

Committee / Staff Questions Response – Baum

On Tuesday, January 13th, the Baum Team met separately with City staff from Planning, Parks, Real Estate, Zoning as well as the DNR to thoroughly understand, review and work through each of the comments made in the Staff report.

After reviewing with staff, all parties agreed that the conditions required by code and ordinances applicable to the project can be satisfied through modifications to the site plan that do not materially affect the project concept or financials. Furthermore, staff indicated and our team concurred that there were workable resolutions to satisfy the conditions that are typical of the development process and that there are no insurmountable issues.

Traffic

1. This project will require a Traffic Impact Analysis during the entitlement process.

We are prepared to satisfy this condition.

2. Who will build, pay for, and maintain the proposed bridge from the North Plat across Starkweather Creek?

The bridge is an outcome from the Olbrich Master Planning process. It would be up to the City to determine if this feature should be constructed and, if so, funded by the City.

Engineering / Fire

We had a productive meeting with Fire Protection Engineer Bill Sullivan regarding fire/emergency access conditions required by code. Our team is preparing modifications to the site plan that locate the micro-lodges closer to the primary vehicular roadway and the inclusion of additional fire access lanes. Utilities such as water, sewer, electric and WIFI will serve each micro-lodge and are included in the originally proposed plan. These modifications will serve to make the micro-lodges safer and more convenient, as well as reduce the cost of utilities.

We are prepared to satisfy compliance with stormwater management as required by Chapter 37 MGO.

Parks

The DNR has indicated that the proposed uses of the site are allowable and require the same conversion process as the land beneath the Garver Feed Mill. Final determination of land conversation area per DNR guidelines will be determined through the plan review and approval process by the appropriate departments and committees typical of all development reviews in the City of Madison. Our best estimate is 2 acres of additional park conversion.

Areas delineated as non-public use, such as the limited area immediately surrounding the Garver building and the micro-lodges will be converted per DNR guidelines. The DNR proposed, and we enthusiastically agreed, that areas proposed for use as demonstration urban agriculture would remain

public (and unconverted), provided that the proceeds from the sale of the harvest be returned to the City for the maintenance of the park land.

Determination of use, design and management of the North Plat as a public access area remain the responsibility of Parks Department but will have our team's full cooperation. Through on-going collaboration with Parks, the DNR, community partners and other stakeholders, our primary objective is to facilitate the restoration and stewardship of the North Plat as a natural area with passive recreation opportunities and educational uses on the land as well as sound ecological management of Starkweather Creek. We have discussed at length conceptual ways to create a seamless, integrated experience for the user, a goal that is mutually shared with Parks staff and other stakeholders.

As is standard practice, land management responsibilities will be determined as part of the execution of the Development Agreement with the City of Madison Real Estate Department and approval by City Council.

Zoning/Planning

As indicated, our team has met with staff to discuss and review the project to determine appropriate zoning designations and applicable permitted and conditional uses. Staff indicated and our team concurs that there are no insurmountable issues to satisfying zoning condition requirements.

Financial Real Estate

What is the cost impact of a micro-lodge redesign to comply with Fire Code requirements?

Compliance does not materially affect the project financials.

What happens should the micro-lodges not achieve their estimated level of occupancy?

As in any real estate development, the project investors would receive less return and assume the associated financial risk. Garver Feed Mill would still operate as our proposed use. In other words, if the micro-lodges do not achieve their level of projected occupancy, the successful operation of the restored Garver Feed Mill as a local food production facility does not assume any additional risk. We believe the diversification of uses strengthens the overall concept and in fact lessens the amount of risk, as compared to a single use.

If the New Market Tax Credits (NMTC) are not available, what is the fall back financing option?

Our team has consulted with some of the foremost experts in NMTC and the project has been included in several allocation proposals. As a general rule, projects that provide solid financials, inspiring concepts, strong partnerships and development teams with track-records of success are highly competitive. Our project delivers strongly on all four factors. There are certainly other options but we are confident that with a collaborative partnership with the City of Madison, we will be successful in receiving an allocation.

What is the source of Developer's Equity of \$2,476,727?

The equity will be contributed directly from principals as well as already identified third party investors.

Will the lender agree to the City's stated requirements for the ground lease?

Our team expects that once we are in a position to further discuss the terms of the conveyance with the City, our lenders will look favorably upon the basic terms proposed. Should any issue arise related to the ground lease we assume that the City of Madison will work to address any issues in a way that maintains the development project concept and meets the goals and objectives of the City.

Additional Committee Questions

Please provide additional information on the micro-lodge concept.

We envision an "international showroom." Our vision is to *make Madison the tiny home capital of the world by showcasing the best designed tiny homes*. This concept would be a model for sustainable tourism that provides the art of hospitality while showcasing tiny houses that are sustainably designed and operated. This would be the first of its kind anywhere. We anticipate leading annual national and international design competitions where the winning models are rotated in and featured at Garver.



