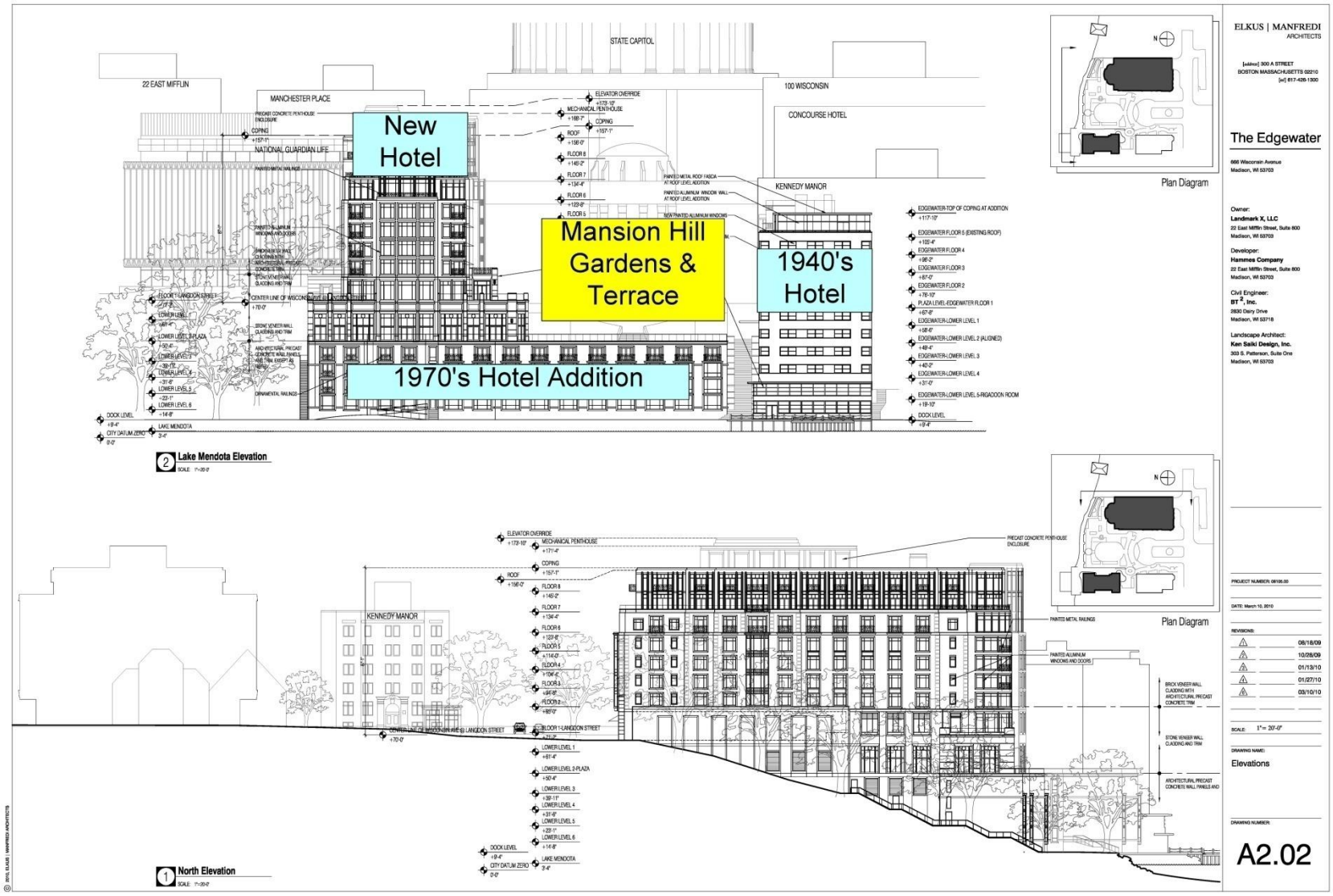
Edgewater Hotel

Presentation on Gap Analysis, TIF Loan Structure:
3rd TIF Application
Special Presentation to the Common Council, City of Madison

