



City of Madison

City of Madison
Madison, WI 53703
www.cityofmadison.com

Meeting Minutes - Draft ECONOMIC DEVELOPMENT COMMITTEE

Wednesday, June 5, 2013

5:00 PM

215 Martin Luther King, Jr. Blvd.
Room 300 (Madison Municipal Building)

CALL TO ORDER / ROLL CALL

The meeting was called to order at 5:07 pm by Chairperson Boucher.

Present: 7 -

Victoria S. Selkove; Alfred L. Zimmerman; Sandra J. Torkildson; Joseph W. Boucher; Patricia (Pat) A. Schramm; Edward G. Clarke and John Strasser

Absent: 3 -

Mark Clear; Matthew C. Younkle and Scott J. Resnick

Excused: 2 -

Peng Her and Julia Stone

Alder Scott Resnick arrived at 5:13 pm, Alder Mark Clear arrived at 5:37 p.m., Matt Younkle arrived at 5:53 p.m.

Also Present: Aaron Olver, Director of Economic Development Division; Peggy Yessa, Office of Business Resources; Mark Greene, future EDC member; Don Marx, Real Estate Office Manager; Alder Marsha Rummel; Alder Joe Clausius; Alder Ledell Zellers; Nathan Wautier

1 APPROVAL OF MINUTES

A motion was made by Clarke, seconded by Zimmerman, to Approve the Minutes of the May 15, 2013, meeting. The motion passed by voice vote.

2 PUBLIC COMMENT

None at this time.

3 DISCLOSURES AND RECUSALS

None.

4 [30450](#)

Accepting a Selection Committee's recommendation of the Gebhardt Development, LLC proposal for the purchase and redevelopment of City-owned properties located at 802 and 854 East Washington Avenue and authorizing the execution of a Purchase and Sale Agreement with Gebhardt Development, LLC for the purchase and redevelopment of these properties.

A motion was made by Selkove, seconded by Clarke, to Return to Lead with

the Recommendation for Approval to the BOARD OF ESTIMATES. The motion passed by voice vote.

Mr. Olver reviewed a PowerPoint presentation by the Gebhardt Development LLC that was part of their Request for Proposal submittal to the Selection Committee for the 800 N Block of E. Washington Ave. The City purchased this block through the Land Banking program. The purchase price was \$5.2m. He reiterated this item was referred to the EDC per the Land Banking Fund Guidelines.

Alder Resnick arrived at 5:13 p.m..

Present: 8 -

Victoria S. Selkove; Alfred L. Zimmerman; Sandra J. Torkildson; Joseph W. Boucher; Patricia (Pat) A. Schramm; Edward G. Clarke; Scott J. Resnick and John Strasser

Absent: 2 -

Mark Clear and Matthew C. Younkle

Excused: 2 -

Peng Her and Julia Stone

Chairperson Boucher introduced Mark Green as the newly appointed EDC member.

Mr. Olver said Gebhardt Development LL originally was interested in developing the 800 N block but moved their Constellation project one block toward the Capital. He explained the sale of the property would be handled as one property sale transaction and the construction would occur in two phases.

Mr. Marx noted the resolution has two parts for the EDC to act on; the first part is to recommend approval of the Selection Committee's recommendation of Gebhardt Development LLC to develop this block and the second part is to recommend approval of the execution of Purchase and Sale agreement for purchase and redevelopment of these properties.

Mr. Clarke asked what is the role of the EDC.

Ms. Selkove asked if the EDC is recommending selection and terms of sale.

Mr. Olver reviewed the Land Banking Guidelines. The resolution has two parts;

1. Recommend endorsement of the Selection Committee's recommendation
2. Recommend approving the acceptance of the letter of intent.

Mr. Zimmerman recalled discussing this a year ago.

Mr. Olver said that discussion was for the ULI proposal which withdrawn. Chairperson Boucher also remembers that discussion was specific for the ULI proposal.

Mr. Marx said this time the project is different. The City is selling the entire block at one time not a portion of it. Construction n will be in two phases. The City purchased this block for \$14 per square foot and is selling it at \$16 per square foot. The City received approximately \$800,000 in EPA and DNR remediation grants to clean up the site. The City had to pay \$180,000 as part of receiving these grants.

Chairperson Boucher asked about the source of the environmental contamination of this site.

Mr. Marx said the site was a car dealership and had buried fuel tanks that were removed by the seller. Additional buried tanks were discovered after the City purchased it.