Contextually, our proposed adaptive re-use of Garver Feed Mill as a world-class landmark, the proximity to OBS, the sensitivity to minimize impact on the surrounding neighborhood and minimize parking, to maintain natural space and the financial responsibility to our investors are key factors as to why micro-lodging makes sense as a component of our proposal.

The surge in interest in tiny homes by consumers has been fueled by many reasons:

- A desire to live more simply and reduce one's environmental impact
- Provide affordable, convenient care for aging family members
- Downsize out of economic necessity
- Reduce mortgage burden and increase disposable income
- Create transitional housing opportunities
- Need for on-site professional office space



As the developers and operators of the largest Sustainability Center in the United States, we have created a reputation as a leader in “non- traditional” development projects. As with all real estate projects, we take seriously the associated risk but have assessed and concluded that there are many indicators that point to increasing market demand for tiny-homes.

There are many benefits to the use of tiny-homes as micro-lodges that will contribute to the project’s success:

1. Responsive to an unmet need in the lodging marketplace

For individuals that are visiting Madison and attractions on the near east side, this area is currently underserved with hospitality choices. The nearest hotel option for guests and visitors to Olbrich Gardens and the Garver Feed Mill is 2.0 miles and the next nearest is 2.4 miles. The nearest boutique lodging option for guests and visitors to Olbrich Gardens and Garver Feed Mill is 2.7 miles.

Offering this lodging option creates a more compelling visitor experience to Olbrich Gardens, Garver Feed Mill and other attractions and events that make Madison and the surrounding neighborhoods a destination. In turn, this creates significant positive economic benefits for the local economy by providing more local jobs, increased retail spending and strengthening the local tourism industry.

2. Provide an intimate, one-of-a-kind experience in tiny-home living

Unfortunately, consumer education is limited to book and internet research and generally requires traveling great distances to see a single tiny home close-up. Even then, consumers are unlikely to be able to experience a live-in opportunity before they make a decision. By providing potential tiny-home consumers the opportunity to stay in their choice of a wide variety of designs, Madison could become a national leader in the rapidly expanding tiny-home industry.

3. Raise awareness in more efficient living options and choices.

The micro-lodges will showcase model construction techniques and designs that are sustainably designed and operated. Each micro-lodge will be equipped with information about the designer, energy use and building specifications. At designated times, the public will be invited to visit and tour the micro-lodges. Opportunities to host national seminars and conferences on tiny-homes at Olbrich Gardens would provide additional local revenue.

Construction:

Our team’s experience, discussions with City staff and the maturation of the tiny home construction industry provide us with the confidence that the process for the construction of the tiny-homes as micro-lodges will ensure that each unit meets life, safety, and zoning requirements.



The Baum Team is prepared to engage in a process to identify up to 50 proven, best-in-class, unique tiny home designs and designers most appropriate for the project. Each micro-lodge unit would adhere to the following minimum specifications:

- The footprint of the micro-lodge would range from 100 – 450 square feet, with an average of 250 square feet per unit
- Connected to electric, water and sewage utilities
- Finished and furnished to create a high quality model for sustainable tourism using rigorous standards of sustainable design
- Include private bath plus balcony or outdoor patio.

Only tiny-home designs that have been previously constructed and approved through acceptable building standards will be considered for inclusion. In addition, a set number of micro-lodges would be set aside that are universally accessible and ADA compliant.

Operation:

An experienced hospitality operating partner would manage the day-to-day of the micro-lodges.

Commencement of the tiny-homes would begin in 2016-2017 and would likely be phased in to allow for adequate ramping up of operations.

In collaboration with the operating partner, the plan for micro-lodging includes:

- Be financially successful based on 67.5% annual occupancy by year five;
- Provide much needed high quality guest accommodations for visitors which are suitable for diverse income levels
- Offer an expanded level of amenities and features with emphasis on regional offerings integrated with local cultural perspectives
- Implement progressive traffic demand, employee diversity, procurement and public outreach programs
- Provide an operating model of sustainable tourism within the context of sustainable community development and the world class Olbrich Botanical Gardens.



The programming of Garver Feed Mill would include space for the operator's core business functions as well as amenities and common areas for guests such as reception area, storage, outside seating, bike storage and café.

Please provide a projected operating budget for the proposed facility.

See "Financial Plan – Operating Pro-Formas" on pages 63 and 64 for both Garver Feed Mill and Micro-Lodges.

