Informational Briefing
for
Common Council Members

Judge Doyle Square Amended and Restated Development Agreement

By the City Negotiating Team

Thursday, September 24, 2015 – 4:30 pm
and
Friday, September 25, 2015 - Noon
Introduction and Brief Background

1. Agenda Review
2. City Initiated Request for Proposals/Process
3. Negotiation Process
4. Items Before the Council on September 29th
PROJECT ELEMENTS AND PHASING
Blocks 88 (MMB) and 105 (Gov’t East Ramp)
Project Elements and Phasing
Future Office Phase 3
107,000 s.f.
Construction 2021
Estimated Assessed Value
$25.6 Million

Hotel Phase 2
Construction 2017-2018
Estimated Assessed Value
$24.8 Million
FINANCIAL ELEMENTS AND GUARANTEES
Project Funding Sources

Total Cost = $200 million
Relative Shares of Funding

Public Funding is 25.9% of Private Development

- Block 88
- Hotel
- Block 105
- Private Parking
- Public Parking

- Debt
- Equity
- TID 25
- Land Sale
- Parking Utility
Private Development = $180 million
$133.6 million of Debt and Equity

- Private: 74%
- Public: 26%
Elements of Public Subsidy

$46.7 million total
$42.5 million from TID 25
TID 25 Projected Balance

Based on Development Timing and Usual Mill Rate Assumptions

- December 2014 Balance: $19,481,318
- December 2023 Balance: $19,019,200

Revenues:
- $38,084,849
- $400,000

Costs:
- $13,937,000
- $750,008

Net Balance:
- $14,029,363
- $12,000,000

Legends:
- Interest on Short-term Borrowing
- Public Parking Assistance
- Exact Sciences Jobs TIF
- JDS Land Cost
- JDS Private Parking
- JDS Revenues
- Existing TID 25 Revenues and Costs
- Net Balance
Subsidy Guarantees – Summary

• Guarantees are unique to this development and reflect the amount of debt, risk and equity committed by the developer to the project balanced with the risk to the City.

• These guarantees have been developed through negotiations under the policy guidance of the Board of Estimates and Common Council.

• Of the $42.5 million of TID 25 funds provided:
  – $20.8 million is covered by a property tax guarantee.
  – $12 million is covered by a jobs guarantee.
  – $9.7 million of the equity return grant from TID 25 is not guaranteed.
Incremental revenues tested twice:

- 2032 – Must be at least $10 million or all private parking revenues assigned to CDA.
- 2044 – Must be at least $20.8 million or developer pays up to $6.8 million plus $4 million to acquire the ramp.
- At either point, the developer can make a cash payment to fulfill a shortfall.
- JDS LLC must maintain $6.8 million net worth during 27 year period.
Jobs Grant Guarantee

• Exact Sciences is required to guarantee the $12 million grant through a commitment to create and retain jobs and agreement not to relocate.

• Relocation
  – Guarantee is exercised if Exact Sciences vacates the building, terminates its lease and locates at a different site. Exact Science’s guarantee phases down by $1.5 million annually.
  – Therefore, its guarantee is fulfilled after 8 years.
  – Corporate guarantee
  – Guarantee is reduced by:
    • Any amount collected under the Jobs guarantee, and
    • Amount actually collected through lease relocation penalty provision.

• Job Retention/Creation
  – Exact Sciences must also guarantee at least 300 jobs in Madison when the office building opens and at least 400 jobs located in the office building on January 1, 2019. It has 6 months to remedy any shortfall or it must pay $30,000 for each job that falls short of these requirements.

• These are job guarantees and are not a guarantee of property taxes collected.
Parking Stalls
Lease Payments
Transportation Demand Management Plan

PARKING ELEMENTS
Parking Element

• The Community Development Authority (CDA) will build a 1250 stall parking structure and transfer ownership of 600 stalls to the City of Madison Parking Utility (Government East Replacement plus City of Madison Fleet parking).

• The CDA will lease 650 stalls to JDS, LLC (Private Accessory Parking) for a period of 27 years.
Parking Lease to JDS, LLC

• JDS, LLC will pay the CDA $115,000 per year for the term of the Parking Lease.