Mr. Marx said the Council will need to authorize any TIF application that is submitted. The Selection Committee did add the following conditions to the sale of this property;

- A roof top farm
- Forty-five (45) units for rental to low income people for at 15 years
- Labor related goals for all the commercial tenants

Mr. Clarke asked who would own the farm.

Registered speaker, Nathan Wautier, said that was not defined. Most likely it will be the developer who owns it.

Mr. Marx explained #22-the option agreement.

Alder Clear arrived at 5:37 p.m..

Present: 9 -

Mark Clear; Victoria S. Selkove; Alfred L. Zimmerman; Sandra J. Torkildson; Joseph W. Boucher; Patricia (Pat) A. Schramm; Edward G. Clarke; Scott J. Resnick and John Strasser

Absent: 1 -

Matthew C. Younkle

Excused: 2 -

Peng Her and Julia Stone

Ms. Selkove asked for clear numbers on what jobs are created so this can be measured against at a later date. What is the permanent employment? The wage levels? What specific jobs were created?

Mr. Olver said annual updates as the project progresses will have more details when they submit their construction plans.

Ms. Selkove asked for specific language on what is being approved. What can the EDC measure against in the future? This information has been asked for in prior projects.

Mr. Zimmerman asked if Exhibit D is from the developer?

Mr. Olver said it is.

Mr. Zimmerman asked about the ramifications if there is no follow through on this.

Mr. Marx said the 45 low income rental units and the roof top garden will be tied to the TIF loan agreement and the TIF agreement will have recourse back to the developer if terms are not met.

Mr. Zimmerman asked if it is feasible in this climate to have environmental standards of 1 BTU per square foot. What if this is not met?

Mr. Olver said this is the challenge of development. We are now in the early stages of the development. TIF and land use approvals are yet to come. Exhibit D is the Gebhardt Development LLC vision; it is not controlling.

Alder Clear asked if this is part of the purchase agreement.

Mr. Marx said it is.

Chairperson Boucher asked when is the financing part coming to the EDC. What is the projected value of taxes and financing? Where is it coming from?

Mr. Olver said the proposed tax base and employment information will be in the TIF application.

Chairperson Boucher wants to know the completed value of the project.

Mr. Wautier, said it is a \$68m project. The land use application will have an itemized letter of intent when applying for the land use approvals. At this time he does not know the project's assessment.

Mr. Olver explained the TID is already seven years old and a base value was set. The value

of this block has dropped to zero because the City owns it and it is off the tax roll. From preliminary TIF projections this could be a \$43-\$45m project when completed.

Alder Strasser asked if this is a high TIF investment for this return.

Mr. Olver again said no TIF application has been received yet.

Alder Strasser said businesses are assessed differently than housing. And a parking lot is expensive to build.

Mr. Marx said some of the project components will have a gap.

Mr. Clarke asked about the sale price of \$16 per square foot.

Mr. Marx said it is not a bad number. Smaller parcels are at \$17-\$18 per square foot and larger parcels often sell for less per square foot than large parcels.

Mr. Younkle arrived at 5:53 p.m..

Present: 10 -

Mark Clear; Victoria S. Selkove; Alfred L. Zimmerman; Sandra J. Torkildson; Joseph W. Boucher; Patricia (Pat) A. Schramm; Edward G. Clarke; Matthew C. Younkle; Scott J. Resnick and John Strasser

Excused: 2 -

Peng Her and Julia Stone

Mr. Olver said this is a question of TIF management and cash flow.

Mr. Zimmerman asked what does the tax base forego if there is no TIF.

Mr. Olver said once a TID is created the taxes on the base value continue to get paid out. The increment goes to that TID's fund. Net new construction is figured in to help the overall City Budget allocation.

Mr. Zimmerman asked how long the City can carry a TID.

Mr. Olver said the City closes a TID fast; when the TID is paid off.

Ms. Torkildson asked if there is any potential for Phase 2 of construction not to happen.

Mr. Marx said markets do change and there is no guarantee. He sees a large market for housing and there are low interest rates now. Some of this project has rental units and some condos. Some units are more affordable.

Alder Strasser said Madison has a high apartment occupancy rate and there is no incentive for rental unit owners to fix up their properties in this type of market. Having more housing units available will change this.

Mr. Wautier said Phase 1 of construction includes the grocery, the parking and the residential tower. Phase 2 includes more development above the parking ramp.

