



PROJECT REPORT: KEY HIGHLIGHTS & FINDINGS

Blue Planet Partners
Common Wealth Development, Inc.

Prepared for:

Mayor David J. Cieslewicz
Madison Common Council
Department of Planning & Community & Economic Development

March 2008

Introduction

On November 21st, 2006, the Madison Common Council approved a resolution (RES-06-00958, Legislative File ID 04892) authorizing the Mayor and City Clerk to enter into an agreement with Common Wealth Development, Inc., to provide \$100,000 in matching funds for preparation of a detailed market study, site analysis and other key pre-development and outreach tasks associated with the development of a Madison Public Market.

The following is a brief overview of the current status of the Madison Public Market (MPM) project outlining key highlights and findings based on the work completed as a result of the contract approved by the Common Council and the Madison Community Foundation. A detailed business plan and feasibility report has been completed based on these findings. This report is a summary of those findings.

The Madison Public Market – Project Description



Imagine...an indoor market place bustling with people and activity, vendor stalls bursting with fresh locally grown produce, flowers, chocolates and cheeses, the aroma of fresh baked goods, spices and roasting coffee, colorful displays of arts and crafts, inviting gathering areas filled with people enjoying a freshly prepared meal, a cup of coffee, a game of chess or a musical performance. This is the Madison Public Market.

Madison Public Market (MPM) will bring the bustle and excitement of a year-round market to the Madison area while creating a significant economic and catalytic engine for the region. The four-season market hall will be a dynamic public space that will house a rich and colorful array of locally owned stores, stalls, restaurants and carts featuring fresh & locally grown produce, Wisconsin artisan cheeses, local eggs, fish, poultry and meats raised locally, fresh cut flowers and value-added products from chocolates to pasta to pastries as well as prepared foods. Many products, such as cheese and ice cream, will be made on-site in full view of shoppers. Local farmers and artisans will vend an ever-changing array of goods from 15 three-season day-stalls. Eight colorful free standing vending carts will be located in the central market plaza. The Market will be a feast for the senses and celebrate the products, culture and diversity of the region. The MPM will also offer classes by local chefs in the on-site demonstration kitchen for children and adults focusing on healthy eating and local food ingredients. Customers from all income levels, from every ethnic group and from every part of the region will find top quality foods sold by authentic, locally owned small businesses. The Madison Public Market will be a unique fresh and prepared food shopping venue that will serve a growing base of consumers interested in buying local and regional food year-round.

What Is a Public Market and Why Do Communities Develop Them?

A Public Market is a year-round, indoor/outdoor, carefully crafted, intentional and diverse medley of locally owned & -operated shops, stalls and day-tables. Public Markets typically focus on the sale of a full array of fresh and prepared foods, and crafts.

Public Markets have been the heart and soul of communities as long as people have lived in cities. Many countries around the world have centuries old market traditions including outdoor markets days and permanent market halls.



Reading Terminal Market fruit stand, Philadelphia

Public Markets exist to fulfill a range of public purposes and they reflect what is distinctive about a community, while serving its everyday shopping needs.

In the last 30 years, there has been a revival of outdoor seasonal farmers' markets all across America and new year-round public markets are springing up in cities across the country, as com-

munities recognize that they are important public amenities that enhance quality of life, advance civic goals, and grow a healthy and sustainable local economy.

Goals of Madison Public Market

The Madison Public Market will be designed to achieve three primary public goals:

- 1. Expand the regional food economy**
- 2. Generate significant local & regional economic development**
- 3. Create a vibrant regional public space that celebrates diversity**

1. Expand the regional food economy

- Increase markets for locally & regionally grown and produced products by providing year-round sales opportunities for 200-300 local farmers and producers within a 150-mile radius of Madison.
- Create over 47 new local agricultural jobs around the MPM.
- Generate over \$1.97 million in total annual agricultural income and related economic impact to the regional economy. Promote Wisconsin agricultural products and sustainable agriculture by highlighting the wide range of Wisconsin agricultural products



and connecting the MPM directly to local farms via farm tours of featured products and other agri-tourism activities.

- Promote the use of regional foods in prepared food and restaurants by offering improved access and distribution of locally grown products.
- Provide food-related education, such as cooking, nutrition and health classes, with special outreach to low-income families and children.
- Develop innovative strategies to provide an economically diverse constituency access to local foods.
- Increase the quality and safety of food consumed by Dane County residents.

