



BAUM REVISION

real estate development

Natalie Erdman
City of Madison
P.O. Box 2985
Madison, WI 53701-2985

December 9, 2015

Ms. Erdman,

Thank you for the opportunity to provide an update to the City of Madison on Baum Development's progress in redeveloping the Garver Feed Mill site.

Over the past several months our plans for the site continue to make substantial progress. Our team has been working diligently to address several expected and unexpected issues that we have detailed below. Developing plans to co-locate eight or more tenants simultaneously inside the building and to foster key partnerships with various community stakeholders presents exciting new challenges for our team, but has helped us further improve the project's impact.

As a brief reminder, Baum Development's intent is to redevelop Garver for the purpose of operating the building as a mixed use facility, primarily for food-production and complemented with office, retail and event space. The primary objective of the Project is to create affordable space for tenants engaged in food production. This sector has always been critical to the City and region, but takes on additional importance with the announced closing of the Oscar Meyer facility, just two miles away from the Building.

The anchor tenants of the redeveloped Building are those categorized as "second stage companies". These businesses have proven products, operational track records (sales over one million dollars), customer growth history, and typically ten or more permanent employees. Research from the Edward Lowe Foundation suggests that these second-stage companies provide an important source of U.S. employment growth. For instance, second-stage companies represented only 11.6 percent of U.S. business between 1995 and 2012, but generated nearly 34.0 percent of the jobs and about 34.5 percent of sales over this period. The preservation of the Garver Mill for this purpose will retain 90 existing jobs in Madison and our anchor tenants have projected the creation of 90 new jobs over the next 5 years.

The remaining portion of the Site will be redeveloped into a hospitality operation, featuring a showcase of fifty micro-lodges available for lodging and generating additional tax and tourism revenue for the City of Madison.

To date, Baum Development has invested significant time, substantial resources, and precious capital (close to \$300,000) to prepare for the redevelopment to occur. This does not include the extensive time and effort we invested throughout the Request for Proposal response process.

Our efforts to date include:

- Investigating various building and site issues including but not limited to:
 - Addressing food safety and related regulatory matters pertaining to multiple on-site food processing tenants.
 - Ensuring exterior and interior designs adhere to strict historic building standards.
 - Revisiting structural concerns and masonry deterioration related to on-going deferred maintenance.
 - Coordinating stabilization of the building through this winter at the cost of \$20K.
 - Working with City staff and consultants to explore various building and site environmental issues through Phase 1 and Phase 2 ESA's along with additional soil testing.
 - Conducting energy modeling to achieve a high-performance building
 - Developing strategies/solutions to bring an early 1900's building into code compliance for 21st century food-production and public uses.
- Furthering key relationships with various partners to enhance the project's community impact. This includes work on building and program activities such as:
 - Providing additional access to high-quality foods through inclusion of a weekly farmers market. Key Partner: Dane County Farmers Market.
 - Offering business technical assistance for tenant producers such as assistance with production, financial management, organic certification, distribution, transitioning and regulatory hurdles. Key Partner: DATCAP, Food Finance Institute
 - Supporting training programs for disconnected youth through project development work related to tiny home construction, general contracting and land stewardship activities. Key Partner: Operation Fresh Start
 - Exploring ground-breaking methods for pricing renewable energy services with the local utility. Key Partner: Madison Gas & Electric.
 - Building three prefabricated tiny homes per academic year to provide hands-on workforce development in collaboration with the local construction training program. The program has a current track-record of 25% minority student enrollment. Key Partner: Madison Area Technical College
 - Promoting local food and sustainable agriculture education, outreach, community building and resource sharing programs available through various non-profit organizations. Key Partner: Wisconsin Urban Wood, FairShare CSA, REAP Food Group
 - Hosting tours, workshops and conferences as part of a national "Green ADU Initiative" to address barriers to wide-spread use of ADUs as an affordable housing solution. Key Partner: Design Coalition Institute.
- Finalizing easement agreements, financial agreement and lease agreement with the City of Madison

