1,780,068	-\$30,000
Net	\$1,780,068	\$1,780,068	\$0
	2018	Proposed	Change
FTEs	17.1	17.1	0

Request Analysis

2017 Budget

Overbudget	No
2017 Analysis	

2018 Projection

Deficit	No
Projection Analysis	

2019 Request

Budget Request Changes	The agency corrected a \$30,000 transfer in and corresponding expense in other services and expenses. The \$30,000 pulled into the cost to continue from the 2018 operating budget but it is now included in the capital budget.
Change in Service	No
Service Impact	
Staffing Levels & Payroll Allocations	N/A

Economic Development Division

Function: Planning & Development

Position Summary

	2018 Budget			Request		2019 Executive		Adopted	
	CG	FTEs	Amount	FTEs	Amount	FTEs	Amount	FTEs	Amount
BUSINESS DEV SPEC	18	2.00	166,995	2.00	169,494	-	-	-	-
CLERK	20	0.60	24,611	0.60	23,371	-	-	-	-
COM DEV PROJ MGR	18	1.00	95,991	1.00	96,141	-	-	-	-
ECON DEV DIV DIR	21	1.00	117,201	1.00	120,004	-	-	-	-
ECON DEV SPEC	18	1.00	78,889	1.00	82,636	-	-	-	-
PLANNER	18	1.00	104,928	1.00	105,332	-	-	-	-
PROG ASST	17	1.00	57,376	1.00	58,055	-	-	-	-
REAL ESTATE AGENT	18	6.00	486,242	6.00	482,438	-	-	-	-
REAL ESTATE DEV SPEC	18	1.00	98,443	1.00	98,811	-	-	-	-
REAL ESTATE SUPERV	18	1.00	84,609	1.00	105,332	-	-	-	-
ST VENDING MONITOR	16	0.50	27,148	0.50	27,787	-	-	-	-
STR VENDING COORD	16	1.00	56,705	1.00	58,193	-	-	-	-
TOTAL		17.10	\$ 1,399,137	17.10	\$ 1,427,593	-	\$ -	-	\$ -

Salary amounts recorded on this page are for total budgeted salaries; this amount may differ from budgeted permanent wages as presented in the Line Item Detail due to payroll allocations to other funding sources (capital projects, grants, etc.) or inter-agency services are not reflected in this summary page.

2019 Operating Budget: Service Proposals

SERVICE IDENTIFYING INFORMATION

SELECT YOUR AGENCY:

Economic Development Division

SELECT YOUR AGENCY'S SERVICE:

Office of Business Resources

SERVICE DESCRIPTION:

This service helps businesses locate, open, or expand within the City of Madison by directing businesses toward financial and technical assistance programs available through the City and other sources, guides businesses through City permitting and approval processes, facilitates appropriate space for business development through participation in City land use planning efforts, and maintains and provides demographic/community information to businesses.

SERVICE BUDGET - ALL FUNDS

	2017 Budget	2018 Budget	2019 Cost to Continue	2019 Request	Change
Revenue	0	0	0	0	0
Expense	688,461	665,312	725,049	725,049	0
Net Budget	688,461	665,312	725,049	725,049	0

2019 PROPOSAL

1. Explain the budgetary changes proposed from 2019 Cost to Continue to the 2019 Request.

No changes proposed.

2. Explain the operational impact of the proposed changes from 2019 Cost to Continue to 2019 Request.

N/A

SERVICE GOALS

1. Who is the recipient of this service?

External recipients include existing and potential businesses, entrepreneurs, developers, business organizations, and indirectly, residents, employees, and visitors. Internal recipients include the Mayor's Office, Common Council, and other City Departments.

2. What activities are you responsible for providing under this service?

Business retention and expansion outreach, entrepreneurial support, business organization collaboration, grant writing, economic development project management, economic development contribution to City planning efforts, and management of the street vending and sidewalk cafe programs.

3. How do you define success within this service?

Job and tax base growth, businesses and employees excited to be located in the City of Madison, efficient and effective project management, successful street vending and sidewalk cafe programs, street vending and sidewalk cafe permit fee revenue.

4. What strategies are planned for 2019?

Major strategies include responding to business inquiries, organizing multiple Business Walks, managing business support programs (Facade Grant Program, Cooperative Enterprise Development Fund, Healthy Retail Access Program, and potential Kiva City Designation), applying for and managing State grant funds, leveraging the new Opportunity Zone Program, constructing the Madison Public Market, continuing Oscar Mayer redevelopment planning work, and managing the City's street vending and sidewalk cafe programs.