2. Generate significant local & regional economic development

- Support the success of 41 permanent specialty vendors, stores and restaurants, 15 day-tables and 8 free standing carts. Create at least 300 new full-time equivalent jobs for Dane County residents with emphasis on creating opportunities for low-income individuals and minorities.

- Increase the customer base for existing small businesses located in the vicinity of the market and encourage new business development in the area.



- Be a primary development anchor (within a mixed use development) for the east edge of downtown. Be a catalyst to spur the redevelopment of the E. Washington corridor.
- Create entrepreneurial opportunities for local residents
- Keep dollars in circulation within the community while generating substantial new tax revenues.
- Capital investment estimated at up to \$19 million for MPM facility.
- Create a new year-round tourist destination and extend visitor stays, thereby bringing more dollars into the local economy.
- Spur an increase in regional demand for local products.

3. Create a vibrant regional public space that celebrates diversity

- Establish a dynamic new destination gathering place and shopping mecca for all regional residents where customers from all income levels and ethnic groups will feel welcome and find food and other products that meet their families' need.
- Showcase and celebrate what is unique and exciting about regional agriculture in an active urban space.

- Enhance and support a renewed sense of community by creating a space where urban and rural residents, consumers and farmers, can interact and create social bonds.

History of the Madison Public Market Project

The current public market project, The Madison Public Market (MPM), evolved from a grassroots effort that was initiated by Home Grown Wisconsin, a cooperative of Wisconsin farmers that supplies 50 restaurants in the Madison, Milwaukee and greater Chicago area. In 2003, Home Grown Wisconsin convened the Central Agriculture and Food Facility (CAFF) group that included a wide range of organizations concerned with local food issues. The initial focus of the group was to address the feasibility of a facility that would house a food processing facility, a storage and distribution facility and year round market.

A Central Agriculture and Food Facility Study was written in 2003 for Home Grown Wisconsin by Carla Wright and Charlene Drumm. The report findings indicated that the local producers were interested in a year round retail market that would provide them an additional sales outlet but not require them to spend any more time directly selling their products. There was also producer interest in a stable winter farmers' market venue.

A preliminary CAFF Feasibility Study was conducted by Yellow Wood Associates in 2004 and determined that co-location of a food processing facility, a storage and distribution facility and year round market was not a viable option. The study did conclude that Madison could support a public market. Home Grown Wisconsin has since set-up their distribution facility at Genesis Enterprise Center on Madison's south side. The recently formed Regional Food Strategy Group is looking at food processing.

In the spring of 2005, the Clay-Price Foundation and the Madison Community Foundation provided seed funding to move the Madison Public Market project forward. Blue Planet Partners and Common Wealth Development were engaged to begin pre-development work and draft a comprehensive business plan. Blue Planet Partners is a non-profit, 501(c) (3) that specializes in accelerating social innovation and building strong, healthy regions. Common Wealth Development is a non-profit, 501c (3) community development corporation that has developed and managed numerous innovative economic, community and housing development projects during its 29-year history, and was an early member of the CAFF group.

The MPM Working Group currently includes representatives from:

- Blue Planet Partners
- City of Madison Department of Planning and Community and Economic Development
- Common Wealth Development
- Community Representatives
- Dane County Department of Planning and Development
- Dane County Farmers Market
- Madison Community Foundation
- Madison Gas & Electric
- Research, Education, Action, and Policy on Food Group (REAP)
- UW Center for Co-operatives

Wisconsin Department of Commerce – Community Based Economic Development Program, the Madison Community Foundation and the City of Madison have all generously provided additional pre-development funding.

In the spring of 2006 the Madison Public Market Project Team contracted with Aaron Pohl-Zaretsky, an experienced public market consultant. Aaron was director of Pike Place Market for 15 years, has consulted for over 30 major public market projects and was founding director of Grove Arcade Public Market, an 80,000 square foot facility located in Asheville, North Carolina.

Aaron visited Madison in May 2006 to meet with the Madison Public Market Project Team, the MPM Working Group, City of Madison Department of Planning and Development and Mayor Dave Cieslewicz. During this visit he also vetted potential sites. Aaron designed the Madison Public Market Cohort Survey that was conducted in March 2007. The MPM Cohort Survey results are detailed in *The Madison Public Market Report*. Aaron also developed *The Madison Public Market Tenant Leasing Plan* and *Recommended Development Scenario and Options for the Madison Public Market* (Appendix 1). These three documents provide the foundation for generating estimated sales figures, lease rates, operating budget and capital budget outlined later in this report.