- Conducting extensive space planning work with anchor tenants to design efficient spaces and realize maximized benefit through co-location.
- Continual financial package modifications
 - Pro-Forming on-going budget modifications and financial due diligence related to updated cost estimates, operational decisions, design changes and tenant specifications.
 - Seeking commitments from Senior Lender and Historic Tax Credit and New Market Tax credit partners and investors.
 - Completing Idle Industrial Sites grant proposal in partnership with the City of Madison.
- Securing letters of intent from tenants
- Participating in weekly meetings with staff and bi-monthly meetings with the neighborhood association.
- Developing Phase 1 GDP/SIP Plans, facilitating through the City approval process.
- Initiating Design Development Plans for Phase 2 SIP submittal

To accomplish this work, we have enlisted the assistance and support of an extensive team including:

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| ○ Bachmann Construction | ○ CGC Inc. |
| ○ SmithGroupJJR | ○ Structural Integrity |
| ○ Kubala Watshatko Architects | ○ SCS Engineers |
| ○ Design Coalition | ○ MacRostie Historical Advisors |
| ○ Homburg | ○ Bruce Company |
| ○ A&A Environmental | ○ H&H |
| ○ Alpha Group | ○ Zander Solutions |
| ○ Glazer Legal Services | ○ Full Circle Engineering and Survey |
| ○ Michael Best | ○ Focus on Energy |

With respect to financing status, Baum Development has transacted with the majority of major national investment banks and has extensive experience financing challenging redevelopment projects. Baum expects to receive both State and Federal Historic Tax Credits (“HTC”) financing. The National Park Service and Wisconsin’s State Historic Preservation Office representatives have visited the Garver site with us. The Part 1 of the HPCA was submitted to the Wisconsin State Historic Preservation Office (SHPO) and the National Park Service (NPS) earlier this year and was approved by the NPS on May 22, 2015. A letter from a historic preservation consultant with decades of experience that substantiates the likelihood of the project qualifying for the HTC is available upon request. The anticipated award date for these credits is Summer 2016.

Baum is also confident that the Project will receive New Market Tax Credits allocation from a Community Development Entity (“CDE”) for a total of \$4M of financing from either round 12 (previous) or round 13 (upcoming).

Currently, there is nearly \$700M of round 12 NMTC allocations that have not been finalized according to the most recently released QEI report (Dec 1, 2015). Baum is aggressively pursuing an allocation from a number of these CDE’s. In fact, there is a subset of CDE’s which currently hold over \$200M of Wisconsin eligible and real-estate appropriated NMTC that have

yet have yet to be finalized. Those CDE's that do not finalize some of their allocation can be disqualified from applying for the next round allocation.

Baum has also discussed the project with over twenty CDE's that will be submitting round 13 NMTC applications. Of those twenty, several Wisconsin-based and national CDE's have chosen to include the Baum project in their round 13 NMTC application. Since 2008, these particular CDE's have been the recipient of \$776M in NMTC allocations.

At your request, we have assembled the following targeted milestone schedule.

- June 1, 2016 - Letters of Intent (LOI) from tenants that represents 50% of the space of the redevelopment Garver Feed Mill
- July 19, 2016 - Land use approvals by Common Council for Phase 2 SIP
- July 31, 2016 - A construction contract for the rehabilitation of the Garver Feed Mill
- Today – Aug 31, 2016 - Receipt of an allocation of a round 12 or round 13 New Market Tax Credits from a qualified Community Development Entity (CDE).
- Sixty days after receipt of CDE NMTC allocation – Evidence of financing for the remainder of the project including private financing, Historic Tax Credits, New Market Tax Credits, developer equity, any grant fund and other funding sources required prior to closing on the sale of the property and commencing construction.

Baum Development remains a strongly and sincerely committed partner in this complex but worthy project as evidence through our past and continued investment in the redevelopment of the Garver Feed Mill.

Should this target milestone schedule change for any reason, we will bring this to the attention of staff immediately.

Sincerely,

A handwritten signature in cursive script that reads "D Baum".

David Baum
Baum Revision