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Office of Real Estate Services

To: **Common Council**

From: **Office of Real Estate Services**

Date: **March 22, 2021**

Subject: **Village on Park - 2021 Capital Budget Amendment**

The Urban League of Greater Madison (ULGM) recently announced its selection of the Village on Park as its preferred site for a planned Black Business Hub and office building (Project). The Hub will be a brick-and-mortar space for minority business owners to develop and stabilize their businesses, and help ensure that Black and other minority owned businesses are able to spur wealth creation opportunities in south Madison.

The CDA-owned Village on Park property, designated by the CDA Board as a priority redevelopment target for 2021, is already under evaluation for changes to its use mix under the pending South Madison Plan, including potential for reconfiguration of the existing Villager Mall, affordable housing development, and provision of additional parking for existing tenant spaces.

ULGM has proposed an aggressive timeline for Project fundraising and construction, with the goal of being fully occupied by the end of 2022. Therefore, City and CDA staff have been engaging ULGM on a weekly basis to ensure that the Project is able to meet the desired development timeline while integrating seamlessly with the CDA's long-term objectives for the Village on Park.

The location of the proposed Hub at Village on Park was not anticipated under the 2021 Adopted Capital Budget for CDA Redevelopment or any other City agency, and while ULGM is undertaking its own due diligence, City/CDA staff have identified a number of pre-development and capital costs that will be necessary to accommodate the Project and ensure the viability of the Villager's current tenants. The largest costs generally include conveyance of a remediated, development-ready parcel at the southeast corner of the site to ULGM (S. Park St. and Hughes Pl.); the demolition of the existing North Building of the Villager Mall and replacement with a surface parking lot; and development of structured parking adjacent to the south end of the mall (near Yue-Wah). Parking has long been in relatively short supply on the site as currently configured, and the addition of another mixed-use, multitenant building will require a significant net increase in convenient on-site parking stalls to remain viable for all users.

Because any profits generated by Village on Park are used to pay down existing debt on the property owed to the City, CDA has limited funds available to undertake any large pre-development costs related to the Project or the larger site reconfiguration without additional financing capacity. Staff have determined that Tax Increment Financing District #42 has sufficient revenues to pay its own obligations as well as provide a significant one-time transfer of funding for the Project; a project plan amendment to this effect is currently under consideration for adoption by the Common Council and Joint Review Board in May 2021. TID #42 represents the most expedient source of near-term funding for the City's contributions to the ULGM project and the Village on Park more broadly, as the site is eligible for such funds based on its location within one-half mile of the existing TID boundary. As the receiving agency for the proposed TIF transfer and owner of the larger site, CDA is best positioned to serve as the conduit for capital project development as well as long-term ownership of any shared elements of the property (i.e. new structured and surface parking).

The proposed TID #42 amendment includes up to \$11.2 million in eligible spending related to the Village on Park and ULGM Project, generally itemized as follows:

2021 Project Plan Amendment Additional Project Costs - Donation to CDA	TOTAL COST	ASSESSED	TIF COST
Villager Mall Parking Structure	\$9,100,000	\$0	\$9,100,000
Estimated Environmental Remediation / Geo-Tech / Pre-Development for ULGM Black Business Hub	\$800,000	\$0	\$800,000
Owner Occupied Affordable Housing	\$200,000	\$0	\$200,000
Demo Villager North Building and Construct New Parking Lot	\$1,100,000	\$0	\$1,100,000
TOTAL	\$11,200,000	\$0	\$11,200,000

Please note that each of these costs are estimates, subject to additional refinement as site planning unfolds in the coming weeks and months. As shown above, the proposed parking structure serving both the ULGM Project and Village on Park is by far the largest line item included in the TIF transfer, with a large amount of cost variation possible depending on its overall size, inclusion of any underground stalls, and the construction methods and materials used. The \$9.1 million estimate represents a reasonable upper bound for anticipated total development costs based on known site conditions and ULGM Project parameters. However, given the cost uncertainty at this time, the proposed 2021 budget amendment is limited to only \$3 million of the \$11.2 million total allocated in the TID amendment for CDA activities. This smaller amount will allow City staff to undertake a more detailed design process to better understand likely actual costs, and meet the immediate needs of the ULGM Project and the broader Village on Park redevelopment considerations expedited by the Project. Therefore, only the amount of pre-construction costs considered necessary to complete design and site work activities are included in the proposed 2021 amendment, with the balance of the transferred TID #42 funds (\$8.2 million) to be allocated through the regular capital budgeting process for 2022.

The budget amendment's necessary emphasis on infrastructure spending somewhat obscures the larger purposes for the capital expenditures, namely, assistance to the Black Owned Business Hub. For a variety of reasons, it is easier to provide financial assistance to the Project indirectly through City spending than through direct cash allocations given the implications for the rest of the Village on Park and the CDA's sustained ownership of all other site improvements outside of the ULGM development pad to be transferred. Further, maintaining City control over future parking improvements throughout the site will facilitate incorporation of new stormwater and green infrastructure elements and mitigate longstanding runoff and flooding issues plaguing the site that may otherwise go unaddressed given the significant increase in proposed development density.

It should also be noted that Village on Park Master Plan updates currently under consideration also anticipate CDA's development of affordable housing on the northern portion of the site to alleviate pressure on its other aging properties in the South Madison vicinity. This final phase of redevelopment (within 3-5 years) will require careful consideration of near- and long-term parking and ingress/egress to minimize disruption to current tenants during the first and second phases (North Building demolition and ULGM Project, respectively) and maintain a usable housing development pad.

For all of the above named reasons, Staff recommend Council and CDA approve parallel amendments to their respective capital budgets for 2021 to authorize up to \$3 million in pre-development costs for the Village on Park and ULGM Hub/Office project, to be paid from proceeds from TID #42, as well as activities for advancing the CDA's mission to provide affordable housing in the City of Madison.