May 17, 2010

Joe Gromacki, TIF Coordinator
Economic Development Division
Department of Planning & Community & Economic Development



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The Edgewater

666 Wisconsin Avenue
Madison, WI 53703

Owner:
Landmark X, LLC
22 East Mifflin Street, Suite 800
Madison, WI 53703

Developer:
Hammes Company
22 East Mifflin Street, Suite 800
Madison, WI 53703

Civil Engineer:
BT², Inc.
2830 Dairy Drive
Madison, WI 53718

Landscape Architect:
Ken Saiki Design, Inc.
303 S. Patterson, Suite One
Madison, WI 53703

PROJECT NUMBER: 08106.00

DATE: March 10, 2010

REVISIONS:

1	08/18/09
2	10/28/09
3	01/13/10
4	01/27/10
5	03/10/10

SCALE: 1" = 20'-0"

DRAWING NAME:
Elevations

DRAWING NUMBER:

A2.02

Background – Main Points

- Moving the Parking Component increased the gap from $16 to $20 MM
- Developer cut cost, increased equity--gap remains at $16 million
- Gap caused by privately-owned $34.3 MM infrastructure
  - $20.4 MM Public Access Component
  - $ 8.0 MM Parking
  - $ 5.9 MM Site cost, demo, remediation, structural
- Requires boundary amendment of TID 32
- Requires three TIF Policy exceptions
- Hybrid, pre-paid Equity Participation Payment
  - Deeds Conservation Easement, Access Easements to the City in lieu of future payment

Gap Analysis

Project Data

Site Area (SF)	**121,664**	**SF**
Gross Finished Area - Hotel	**241,969**	**SF**
Maximum Room Count	**190**	
Parking Stalls		
Existing Stalls	143	
New Underground Stalls	212	
Total Parking Stalls	**355**	

Hotel Cost Detail

Land	Cost	Per GSF Bldg	Per Room	Per SF (Parcel)	Per SF Tot. Site
Existing Hotel	$ (5,000,000)	$ (20.66)	$ (26,042)	$ (103.67)	$ (41.10)
NGL Purchase	$ (3,000,000)	$ (12.40)	$ (15,625)	$ (52.74)	$ (24.66)
Demolition-Hotel	$ (1,200,000)	$ (5.54)	$ (6,250)	$ (24.88)	$ (9.86)
Total Land Cost	**$ (9,200,000)**	$ (38.02)	$ (49,479)		$ (75.62)
Hard Cost					
Hotel	$ (39,950,000)	$ (165.10)	$ (210,263)		
Site work	$ (3,700,000)	$ (15.29)	$ (19,474)	Per 355 Stalls	Per 212 Stalls
Parking	$ (8,000,000)	$ (33.06)	$ (42,105)	$ (22,535)	$ (37,736)
PAC	$ (17,700,000)	$ (73.15)	$ (93,158)		
Total Construction	**$ (69,350,000)**	$ (286.61)	$ (365,000)		
Soft Cost	$ (11,950,000)	$ (49.39)	$ (62,240)	17% of Hard Cost	
TOTAL COST	**$ (90,500,000)**	$ (374.01)	$ (339,063)		

Comments:

- Land costs consistent with comparables
- Hotel & Parking cost within acceptable range
- PAC cost confirmed by independent engineering study
- Soft costs within acceptable range (17%) as % of Hard Cost

