To: Alder Michael Verveer, Fourth District

From: Judge Doyle Square Staff Team

RE: Response to Your January 10, 2014 Questions

DATE: January 22, 2014

You posed six questions to the Judge Doyle Square Staff Team on January 10, 2014. Please see the responses below.

1. **Can a reduction in the density of development on Block 105 allow the Parking Utility's replacement stalls to be built primarily above grade?**

   Yes. Reducing the density in development reduces the parking requirements. However the degree of any reduction is dependent upon the development uses. Parking requirements for residential units are between 1-1.5 spaces/unit; and for office space is approximately 1 space/350 sq ft.

   A proposed 605 stall garage on Block 105, to replace Government East, could be extended an additional level above grade to provide an additional 140 parking stalls (approximately $25,000 per stall and $3.5 million in additional cost). These additional spaces could be used to support the parking requirements for 100+ residential units or approximately 50,000 square feet of office space. The Parking Utility would also support utilizing shared parking strategies to accommodate parking needs of the development.

2. **How would this land use solution assist in meeting the Parking Utility's financial objectives? In accomplishing this outcome, please make sure that the at-grade uses remain retail/restaurant type uses to contribute to the expansion of the adjacent entertainment district. (i.e. no parking at street level adjacent to South Pinckney Street).**

   This land use solution allows the Parking Utility to finance 605 spaces and maintain an adequate level of reserves in order to replace another garage in the next decade. The proposed structure would be wrapped with 30,000 SF of retail which stretches the entirety of South Pinckney St. to contribute to the expansion of the adjacent retail/entertainment district.

3. **How would a reduction in the density of development on Block 105 potentially reduce the need for TIF assistance?**

   The Parking Utility estimates that Government East could be rebuilt in place, primarily above grade, with 605 stalls and 30,000 SF of retail wrapping the structure at grade. The total estimated cost for this project is $17.1 million.

   Based on a line item analysis, it appears that an additional 140 stalls of parking could be approximately $3.5 million. (The incremental cost per stall is lower due to fixed costs such as demolition, excavation, etc.). Provision of 140 stalls of parking would allow approximately 100+ units of residential to be constructed above the ramp or approximately

50,000 square feet of commercial. For the sake of this analysis, let's assume that residential is constructed which is more likely in the current market and would provide a greater appearance of density.

It's reasonable to assume – both based on the developer pro forma projections and Madison's experience – that if TIF was provided to support the structured parking costs, the private elements of the project could be supported without additional TIF assistance.

BLOCK 105 MODIFICATIONS

	Journeyman	JDS 1	JDS 2	Hypothetical
Current or implied TIF request	$8.6 million	$2.4 million	??	$3.5 million
Density	• 52,190 SF office • ~15,000 SF retail • 134 apartment units	• 80,000 SF city office • ~15,000 SF retail • 80 apartment units	• 80,000 SF office • ~15,000 SF retail • 80 apartment units	• 30,000 SF retail • 100+ apartment units

Note: JDS development indicates that its pro forma doesn't work without additional TIF support. In addition, JDS Development attributes costs incurred to provide parking for private uses (on a shared basis) to the Parking Utility rather than TIF. JDS 2 could look something like JDS 1 (with essentially no TIF savings or could result in an increase in TIF support to make the pro forma pencil out).

This analysis makes the following assumptions:

- Does not account for bike center cost; assumes bike center accommodated within retail footprint
- Assumes all retail-related parking can be accommodated with public parking
- Assumes 140 additional parking stalls for a total of 745
- Does not address lost property tax value
- Does not consider potential debt/equity implications based on scaled down project

4. **To what degree could the potential project construction cost be reduced through a downsizing in the amount of meeting spaces and other amenity spaces (e.g. ballroom space and food service) in the proposed hotel components? Please use a meeting space with a 100-person capacity and a good supply of breakout rooms as the standard for your analysis. I am not asking for staff to define the overall project subsidy required if a smaller meeting space is included but rather the cost of construction compared to a full service ballroom convention center hotel. I realize understanding the business impacts is a different question that may require broader discussion and hotel market analysis.**

It is impractical to believe that each square foot reduction in function space will be able to reduce an equivalent proportion in cost, as some of those costs are fixed and spread over all areas of the hotel (e.g. HVAC, roof, etc.) The rule of thumb is that there will be a 67-75% reduction in construction cost per square foot for each square foot reduction in function space. In the example below, a 70% efficiency number was used.