2019 Operating Budget: Service Proposals

SERVICE IDENTIFYING INFORMATION

SELECT YOUR AGENCY:

Economic Development Division

SELECT YOUR AGENCY'S SERVICE:

Office of Real Estate

SERVICE DESCRIPTION:

This service acquires all real estate needed by City agencies for expansion of their programs (e.g., street rights-of-way and park land), expedites the implementation of redevelopment activities, administers the City's Tax Increment Financing and Capital Revolving Loan Fund programs and analysis, provides relocation assistance to protect any persons displaced by City acquisitions, leases and manages City buildings and land held for future projects to citizens through leases and permits, inventories City lands and sells surplus properties in concert with neighborhood sale criteria committees, and investigates, evaluates, and protects the title to City lands through numerous permitting, appraisal, and authorization procedures.

SERVICE BUDGET - ALL FUNDS

	2017 Budget	2018 Budget	2019 Cost to Continue	2019 Request	Change
Revenue	0	-30,000	-30,000	0	30,000
Expense	721,019	947,763	1,085,019	1,055,019	-30,000
Net Budget	721,019	917,763	1,055,019	1,055,019	0

2019 PROPOSAL

1. Explain the budgetary changes proposed from 2019 Cost to Continue to the 2019 Request.

The \$30,000 change noted above represents a transfer of \$30,000 from the EDD Operating Budget to the Land Acquisition line item in the EDD Capital Budget for Owl Creek holding costs.

2. Explain the operational impact of the proposed changes from 2019 Cost to Continue to 2019 Request.

This is a "technical change" that has no operational impact on EDD or the City.

SERVICE GOALS

1. Who is the recipient of this service?

External recipients include businesses, residents, developers; and indirectly, employees and visitors. Internal recipients include other City Departments, the Mayor's Office, and the Common Council.

2. What activities are you responsible for providing under this service?

Managing City leases, easements, and encroachment agreements, acquiring real estate for road construction projects, City facilities, and redevelopment projects, underwriting requests for TIF assistance, and managing the City TIF program and policy.

3. How do you define success within this service?

Transparent and efficient acquisition and management of property for City purposes, maximizing return on investment of public dollars (tax base, jobs, and infrastructure), balancing needs and wants of businesses, developers, residents and policy makers, efficient and effective project management, and fees generated from encroachment agreements, leases, etc.

4. What strategies are planned for 2019?

Continued acquisition and lease of property required for road construction projects and other City needs, management of private use of public property (often street right of way) through encroachment agreements, leases, etc., maintenance and sale of property within City business parks, and underwriting TIF requests and implementation of new TIF Districts.

Supplemental Request

Agency:

Economic Development Division

Enter Your Agency's Service:

Office of Real Estate Services

Supplement Title:

Increase Office of Real Estate Services Clerk Typist Position to 100% FTE

Amount:

FTE:

Expansion to Existing Service

New Initiative

Provide an overview of the supplemental request.

Since the end of the recession, the project load for the Office of Real Estate Services has grown substantially and staff has been unable to keep pace. We have gone from roughly 300 open projects at the start of 2011 to 500 open projects at the start of this year. This request would increase the current Clerk Typist position in the Office of Real Estate Services from 60% to 100% FTE allowing staff to absorb the increased workload.

The Clerk Typist in the Office of Real Estate Services assists staff in all manner real estate transactions including:

- Managing physical and digital real estate files
- Monitoring insurance requirements
- Manage records storage
- Route and monitor contracts and resolutions for approval

What is the desired outcome of the request?

Ensure that the Office of Real Estate Services can continue to meet the growing needs of City of Madison agencies for the expansion of their programs in a timely manner. By increasing our capacity, the Office of Real Estate Services will be able to complete projects more quickly and reduce our project backlog.

How will the desired outcome be measured?

The number of open and completed Real Estate projects.

Supplemental Request

Agency:

Economic Development Division

Enter Your Agency's Service:

Office of Real Estate Services

Supplement Title:

Subscription to CoStar to assist in TIF underwriting

Amount:

FTE:

- Expansion to Existing Service
 New Initiative

Provide an overview of the supplemental request.