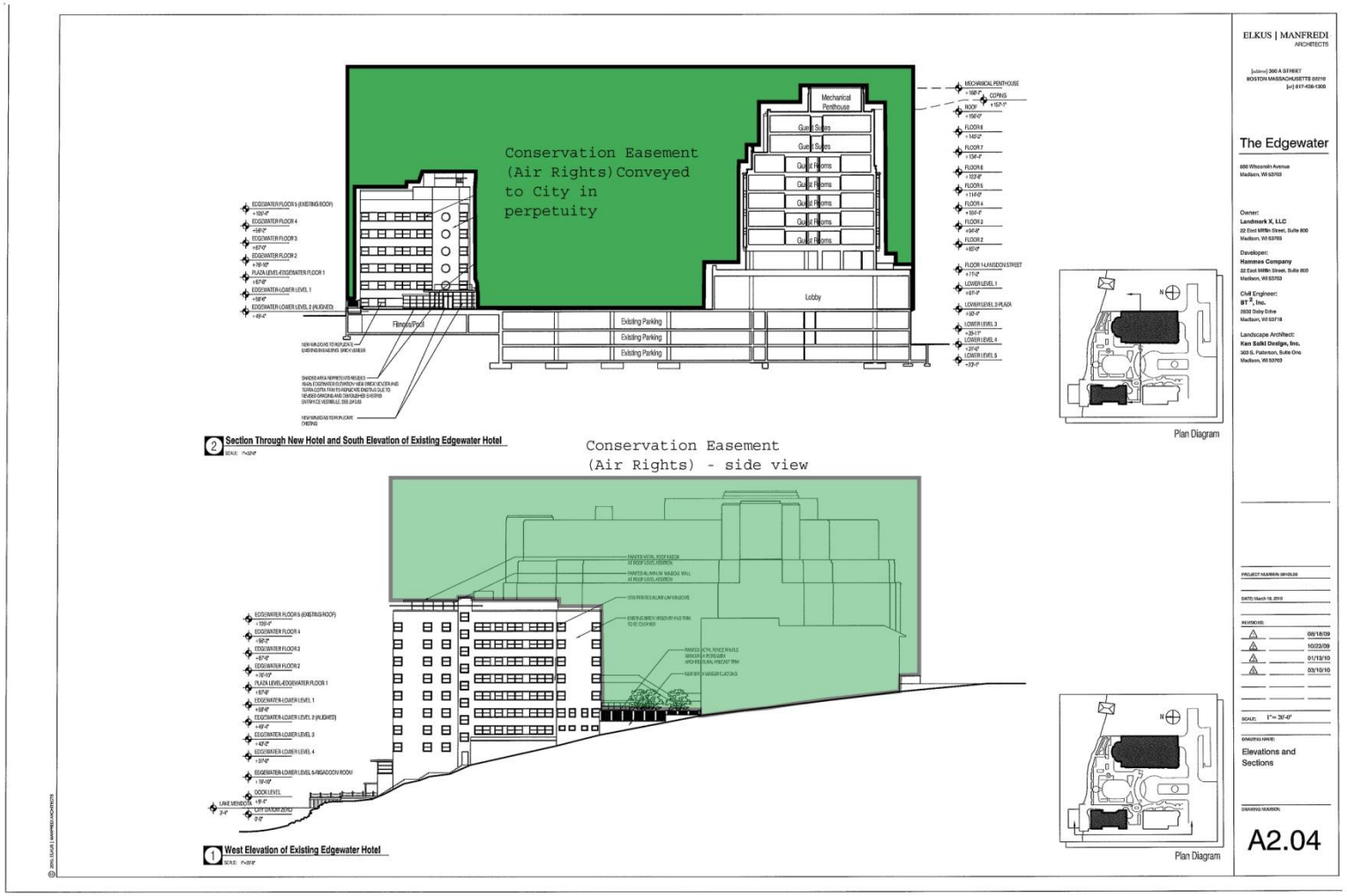
Sources & Uses

Sources of Funds			
Mortgage	$	30,825,000	6.5%, 25 yr., 1.7 debt coverage
Equity	$	43,675,000	
Total Sources	$	74,500,000	
Uses of Funds (Total Cost)	$	(90,500,000)	
Gap	**$**	**(16,000,000)**	
Required TIF Loan	**$**	**16,000,000**	