Site Identification & Selection

Site Identification and Analysis

Dozens of sites were broadly considered in three primary Madison corridors, east, west and south, radiating from the center of the City. More extensive research was completed on the 20 most appealing sites. These 19 sites were screen for viability on 24 separate criteria. From this evaluation, five sites were selected as “finalists.” These five were then compared based on an evaluative matrix of 50 criteria.

Proposed Market Location

Based on analysis of the evaluation matrix by the project team and the public market consultant, the Brayton Lot emerged as the strongest site for a public market in Madison. The Brayton Lot is located at the corner of Butler and East Washington, and is currently serving as a surface parking lot owned and managed by the City of Madison Parking Utility. This site is the most centrally-located, of sufficient size, directly proximate to the downtown employment base and growing residential base, and has the greatest potential for becoming a “regional” destination.

The Don Miller site, currently a car dealership, located at the 800 block of East Washington, was identified as the second strongest site location. Other sites considered, including the Marquip and Mautz sites, scored as having significantly less feasibility. The Brayton Lot is by a considerable margin, the best site for developing a successful economically viable Madison Public Market and is therefore now proposed as MPM’s preferred location.

Primary Trade Area Demographic Data

Key Findings

- **The primary trade area for the proposed market (Census Tracts 17.01, 18 and 19) is a concentrated employment center.** Twenty-two percent of all Madison employees or 29,594 individuals work in this area.
- **The primary trade area is also a growing residential area.** Currently 18,426 people reside in the area with plans for additional significant residential development over the next 10-15 years.
- **The primary trade area is adjacent to a dense residential and employment center associated with the University of Wisconsin.** Almost 60,000 UW students and staff are located within 2 miles of the proposed MPM location.

Market Research

Quantitative Research - Dakota Worldwide Market Report

Dakota Worldwide, a Minneapolis-based market research consulting firm familiar with the Madison food market, was engaged to determine the preliminary feasibility of opening a public market in three areas of Madison – east, west and south. Dakota generates their reports using a gravity model that creates a market simulation of a site's primary trade area using demand and supply information. This model is used by food stores to determine site feasibility.

Key Finding

- **The East Washington Capitol Gateway Corridor is the strongest area for the public market based on population density, demographics and positioning relative to competition.**

Qualitative Research – Cohort Market Survey Report

In March and April 2007, 213 one-on-one surveys were conducted by randomly intercepting individuals in public locations. These surveys were primarily conducted in the primary trade area (Census Tracts 17.01, 18 and 19). Surveying was also done near the University of Wisconsin and in South Madison. The survey gathered data from 7 different cohort groups: Madison residents, tourists, small business owners in the primary trade area, employees in the primary trade area, University students and staff, Brayton Lot parkers and real estate brokers. The surveyors generally asked the same questions, but some questions were tailored by cohort group. Respondents were told that the MPM would be located 2-8 blocks east of the Capitol Square.

Key Findings

- **There is strong public support for the Madison Public Market.** 97% of all survey respondents supported the idea of creating a Madison Public Market.
- **There is strong public support for locating the Madison Public Market east of the Capitol Square.** 87% respondents liked the potential location of the MPM 2-8 blocks east of the square.
- **There is strong public interest in shopping at the Madison Public Market.** 71% of total respondents said that if a new MPM had the kind of items they needed, they would rather shop there than where they are currently shopping.

Producer Market Research

Producer Focus Group

The Producer Outreach Committee conducted a focus group with 11 key producer leaders in March 2007. These leaders included meat, cheese, cut flower, dairy, vegetable and fruit producers. The meeting included information on the MPM and a facilitated discussion.

Key Findings

- Producers understand key public market elements and what makes public markets successful
- Producers recognize MPM entrepreneurial opportunities for producers
- Producers as vendors would want flexibility and room for innovation in product mix
- Producers want to be involved in the MPM in the development phase of the market
- Producers want to understand the potential impact of MPM on the Dane County Farmers' Market.

Farmers' Market and Public Market Survey

The Madison Public Market Working group was interested in how public markets and farmers' markets in other communities interact and affect one another. The 2006 survey consisted of phone interviews over a 4 month period with 25 market managers in 13 states and Canada - 8 stand alone farmers' markets managers, 9 managers of public markets with a farmers' market component and 8 managers of public markets without a farmers' market component.