For Journeyman, if the function space was reduced from 40,000 sq. ft. to 10,000 sq. ft. at a cost per square foot of $308, a good estimate would be $6.468 million in savings.

For JDS, the floor plans show a limited amount of meeting space and both Proposal 1 and 2 show no more than 11,500 sq. ft. so the amount of savings would be limited ($353,850).

In regards to the amount of function space for a banquet of 100 people plus multiple meeting spaces, a number of 10,000 sq. ft. would be very generous. This number would include approximately 2,000 sq. ft. for the banquet room (to serve 100 people comfortably plus equipment) plus an additional 8 meeting rooms at approximately 450 sq. ft. per room or a total of an additional 3,600 sq. ft. The remaining area would be for pre-function space, storage, common area corridors, etc.

Please be aware that reductions in the hotel function space will also have potential impacts on the conditions of the hotel relationship (Flag) and the net operating income for the property. These issues will have to be further analyzed in the negotiation stage of the process.

HOTEL	Journeyman	JDS 1	JDS 2
Cost	$86,840,143	$86,095,999	$77,584,000
Square Feet	282,100	255,430	197,070
Rooms	352	308	308
TIF	$38,135,725	$16,796,000	$21,220,000
Cost / Room	$246,705	$279,532	$251,896
Cost/SF	$308	$337	$394

5. **Please include information about the cost of constructing most or almost all of the hotel parking underground as a TIF cost.**

   The Parking Utility prepared an Opinion of Probable Cost on January 21, 2014 for constructing 265 stalls of parking on Block 88 as an underground facility above which a building (i.e. hotel) would be built.

   The construction cost is estimated to be $10.65 million or $40,000 per stall for a 265 car underground ramp. Please note that any developer fees or financing assumptions have not been included in this number and will be subject to further analysis.

6. **Please estimate the effect of the above project outcomes on the potential project cost (in a range if necessary).**

The impact of the above actions will reduce the overall project costs by varying magnitudes and reduce the level of required City investment in the project.

The following table shows the proposed and hypothetical parking configuration and associated estimated costs.

PARKING CONFIGURATION

	Journeyman	JDS 1	JDS 2	Hypothetical
BLOCK 88				
Hotel Parking	235	277	536 shared stalls	265
Public Parking		38		
Fleet Parking	40			
Block 88 stalls	275	315	536	265
Block 88 parking cost	**$11.5 million**	**$9.3 million**	**$22.5 million**	**$10.6 million**
BLOCK 105				
Public Parking	598	476	477 shared stalls	565
Fleet Parking		40		40
Private Parking	393	80		140
Bike Center	9			
Block 105 stalls	1,000	596	477	1010
Block 105 parking cost	**$37.4 million**	**$16.5 million**	**$17.5 million**	**$20.6 million**
TOTAL stalls	1,275	911	1,013	1010
TOTAL Parking Cost	**$48.9 million**	**$25.8 million**	**$40.0 million**	**$31.2 million**

Note: Allocates soft and pre-construction costs proportionally to Journeyman proposal; assumes JDS parking figures include soft and pre-construction costs

For the function space in the hotel, your proposal to provide 10,000 square feet of function space in the hotel would reduce the cost of the Journeyman proposal by $6.5 million, and reduce the cost of the JDS 1 and JDS 2 proposals by $400,000 each.