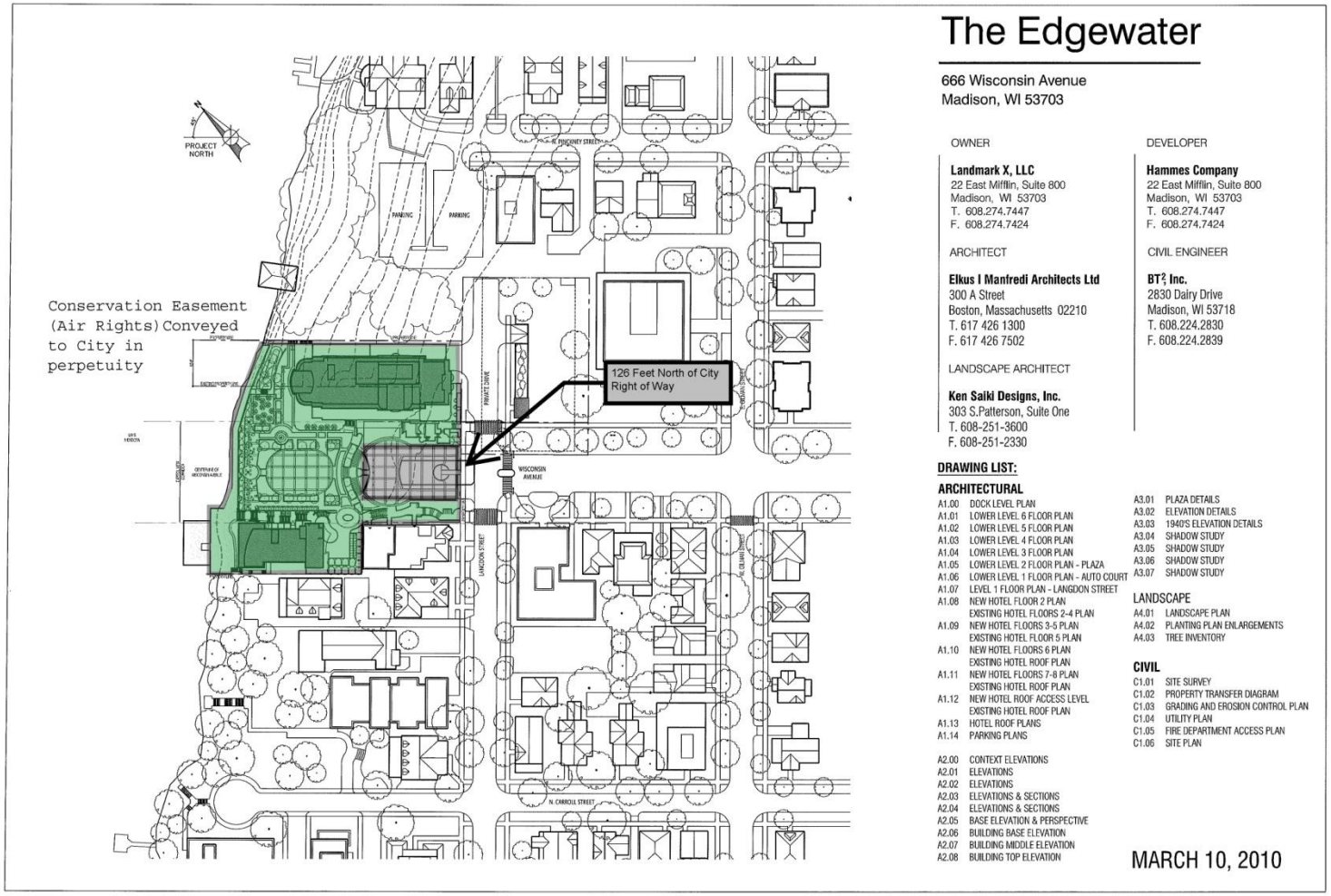
TIF Loan Structure

- $16 million TIF Loan to Landmark X, LLC (“Developer”)
- Personal Guaranty of principal of Developer for first $1 million, Developer guaranty of next $15 million for performance on the development agreement.
- Developer provides guaranty of tax increment.
- At closing, Developer pre-pays Equity Participation Payment (EPP) by deeding Conservation easement and new public access easements to City
- City credits EPP by the value of the Conservation Easement
- Contingencies:
  -2011 Capital Budget authorizing $8 million
  -Private financing (equity and debt)
  -City review of Developer’s appraisal of Conservation Easement
  -TID 32 boundary and project plan amendment