Key Findings - Farmers' Market and Public Market Survey

- Farmers benefit from selling at a farmers' market associated with a public market.
- Public markets have either a positive or no effect on stand alone farmers' markets in their community.

Key Finding - Cohort Market Survey

- Madison farmers' markets have loyal customers who will continue to support them when the MPM opens. 93% percent of survey respondents who shop a local farmer's market said they would continue to do so if a 4-season public market were built.

Preliminary Financial & Development Structure & Strategy

The following is a brief overview of key financial and development structures for the MPM and initial strategic directions for sizing, tenant mix, lease rates, capital costs, operating costs, etc. These key business strategies will continue to be refined as the project proceeds toward implementation.

Proposed Facility Sizing

- Gross Square Feet – 67,000
- Net Leasable Square Feet – 44,200
- Total Proposed Parking Spaces – 200

Proposed Vendor Mix

The following is a list of the proposed vendor mix. **This vendor mix will be refined over time but is intended to begin defining the unique blend of vendors that would make up a public market reflecting this region.**

This vendor mix has been crafted based on the market study which interviewed a broad section of potential users to the market. It will ultimately serve as the model for recruitment of MPM vendors. We are proposing 41 permanent locally-owned vendors with 15 day stalls for other locally-owned businesses.

- **9 Stores: 5 large, 4 smaller including:**
International Grocery, Cheese Store with on-site cheese production, Farmers' Marketing Co-op, Microbrewery Pub, Seafood Store/Restaurant, Bakery, Book Store, Fair Trade Store and Vintage Clothing/Thrift Store.
- **28 Stalls: 4 large, 24 standard sized including:**
Soul Food, Ice Cream made on-site, Taste of Wisconsin Store, Made in Wisconsin Crafts Gallery, Ripe Fruits and Juicery/Smoothies, Ethnic Produce, Green Grocer, Local/Organic Produce, Chocolate Shop, Hmong Prepared Food, Butcher shop, Japanese/Sushi, Local Poultry/Eggs, Cut Flowers, Unique Kitchen Supplies, Italian Deli, German Deli and Sausage Maker, Nature Stall, Coffee/Teas with coffee roasted on-site, International Dumplings, Wine Bar, Wisconsin Prepared Food, Desserts, Mexican Prepared Food, Soup and Salad, Fresh Pasta Shop, Kid's Café and Fresh Tortilla Maker.
- **4 Restaurants including:**
Café 180 concept – casual dining that features ingredients grown or produced within 180 miles of Madison, New York Style Deli, South Asian or Soul Food Restaurant and Wisconsin style Market Diner.
- **8 Carts including:**
Wisconsin Fresh and Dried Fruits, Chestnuts and Nuts roasted on-site, Dried and Fresh Mushrooms, Cannoli made on-site, Bulk Foods, Wisconsin Historic Post-cards, Hot Donuts Now and All Things Ginger and Garlic.
- **In addition, 15 Day Tables:**
Selling regional produce and farm products and, during off season times, local crafts.

Capital and Operating Budget Financial Summary

- **Total Capital Cost** - \$18-\$19 million
- **Debt Load Absorbed by Operating Budget** - \$264,000/year
- **Projected Annual Sales at Full Occupancy** – Based on market surveys with discounting to mirror actual performance from other public markets, Aaron Pohl-Zaretsky of Public Market Development Inc. estimates market sales at \$1,013 psf at full occupancy. He projects these gross vendor sales will be attainable once the market has matured and fully stabilized (approximately 3 to 5 years post opening). **However, financial viability of projected lease rates at the MPM is attained at a significantly lower annual sales volumes.**
- **Annual Operating Costs** - \$1.32 million for Year 3 of operations

- **Break Even Projection** – Operating budgets are projecting break-even operation by end of year 3. Year 1 & 2 shortfalls would be handled with an operating reserve fund that is being factored into the capital budget. This structure and timeline is similar to most other markets in the U.S.
- **Average Net Lease Rates to Tenants** – Projected average net lease rates of \$20 per square foot (These lease rates are projected for 2011, approximately 4 years from now) The average lease rates are also substantiated by current lease rates in the area. Even given highly discounted annual sales projections, market activity would support these lease rates.