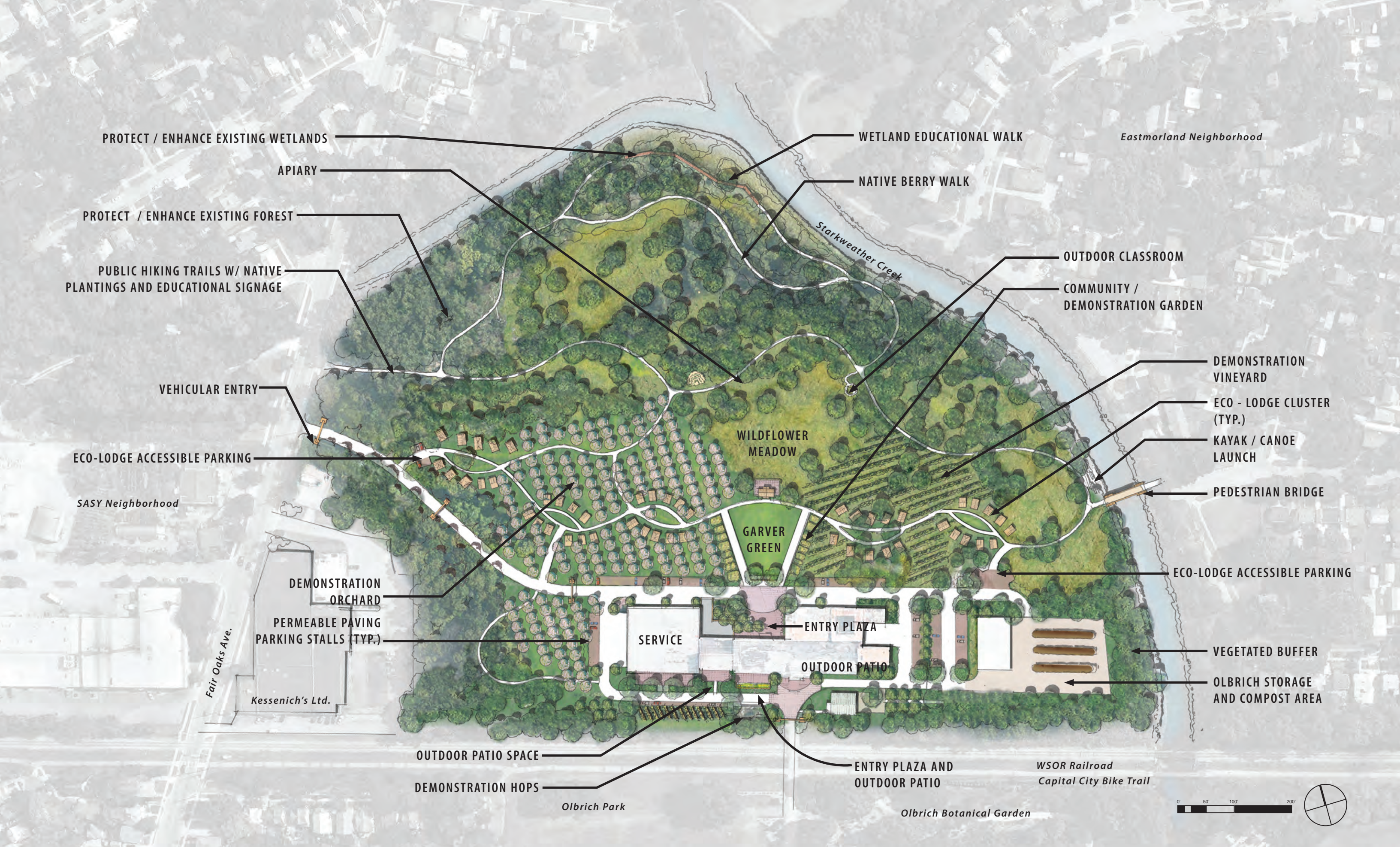
Please address surface parking stalls and identify how the number of stalls provided on the project was determined.

The assumed parking quantity as presented on page 14 was determined by estimating space use types and estimating square footage per type to determine maximum daytime occupancy. Our team reviewed parking code requirements to calculate a daytime parking quantity. We assumed that micro-lodging parking (.75/unit) and food production employee parking could be complimentary day/evening uses. Parking exemptions were assumed at the maximum allowable reduction (25% of total) because of an aggressive plan to provide on-site alternative transportation options and parking reduction strategies.

Our goal is to minimize parking to adequately meet the needs of our users for practical operation of the site. This approach also minimizes impervious surfaces and the intensity of vehicle traffic.

Address the proposed location of the OBG / Parks space included in the proposal, as it relates to OBG's stated preference for the facility to be located on the east end of the Garver building.

The proposed location of the OBG/Parks space, east of the Garver Building, is called out on page 17 of the proposal.



Overall Site Plan

January 16, 2015

Baum Development :: SmithGroupJJR :: Bachmann Construction :: Sustain Resource Group, LLC / Garver Feed Mill