Alder Clear said there seems to be \$400,000 in TIF "profit", some foregone real estate taxes and \$180,000 spent to receive \$800,000 of remediation grants.

Mr. Marx said the City did lease back the body shop for \$46,000.

Mr. Zimmerman asked about the special assessments and transfer fees costs at closing.

Mr. Marx said the developer would get a float for a short period of time. The larger issue is what will be accomplished by the building of this project.

Mr. Olver said the TID financing will cover all of this. What this project may lack in value of the TID it does build momentum for the neighborhood and provide social amenities.

If the City charged more for the property the cost of the project would increase.

Mr. Clarke said to keep in mind this project is to jump start something in this area. The City is trying to get rid of blight and make something happen in this area.

Mr. Younkle asked what is the thinking: do we want to net more return?

Mr. Olver said to keep the developers' cost as low as possible to keep the gap low.

Ms. Selkove asked to vote on this motion. The EDC will need more information on a project benefit sheet that includes the number of jobs with annual updates; housing projections and parking numbers. Staff should create this for all projects. These need to be tangible projections.

Chairperson Boucher agrees on all of these points.

Mr. Zimmerman asked if there should be a consideration on what type of loans the developer gets.

Mr. Olver noted the agreement has a financing contingency.

Chairperson Boucher said this is the risk of a deal.

Mr. Olver said when the TIF application comes in there will be more information available.

Chairperson Boucher asked Mr. Zimmerman what can we do about this now.

Mr. Zimmerman doesn't know it depends on the relationship to the market.

Chairperson Boucher asked what the City can change.

Mr. Marx said the City already gets personal guarantees and banks will ask for the same.

Mr. Zimmerman suggested getting the property closed on as soon as possible. What if the City is stuck with half of a project being built?

Mr. Marx said we do not know when the closing date will actually be, probably in 2014.

Mr. Wautier said when construction starts a loan rate will be locked in. Mr. Gebhardt personally guarantees the project and will have financing in place. If the loan is defaulted on the bank would take over the project.

Alder Clear noted the bank has more at stake than the City.

Chairperson Boucher called for a vote on the motion.

Alder Strasser asked what is next for this project.

Mr. Marx said it will go to the Board of Estimates on 6/10, Plan Commission on 6/17, and be reported back to the Common Council on 6/18.

5 [30382](#)

Authorizing the execution of an Agreement to Terminate the "Agreement to Purchase and Undertake Development of the Northeast Industrial Property" executed between the City of Madison and The Center for Industry & Commerce, LLC.

A motion was made by Zimmerman, seconded by Resnick, to Return to Lead with the Recommendation for Approval to the BOARD OF ESTIMATES. The

motion passed by voice vote.

Mr. Olver reviewed the resolution and the map of the area. T Wall Properties LLC cannot pay for the purchase of the land they have contracted to buy. There are two options:

1. Sue T Wall properties LLC
2. Negotiate an agreement

The City Attorney has advised negotiations occur because T Wall Properties LLC has no assets. This negotiated deal would give the City the properties in yellow on the map.

Alder Clausius introduced this resolution. It is on the fast track for approval. He has worked on this a long time. There are two residential subdivisions in this area and they need jobs that could be located here.

Chairperson Boucher asked Alder Clausius if this is the best deal for the City.

Alder Clausius said they could go after T Wall Properties LLC but it is broke. Mr. Olver said that company is located in New York. It is an out of state investment group, separate from other T Wall companies. The City made money selling the property to T Wall Properties LLC and can make more money selling it again.

Mr. Younkle asked what the sale rate for this type of property is.

Mr. Olver said it is around \$3 per square foot.

Mr. Younkle said this would be \$130,000 an acre.

Mr. Zimmerman said his company would not pay over \$25,000 an acre for this type of land.

Alder Clear said this is a bizzarro way of land baking the property. He congratulated the Real Estate staff for working out this deal.

6 [30084](#)

High Tech Manufacturing Trends

Ms. Schramm distributed her handouts on employment in manufacturing. She explained she took Mr. Olver's data from the last meeting and looked at it by zip code area. She noted zip code 53704 has 2,000 manufacturing employees and they are concentrated at the large employers: Covance and Kraft Food. She was astonished at the amount of employment activity in zip codes 53716, 53718 and 53719. Previously she had thought that small manufacturers were in the outlying towns such as Middleton and Waunakee. This data shows this is not the case. This sector has shown growth during the recession. A location quotient higher than 1 show there is a greater share of this employment here than the national average.