Green Building Design

We envision a market that will maximize energy efficiency and resource conservation both in its design elements and its day-to-day operation. The project will incorporate a wide range of cost-effective sustainable green building design and construction elements. We will also explore LEED certification for the project.

Capital Costs

Similar to most other markets in the country, the MPM will need to raise the vast majority of capital costs upfront in order to operate a facility that has a low debt load. We are currently projecting the operating budget absorbing a debt load of approximately \$250,000 per year (P&I) with an outstanding debt of \$3.2 million.

The remainder of the capital costs (\$15 – 16 million) will need to be raised via public and private sources. Typically most markets raise approximately half via public sources (federal, state, and local) and half via private sources (national, regional and local philanthropic sources, private sector; and individuals).

Development Structure & Scenarios

There are a number of potential development structures for the public market depending on whether the market is developed on its own or part of a larger mixed-use development.

Given the potential location at the Brayton lot it is unlikely that the MPM would be a “stand-alone” development. In this case, a master developer would likely be solicited for development of the entire site with the MPM space being delivered via a condominium structure as a “gray box” for buildout by the MPM of its own space.

In the unlikely event of a “stand-alone” facility, the MPM would bring in additional development and construction expertise to assist in coordination of building the facility.

The overall project parameters would remain essentially the same with either scenario. Proximity to a proposed Public Utility 500 car ramp on the site would be an important benefit to the project and would significantly increase the viability of the project overall.

Governance & Ownership Structure

It is our recommendation that a single purpose 501(c) (3) non-profit organization be created to operate the MPM. Most large, urban markets have converted to non-profit management over the last 30 years to enable them to be more competitive, responsive and accountable, and also eligible to receive grants. Most effective governance structures allow for an independent board to govern the market itself, given the need for the overall market to function with a high level of business discipline. Some board seats would be reserved for public sector nominations in order to to preserve the public purpose mission of the market.

The underlying real estate can either be owned by the 501(c) (3) or by a public entity. Given the positive net market value of the real estate and the public contribution required for public markets, many municipalities prefer to own the real estate to ensure that the public market ultimately continues to serve primarily public purposes and public goals. Public ownership would not be a requirement for the MPM however, just one of a number of potential ownership options.

Key Next Steps – 120 Days

The following is a brief list of some of the major next steps to be completed in the next 120 days:

- Complete additional site design work
- Complete site specific design program
- Refine development concept
- Refine site control / development strategy
- Develop community and regional support for project
- Develop structure and strategy to the capital campaign

Conclusion

This summary highlights the work done to date that establishes the feasibility of a successful Madison Public Market located at the Brayton Lot. Market research established broad public support for a public market at this site as well as market demand. Demographic analysis revealed a strong primary trade area that is both a concentrated employment center and a growing residential area.

Research was conducted to gauge local producer interest in a public market, to better understand how farmers' markets and public markets interact and affect one another and determine customer loyalty to their local favorite farmers' market. Producer research established local producer interest in the entrepreneurial opportunities that will be created by the Madison Market. Research on the interaction between existing Farmers' Market and Public Markets revealed that public markets do not negatively impact stand alone farmers' markets. In fact, they typically complement each other. The Cohort Market Survey showed that Madison farmers' markets have loyal customers who will continue to support them when the Madison Public Market opens.

The proposed Madison Public Market vendor mix of 41 locally-owned vendors plus 15 day stalls, will create a unique and vibrant shopping venue and public space that will be a feast for the senses and celebrate the products, culture and diversity of the region. Customers from all income levels and from every ethnic group will find top quality foods sold by locally owned small businesses. Additionally, MPM will be a strong catalyst for economic development and additional development on both the site and the area surrounding the market.

The Madison Public Market Business Plan, Tenant Leasing Plan, and the Market and Analysis Report lay the ground work for this exciting project. Based on these findings, we believe a public market would be an extraordinary and successful addition to the City of Madison, Dane County, and the broader region.

(Note: A copy of the support documents to this summary may be may be obtained by contacting Sarah Hole at Common Wealth Development (sarah@cwd.org) or 608-256-6565. Additional questions about the MPM may be directed to Jim Bower at Blue Planet Partners (jbower@blueplanetparnters.org) or 608-256-9797 or Marianne Morton at Common Wealth Development (marianne@cwd.org) or 608-256-3527 ext 12).