



## Legislation Text

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**File #:** 44762, **Version:** 2

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### **Fiscal Note**

The proposed resolution authorizes the activities associated with construction of the Capitol East Parking Structure as part of the development agreement with American Family Mutual Insurance Company and Gebhardt Development. The Adopted 2016 Capital Budget includes \$7,000,000 for the parking structure under the Economic Development Division, and the 2017 Executive Capital Budget includes an additional \$6 million, for a total budget for the project of \$13 million. The initial estimated cost for the project has increased to \$16 million with the decision to pursue a larger ramp with 600 parking stalls.

The funding sources for the total project cost of \$16 million are as follows:

- \$7 million Tax Increment Financing (TIF) - supported Borrowing
- \$5 million General Fund-supported General Obligation Borrowing
- \$3 million Parking Utility Cash Reserves
- \$1 million General Land Acquisition Fund

Should the project be completed under budget, any savings will be used to reduce the General Fund contribution to the project cost. The goal depending on the performance of the District is to have TIF pay the entire share of the project that is not otherwise paid by Parking Utility reserves.

Under the adopted TIF project plan, the City has the authority to reimburse itself for up to \$2 million of its borrowed expense from TIF for a total TIF contribution of \$9 million. The project plan can be further amended to increase the contribution above \$9 million depending on actual TIF incremental revenues received.

The land acquisition costs, included in the total project cost above, will be determined as follows:

The City will purchase a portion of MG&E's holdings for \$16/s.f. Currently the estimated purchase will be 62,100 s.f. for a total cost of \$993,600; however, this will be subject to change pending the confirmation of the exact area of land to be purchased. The source of funding for this will be the General Land Acquisition Fund.

Additionally, Gebhardt Development will purchase the 800 South Block (87,487 s.f.) from the City at \$18/s.f. for a total of \$1,574,766 to be placed in escrow. The City will then grant StartingBlock Madison \$1.5 million from the aforementioned escrow account, with the balance to be disbursed to the City. The TIF Project Plan contemplates that the City may seek reimbursement of this amount at a future date if tax increment is available in the District.

Separately, an amendment to the 2017 Executive Capital Budget will be introduced at Council to increase the budget for the project from \$13 million to \$16 million. The funding sources of the project will also be modified in the amendment to reflect the allocations described above.

### **Title**

SUBSTITUTE Authorizing the Mayor and City Clerk to execute a Development Agreement to facilitate the development of the "Spark" project, the "Cosmos" project, and the Capitol East District Parking Structure on the 800 south blocks of East Washington Avenue and East Main Street; and, amending Res-16-00674 which authorized the City to execute a contract with Graef-USA Inc. for up to \$610,000, to authorize expenditures of up to \$776,560 to complete architecture/engineering for a Capitol East District Parking Structure.

### **Body**

WHEREAS, the Capitol East District is a burgeoning part of Madison that is experiencing a high level of investment in development projects that are adding employment uses, residential space, retail, and tax base to the City; and,

WHEREAS, additional parking is necessary to accommodate this growth, to implement the City's adopted plans for this area, and to serve the needs of community destinations in the district such as Breese Stevens Field and Central Park; and,

WHEREAS, in 2014, the City completed an analysis of projected housing and commercial development in the Capitol East District as well as an analysis of future parking demand which indicate growing demand for parking in this area; and,

WHEREAS, consolidating parking into strategically-located public parking structures in the Capitol East District can be a more efficient way to provide parking to meet the needs of private development and provide parking to serve the public; and,

WHEREAS, in 2015 the City worked with a parking consultant to develop a model of existing and future parking demand in the Capitol East District and this analysis led to a conclusion that additional parking will be needed in the Capitol East District and the recommendation to supply this demand with development of shared public parking facilities; and,

WHEREAS, in 2015 the City's Capitol East District Committee selected Gebhardt Development to move forward with a redevelopment project on the 800 South Block of East Washington Avenue; and,

WHEREAS, the proposed redevelopment project on the 800 South Block of East Washington Avenue would consist of two buildings: the first building is the "Spark" building which would be owned by American Family Insurance (a 90 year old Madison-based Fortune 500 Company) and would consist of 106,000 square feet of office space for American Family Insurance as well as 50,000 square feet for StartingBlock Madison (a collaborative multi-use entrepreneurial hub); and, the second building is the "Cosmos" Building which would be developed by Gebhardt Development and would consist of 60,000 square feet of office space and a 2,500-person capacity entertainment venue owned by Frank Productions; and,