Conservation Easement



Conservation Easement – Top View



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DRAWING LIST:

ARCHITECTURAL

A1.00 DOCK LEVEL PLAN
A1.01 LOWER LEVEL 6 FLOOR PLAN
A1.02 LOWER LEVEL 5 FLOOR PLAN
A1.03 LOWER LEVEL 4 FLOOR PLAN
A1.04 LOWER LEVEL 3 FLOOR PLAN
A1.05 LOWER LEVEL 2 FLOOR PLAN - PLAZA
A1.06 LOWER LEVEL 1 FLOOR PLAN - AUTO COURT
A1.07 LEVEL 1 FLOOR PLAN - LANGDON STREET
A1.08 NEW HOTEL FLOOR 2 PLAN
EXISTING HOTEL FLOORS 2-4 PLAN
A1.09 NEW HOTEL FLOORS 3-5 PLAN
EXISTING HOTEL FLOOR 5 PLAN
A1.10 NEW HOTEL FLOORS 6 PLAN
EXISTING HOTEL ROOF PLAN
A1.11 NEW HOTEL FLOORS 7-8 PLAN
EXISTING HOTEL ROOF PLAN
A1.12 NEW HOTEL ROOF ACCESS LEVEL
EXISTING HOTEL ROOF PLAN
A1.13 HOTEL ROOF PLANS
A1.14 PARKING PLANS

A2.00 CONTEXT ELEVATIONS
A2.01 ELEVATIONS
A2.02 ELEVATIONS
A2.03 ELEVATIONS & SECTIONS
A2.04 ELEVATIONS & SECTIONS
A2.05 BASE ELEVATION & PERSPECTIVE
A2.06 BUILDING BASE ELEVATION
A2.07 BUILDING MIDDLE ELEVATION
A2.08 BUILDING TOP ELEVATION

A3.01 PLAZA DETAILS
A3.02 ELEVATION DETAILS
A3.03 1940'S ELEVATION DETAILS
A3.04 SHADOW STUDY
A3.05 SHADOW STUDY
A3.06 SHADOW STUDY
A3.07 SHADOW STUDY

LANDSCAPE

A4.01 LANDSCAPE PLAN
A4.02 PLANTING PLAN ENLARGEMENTS
A4.03 TREE INVENTORY

CIVIL

C1.01 SITE SURVEY
C1.02 PROPERTY TRANSFER DIAGRAM
C1.03 GRADING AND EROSION CONTROL PLAN
C1.04 UTILITY PLAN
C1.05 FIRE DEPARTMENT ACCESS PLAN
C1.06 SITE PLAN

MARCH 10, 2010

Benefits of Conservation Easement

- City controls development of lakefront, preserves views, public access
- City controls events and activity in its air space
- No liability for Public Access Component structure
- No repair or maintenance costs
- Tax advantage to Developer attracts more equity, i.e. reduces gap created by moving Parking Component

TIF Policy Exceptions

- **4.1(8) – 50% Rule**. Gap represents approximately 240% of TIF generated by Project.

- **4.1(10) – Self-supporting Projects.** $6.6 million is supported by project, $9.4 million by TID.

- **4.1 (12) Personal Guaranty**—Personal guaranty is limited to first $1 million, Developer guaranty for $15 million.

  Per TIF Policy 4.1(19) **SEE STAFF REPORT** concerning rationale for making the above exceptions to TIF Policy.

Questions