Office of Real Estate Services staff are tasked with underwriting applications for Tax Incremental Financing (TIF) assistance based on the financial gap between the cost of a real estate development and the amount of financing that the project can command. To determine the appropriate amount of support, staff underwrite the fundamental assumptions of the transaction including:

- Market rents
- Vacancy
- Absorption
- Parking ratios
- Market values

Staff verify this data by researching previous TIF transactions, interviewing other developers, and seeking publicly available data. CoStar is the largest real estate data broker in the United States with a comprehensive database of lease and sales data for commercial properties in the Madison market. The City of Madison currently subscribes to CoStar to assist in valuing properties in the Assessor's office. Adding a license to the subscription for Real Estate staff would give them access to the same data used by the Assessor, banks, and real estate brokers to underwrite TIF applications.

What is the desired outcome of the request?

Faster and more accurate underwriting of TIF applications, allowing staff to process a larger number of requests with greater confidence in the accuracy of results.

How will the desired outcome be measured?

Average time to underwrite applications and number of application revisions.

Supplemental Request

Agency:

Economic Development Division

Enter Your Agency's Service:

Office of Real Estate Services

Supplement Title:

Increase Office of Real Estate Services Staff by 1 FTE Real Estate Agent

Amount:

FTE:

Expansion to Existing Service

New Initiative

Provide an overview of the supplemental request.

Since the end of the recession, the project load for the Office of Real Estate Services has grown substantially and staff has been unable to keep pace. We have gone from roughly 300 open projects at the start of 2011 to 500 open projects at the start of this year. Additionally, the complexity of the project load has increased with greater emphasis on assisting in the creation of affordable housing, complex ownership structures (ex Pinney Library condominium), and large multi-year projects. This request would provide an additional Real Estate Agent to our staff to absorb the increased workload.

Real Estate Agents in the Office of Real Estate Services:

- Acquire all real estate needed by City agencies for expansion of their programs (e.g., street right of way, park land, and protective services)
- Lease property needed for City services (e.g., libraries)
- Provide relocation assistance to persons displaced by City acquisitions
- Manage private use of public property (often street right of way) through leases, easements, and encroachment agreements
- Manage and sell property within City business parks
- Manage and sell surplus City property
- Maintain City real estate assets, including partnership with Community Development Authority on CDA projects

What is the desired outcome of the request?

Ensure that the Office of Real Estate Services can continue to meet the growing needs of City of Madison agencies for the expansion of their programs in a timely manner. By increasing our capacity, the Office of Real Estate Services will be able to complete projects more quickly and reduce our project backlog.

How will the desired outcome be measured?

The number of open and completed Real Estate projects.

Supplemental Request

Agency:

Economic Development Division

Enter Your Agency's Service:

Office of Business Resources

Supplement Title:

Increasing the Street Vending Monitor Position from Half-time to Full-time

Amount:

FTE:

- Expansion to Existing Service
- New Initiative

Provide an overview of the supplemental request.

This is a request to increase staffing for the City's Street Vending team from 1.5 FTE positions to 2.0 FTE positions. Street Vending is part of the Office of Business Resources, within the Economic Development Division, within the Planning & Community & Economic Development Department. The program is staffed by the Street Vending Coordinator (full time) and the Street Vending Monitor (half time).

Madison's street vending program manages licensing and permitting for food carts, outdoor sidewalk cafes, game day vending at Badger games, arts/crafts vending at the Dane County Farmers Market, and banners on city overpasses. The work includes processing licenses and permits, enforcing compliance with regulations, providing direct support to individual businesses, staffing the Vending Oversight Committee, and coordinating with various other city agencies and community partners.

The staffing needs of the program are increasing because of baseline growth in the program's core function, and because of recent city initiatives related to street vending. In 2006, the City had 28 food carts apply for a downtown site. In 2017, the City had over 60 food carts applying for downtown licenses and another 30 operating in other areas. In 1998, there were approximately 80 restaurants in downtown Madison and today there are 147, with most getting a sidewalk café license. Similarly, the City is seeing increasing numbers of game day vendors, merchant vendors, and arts/craft vendors. Each street vending business requires staff to not only process various licenses and applications and monitor compliance, but staff also provides one-on-one counseling to help each individual street vending entrepreneur.

In addition to this baseline growth, the City has started new initiatives that place staffing demands on street vending. These include creating more food cart sites, improving the food cart review process, creating the Top of State Vending Overlay District, changing City ordinances to allow for food carts on private property, implementing the new Portable Sign Ordinance, replacing Late Night Vending, and creating the Tabling Permit program.

From an economic development and racial equity perspective, the growth of street vending is a positive trend. Food carts can be a relatively low-cost and mobile platform for food entrepreneurs to start a business. Oftentimes, food carts expand into larger businesses. From an equity perspective, staff estimates that 75% of Madison's licensed food carts are owned and operated by immigrants and/or people of color. Madison's Street vending program functions as a de-centralized business incubator for diverse food entrepreneurs.