Mr. Zimmerman said this data suggests cluster of industry in these areas. Area 53719 has the highest wages and 53716 has the highest concentration of mechanical manufacturers.

Chairperson Boucher asked where to go with this data. This demystifies the idea that Madison is not growing. Where are the employees living?

Mr. Clarke is puzzled by the data. Madison did lose jobs.

Ms. Schramm said the job growth is happening in Madison not in the outlying areas.

Mr. Zimmerman said the 53704 district is showing growth even with layoffs at the large employers.

Mr. Olver noted that manufacturing output is increasing and the number of jobs is going down. Manufacturing is a capital intense industry and the jobs are becoming more sophisticated.

Chairperson Boucher asked what will be the process to study this.

Ms. Selkove said this is good data to get about the workers in this community. Alder Strasser asked if the goal is to get this information to the press.

Mr. Younkle said Madison is a growth economy for manufacturing and this could be the message sent to the press.

Mr. Zimmerman distributed his handout of a project timeline. He explained the steps outlined in the handout starting with understanding the clusters.

A motion was made by Alder Clear, seconded by Ms. Selkove, to create a three (3) person subcommittee with two alternates to work on this project. The subcommittee members will be Mr. Zimmerman, Mr. Clarke, and Ms. Schramm. The alternates would be Ms. Selkove and Alder Strasser.

Mr. Olver noted his Division is already staffing 8 or 9 committees. There might not staff for this. A new employee is starting and will focus on the economic strategy and public market.

Mr. Zimmerman suggested the EDC meet once a month and the Subcommittee meet once a month and report to the full EDC.

Ms. Torkildson left at 7:05 p.m. A quorum was maintained.

Present: 9 -

Mark Clear; Victoria S. Selkove; Alfred L. Zimmerman; Joseph W. Boucher; Patricia (Pat) A. Schramm; Edward G. Clarke; Matthew C. Younkle; Scott J. Resnick and John Strasser

Excused: 3 -

Peng Her; Julia Stone and Sandra J. Torkildson

Mr. Greene asked what is the issue? To keep people in Madison?

Ms. Schramm thinks transportation is a big issue that will arise.

Chairperson Boucher called for a vote on the motion.

The motion passed by voice vote.

7 [17637](#)

EDC Chairperson's Report

Chairperson Boucher said he has made appointments with all of the EDC members.

8 [21360](#)

EDD Director Report

Mr. Olver distributed his outline handout. He noted 193 out of 220 rental units have been leased at the Constellation project. Employees of Epic have rented an entire floor. The letter of interest is nearing completion for Union Corners and this will come the EDC for a recommendation. Two TIDs will be created this year. There are two proposals for the Judge Doyle Square project being considered. There has been a flurry of news articles about Madison based technology companies and entrepreneurs.

Ms. Selkove gave a brief review of activates at the State level. Venture Capital funds are in the budget but it is unknown which agency, DOA or WEDC, will be responsible for this program.

Mr. Olver noted there is an event on Friday for the 100 State space for entrepreneurs. Alder Resnick is on the board of Directors of Bluetree, an Epic consulting firm, which rents this space and has co-working space available.

Ms. Selkove noted she will send information on business tax cuts that have been eliminated to the EDC. Transit funds have been cut statewide and this will affect Madison Metro. Also the

costs of uncompensated care at hospitals will increase and affect the hospitals in Madison.

Mr. Olver said the new Planning Director starts on Monday. Alder Clear asked if the Director should be allowed some time to adjust before speaking to the EDC.

Mr. Clarke disagreed and wants to meet her as soon as possible to send a message that economic development is a priority in Madison.

9 [27862](#)

Introduction of New Items from the Floor

Mr. Younkle was at a recent Thrive/MadREP meeting and he is interested in opening dialogue with the communities adjacent to Madison to cooperate in development.

Alder Strasser noted South Madison and the Town of Madison are both working on economic development projects. In nine years the Town of Madison will merge with the City of Madison.

Alder Clear cautioned about continuing to discuss this time at this time.

10 [27863](#)

Upcoming Meetings

No comments.

11 **ADJOURNMENT**

Chairperson Boucher made a motion to adjourn, seconded by Alder Resnick. The motion passed by voice vote and the meeting was Adjourned at 7:35 p.m..