SUMMARY

Cost Reduction	**Journeyman**	**JDS 1**	**JDS 2**
Parking	$17,700,000	($5,400,000)	$8,800,000
Hotel Function Space	$ 6,500,000	$ 400,000	$ 400,000
Total Cost Reduction	$24,200,000	($5,000,000)	$9,200,000

George Austin

From: Verveer, Mike <district4@cityofmadison.com>
Sent: Friday, January 10, 2014 11:05 AM
To: George Austin
Subject: Judge Doyle Square Project Questions for City Staff

Hi George,

I am writing to you as the City's Project Director for the Judge Doyle Square development. As you know, the Judge Doyle Square Committee is moving into the final phase of the process to recommend a development team for the Council's consideration. As a member of the Committee, I am most interested in having the Committee fashion a recommendation that can be embraced by the Common Council when it deliberates on the issue. I respectfully ask that you convene the appropriate City staff to consider my following questions and suggested project outcomes for the Committee's consideration when it meets on January 23rd.

I believe the Judge Doyle Square project is an important initiative of the City. Successfully implemented, it can further strengthen the central business district (CBD) which, if one closely analyzes the situation, is relatively stagnant in terms of new tax-producing non-residential development recently. To be successful however, the project must meet the City's land use and urban design objectives for the currently City-owned, underutilized and tax-exempt property on South Pinckney Street between East Doty and East Wilson Streets.

The Judge Doyle Square development must also be affordable for the taxpayers and be efficient in the use of the City's financial resources. We have an unusual opportunity to fashion a project to re-build the functionally obsolete Government East parking ramp, using the property as a catalyst for new tax producing development. This opportunity can significantly improve the walkability of the CBD which is the most important element to improve the CBD as a destination. It would also increase the City's multi-modal transportation objectives.

In addition, the additional hotel room block would be a most important controllable issue to keep Monona Terrace a productive catalyst for attracting visitors, and the outside capital that visitors bring, to fuel our regional economy. In meeting this objective, the new hotel however must not compete with Monona Terrace. The meeting facilities should not take significant business away from Monona Terrace. Equally important, the new hotel should minimize any negative impact on the existing downtown hotels during the absorption of the new hotel rooms into the marketplace.

Finally, achieving these objectives must not harm the Madison Parking Utility's ability to implement its capital plan to maintain the City's parking facilities in the CBD over the next twenty years.

I believe that keeping the Madison Municipal Building (MMB) in civic use will help achieve the outcomes I've summarized above. Please include the assumptions that the MMB will be retained as a City office building and that any new hotel and other new structures will be a high design quality and respect the design requirements of the MMB as a National Register of Historic Places building.

With the above outcomes and constraints taken in consideration, I'd like the staff team response to the following questions:

1. Can a reduction in the density of development on Block 105 allow the Parking Utility's replacement stalls to be built primarily above grade?
2. How would this land use solution assist in meeting the Parking Utility's financial objectives? In accomplishing this outcome, please make sure that the at-grade uses remain retail/restaurant type uses to contribute to the expansion of the adjacent entertainment district. (i.e. no parking at street level adjacent to South Pinckney Street).

3. How would a reduction in the density of development on Block 105 potentially reduce the need for TIF assistance?
4. To what degree could the potential project construction cost be reduced through a downsizing in the amount of meeting spaces and other amenity spaces (e.g. ballroom space and food service) in the proposed hotel components? Please use a meeting space with a 100-person capacity and a good supply of breakout rooms as the standard for your analysis. I am not asking for staff to define the overall project subsidy required if a smaller meeting space is included but rather the cost of construction compared to a full service ballroom convention center hotel. I realize understanding the business impacts is a different question that may require broader discussion and hotel market analysis.
5. Please include information about the cost of constructing most or almost all of the hotel parking underground as a TIF cost.
6. Please estimate the effect of the above project outcomes on the potential project cost (in a range if necessary).

Again, I'd appreciate a response in time for these issues to be discussed at the January 23rd Judge Doyle Square Committee meeting. Thank you for your assistance.

Thanks,
Mike