WHEREAS, this project will require parking to meet the needs of its anchor employment tenants; and,

WHEREAS, Madison Gas & Electric (MGE) owns property located at the intersection of East Main and South Livingston Street used for equipment storage; and,

WHEREAS, MGE approached the City to discuss making their property at the intersection of East Main and South Livingston available for construction of a parking facility to serve the proposed Spark and Cosmos projects as well as other needs in the area; and,

WHEREAS, a resolution to approve the Purchase Agreement with MGE will be forthcoming to the Common Council; and,

WHEREAS, for the last several months, City Staff have been in negotiations with Gebhardt Development and American Family Insurance to structure a Development Agreement necessary to move forward with the Spark Project, the Cosmos Project, and the Parking Structure; and,

WHEREAS, the scope of the authorized contract with Graef was for the design of a 450 to 600 stall garage, with the City to determine the size of the garage to be built prior to or during the pre-design phase, and the contract expenditure authorization amount of \$610,000 was based on an initial scope of 450 stalls; and

WHEREAS, construction of a 600 stall garage is required to support the development project and public parking needs, and the cost to design a 600 stall garage is \$776,560, requiring an amendment to Res-16-00674 to authorize amending the contract with Graef for architectural and engineering design services for expenditures up to \$776,560, and increasing the authorized per phase expenses accordingly; and

WHEREAS, execution of the Development Agreement would authorize the Purchase and Sale of the City-owned approximately 87,000 square foot property on the 800 South Block of East Washington Avenue for approximately \$1,560,000 million (\$18 per square foot); and,

WHEREAS, the City will set-up an escrow account to be used to receive the proceeds from the sale of the 800 East Washington Avenue parcel to Gebhardt Development and transfer \$1.5 million from the proceeds to StartingBlock Madison via a Grant Agreement to be submitted to the Common Council for approval at a later date; and,

WHEREAS, the Capitol East District Parking Structure will be a public Parking Utility structure developed as a shared parking facility and operated by the Parking Utility, consistent with the operations and management of other Parking Utility facilities; and

WHEREAS, the percentage of the cost to design and construct the parking structure which are attributable to the public parking component of the project shall be funded by Parking Utility Reserves, pending approval of a future budget amendment to the 2017 Capital Budget, and other funding sources shall only be used to fund the capital costs not attributable to public parking uses; and,

WHEREAS, execution of the development agreement would authorize the Mayor and City Clerk to finance the Capitol East Parking Structure with a total maximum cost of \$16 million using a combination of debt supported by TID #36, Parking Utility Capital Reserves, and City General Obligation debt.

NOW, THEREFORE BE IT RESOLVED, the Common Council authorizes the Mayor and City Clerk to execute a Development Agreement between the City of Madison, Gebhardt Development LLC, and American Family Mutual Insurance Company.

BE IT FURTHER RESOLVED, that the Mayor and City Clerk are authorized to execute, deliver, accept and record any and all documents, including but not limited to leases, deeds, and purchase and sales agreements, escrow agreements and take such other actions as shall be necessary or desirable to accomplish the purpose of the Development Agreement and this resolution in a form approved by the City Attorney.

BE IT FURTHER RESOLVED, that Resolution 16-00674 is hereby amended to increase the authorized maximum cost for architecture/engineering with Graef-USA, Inc to \$776,560 to reflect the increased cost of designing an approximately 600 stall parking ramp.

BE IT FURTHER RESOLVED that the parking utility will be held harmless so it will not lose money for the 20-year period of the development agreement.

BE IT FURTHER RESOLVED that the provision in the Project Parcel Purchase Agreement that references an overhead walkway (Development Agreement Exhibit C, Section 11) be deleted. Editor's note: an updated attachment can be found in the Legistar file entitled "Cosmos-Spark Development Agreement VERSION 2".

BE IT FINALLY RESOLVED that the City hereby finds and determines that the project is consistent with the public purposes of Tax Increment Finance Law, representing the potential to eliminate blighting conditions, attract and retain businesses and employment in the Capitol East District area that would stimulate redevelopment in TID #36, thereby making more likely the accomplishment of the public purpose objectives set forth in the Project Plan, the TIF Law and City TIF Policy.