What is the desired outcome of the request?

There are several desired outcomes of the request:

1) Address staff shortage - This change would address an acute need for increased staff simply to manage the growth of this program. The Street Vending Coordinator accumulated over 150 hours of comp time during the first half of 2018, and approximately 400 hours of comp time in 2017. This is not a sustainable situation. A full time Street Vending Monitor could take on more of the baseline permitting and licensing responsibilities and free-up more of the Street Vending Coordinator's time to keep up with communications with businesses and address the new and emerging issues that require time and attention.

2) Build on Street Vending's role in enhancing equity and economic opportunity - With increased staffing capacity, Street Vending can expand its role as a business development platform for diverse entrepreneurs.

3) Increased compliance – Increased staff will help ensure that vending activity in Madison is safe and in accordance with city policy.

4) Increased Revenue – Street vending has collected over \$190,000 in licensing and permitted fees so far in 2018. Street vending revenues have been growing due to the growth of the program and recent improvements to the tracking of appropriate licensing and payment of fees of street vendors and sidewalk café operators. With increased staff capacity, more vendors and sidewalk cafes will be brought into the program and more existing vendors and sidewalk cafes will be brought into licensing compliance. This will increase revenue.

5) Downtown Retail Strategy Implementation – In 2016, the City commissioned a detailed report focused on Downtown retail. Several of the recommendations directly relate to Street Vending including extending existing retail store presence into public areas, placing more Food Carts along State Street, experimenting with creative uses of sidewalk space for businesses, and creating retail kiosks in the public right-of-way for businesses to use on a temporary basis.

6) Comprehensive Plan Implementation – The draft Comprehensive Plan identifies “expand street vending” as an action item within the Economy and Opportunity section of the plan. Implementing this recommendation requires staffing.

How will the desired outcome be measured?

- 1) Licensing and revenue growth – Total number of licenses and permits issued, and revenue collected.
- 2) Enforcement Activity – Total number of observations, warning, and citations issued.
- 3) Timeliness of licensing – Percent of street vending businesses that are licensed by the due date, and length of time to process a license.
- 4) Comp time reduction – reduction in accumulated comp time of the Street Vending Coordinator as more tasks are delegated to the Street Vending Monitor.
- 5) Implementation of priority initiatives such as those identified in the Downtown Retail Study.

Supplemental Request

Agency:

Economic Development Division

Enter Your Agency's Service:

Office of Business Resources

Supplement Title:

Fully Fund Two Annual Economic Development Business Walks

Amount:

FTE:

- Expansion to Existing Service
 New Initiative

Provide an overview of the supplemental request.

This is a request to fully fund two Business Walks in 2019. The 2018 EDD Operating Budget includes \$5,000. This supplemental request is for an additional \$7,000, creating a total Business Walk budget of \$12,000. With two business walks funded annually, EDD staff believes that most major commercial districts could be covered through the program under a ten year cycle.

A Business Walk is an economic development initiative that, in a short amount of time, allows local leaders to get the pulse of how a business community is doing. The information gathered is used to help increase connections between the City and the business community and is used by economic development staff to identify which businesses require further outreach.

Since 2016, the City of Madison Economic Development Division has completed three Business Walks in the following areas: Northside, Stoughton Road and Park/Regent Street. These walks have engaged over 500 businesses, provided the city with valuable information on the state of businesses in these neighborhoods, and helped better organize neighborhood business organizations. The Planning Division, Community Development Division, and Economic Development Division are using the data in a variety of programmatic planning and neighborhood planning activities.

In 2019 and beyond, the Economic Development Division is requesting funds to conduct two business walks per year. An increase of \$7,000 to \$12,000 total is needed based on the experience of the true cost of Business Walks based on the three (3) completed to date.

What is the desired outcome of the request?

The desired outcome is to have dedicated funding for two walks a year and continue to improve our marketing and translation services efforts to make sure we are reaching as many businesses owners as possible. By completing two business walks per year, EDD staff believes that most major commercial districts within the City could be covered within a ten year cycle.

We would also like to work with the Alders for each area to complete an annual follow-up mailing and survey to continue to foster the relationship between the City and the business community in these areas.

How will the desired outcome be measured?

We will measure the outcomes in the following ways: completing two business walks a year; visiting 300+ business a year; standardizing marketing materials for the events and having them all translated into both Spanish and Hmong and/or other languages as may be appropriate; annual follow-up mailing with our most recent Business Assistance Guide to past participants in the walk (500+ businesses).