• The Parking Lease will have a term of 27 years.

• After 27 years, JDS, LLC will have the option to purchase the Private Accessory Parking for $4 Million.

• Payments total $7 Million. A preliminary review of the Private Accessory Parking by the City Assessor indicated an assessed value of $7 Million.

• Combined Net Income from the Private Accessory Parking and from the Exact Science Headquarters building funds CDA lease, Phase 1 debt service and a reasonable rate of return on developer equity.
Sublease of Private Parking

- JDS, LLC will lease the parking spaces at commercially reasonable rates. Parking will be as follows:
  - Exact Sciences will lease 370 stalls at a rate of $140 per stall per month. (1.85 stalls per 1,000 s.f.)
  - Other office users will lease 85 stalls at a rate of $140 per stall per month (1.7 stalls per 1,000 s.f.)
  - Non-commercial tenants will lease 80 spaces at $175 per stall per month. These spaces will serve Exact Sciences Phase 2.
  - 50 stalls will be reserved for daytime hotel users with hotel users paying a commercially reasonable rate.
  - Hourly rates will be set by the Parking Utility for all 1250 spaces.
Transportation Demand Management Plan

- Promote the Commute Card Program providing subsidized ride passes to employees
- Explore a reward to employees that opt to use alternative means of transportation
- Provide a “cash out” program by providing a financial incentive to employees that voluntarily opt out of a parking spot at the headquarters.
- Designate a Transportation Coordinator to interact with the City and to ensure continuous employee educations and communication on transportation options.
- Facilitate a rideshare program.
- Provide lockers and secure storage for bike helmets, backpacks and other cycle gear.
- The TDM will be reviewed and approved by the City as part of the Land Use Approval process.
• Exact Sciences Workforce
• Project Labor Agreement
• Labor Peace Agreement

OTHER PROVISIONS
Exact Sciences Workforce

- Exact Sciences currently employs 200 people in its headquarters.
  - By 2017, they expect to grow to 400 employees in its headquarters location.
  - By 2023 (7 years), they expect to employ 650 people in its headquarters.
Exact Sciences Workforce

- Headquarters jobs include:
  
  - **Research and Development** including entry level research associates through senior scientists, software and systems development, engineering and clinical affairs with salaries of **$30,000 to $140,000** per year.
  
  - **Operations** including facilities and equipment maintenance, logistics, manufacturing, operations scientists, quality control and quality assurance with salaries of **$30,000 to $105,000**.
  
  - **Corporate Functions** including finance, billing, administrative, human resources, legal, marketing and IT with salaries of **$28,000 to $145,000** per year.
  
  - **Benefits Package**--In addition to base salary employees are eligible for annual team based bonus plan of 5-20% of base salary, health vision dental disability and life insurance, and 401 K with company match of 100% up to 6% of salary. All new hires receive an initial equity grant. Employees also receive paid time off, including holidays and floating holidays.
Project Labor Agreement (PLA)

- Purpose is to stabilize wages and working conditions and prevents strikes.
- Negotiated between labor unions and JDS, LLC.
- Pertains to the construction of the Block 88 Office building.
- Follows the terms, generally, of the Edgewater PLA.
- Terms can be found in the Team Report of August 20.
- Has not been signed yet, but is expected.
Labor Peace Agreement (LPA)

• Purpose is to protect the City’s proprietary interest in the development by preventing strikes.

• In exchange for preventing strikes, the employees will gain whatever benefits they can negotiate for, similar to PLA.

• City can only require a no strike provision, but all other terms must be negotiated with an appropriate labor union. Unite Here will negotiate on behalf of employees of the hotel.

• Unite Here has suggested the language included in section 5.3(j) of the Development Agreement to ensure the LPA is signed before closing.

• Final terms have not been decided.
Next Steps

1. **Hotel Details**
   - Council will need to approve

2. **Project Commencement Closing - December**
   - Conditions Precedent to Closing

3. **Parallel Processes**
   - TIF Project Plan Amendment
   - Redevelopment District
   - Rezoning and Other Land Use Approvals
   - Continue Design Progression
   - Madison Municipal Building