



Madison Public Market Implementation Strategy DRAFT for Local Food Committee Discussion on 1/7/16

The Business Plan for the Madison Public Market is complete and was approved by the Common Council on October 6, 2015 with a recommendation to move forward. The business plan provides a foundation for the project and a guide to next steps. Now, the Public Market project is shifting from the business planning phase to implementation phase.

The Common Council Resolution to accept the Public Market Business Plan (Resolution) directs the City Staff and the Local Food Committee to develop a project Implementation Strategy, and to report back to Council with that strategy by March 31, 2016.

This implementation strategy document covers seven key issues that need to be addressed as the City moves forward with implementation of the business plan include:

- 1. Organizational Structure for the Public Market Operations**
- 2. Capital Budget, Funding, and Marketing Strategy**
- 3. Physical Design of the Market**
- 4. Continued Vendor Cultivation and ongoing Vendor Support**
- 5. Momentum Building Activities**
- 6. Implementation of Equity Recommendations**
- 7. Market District Planning**

At the end of this document, there is a Pre-Construction work budget detailing the costs of moving forward on each of these items.

1) Organizational Structure

The Business Plan recommends establishing a non-profit Public Market Operator (PMO) to manage the Madison Public Market. Creating this organization is a critical next step. The PMO will be an independent 501(c)(3) non-profit corporation created for the single purpose of operating and managing the Public Market. The organization will be governed by a Board of Directors representing key public market constituencies. The work of operating the Public Market (management, maintenance, marketing, vendor recruitment, leases, programming, etc.) will be handled by the PMO's executive director and staff with oversight by the Board of Directions (as described in the Business Plan). The City will most likely own the public market real estate and will have some level of oversight over market operations through a lease and operating agreement with the non-profit.

For the last three and a half years, the Local Food Committee (LFC) has been the official city body responsible for planning the Public Market. The LFC recently established an "Organizational Structure Subcommittee" to work through the details of how the PMO is created and to lay out a transition plan that would gradually shift operational control over the Public Market from the City to the PMO.

The end goal is a Public Market operated by an independent organization that is governed by a board of directors, run by a professional staff, and overseen by the city through operating agreement. Implementation of this arrangement needs to strike balance between giving the PMO sufficient independent authority to make decisions necessary for the public market to succeed, while maintaining some level of public oversight to maintain the mission of the project. Also, the PMO needs to be created in parallel with the ongoing effort to finalize plans and funding for the Public Market.

Process to Create the PMO:

- 1) **Complete and Approve Implementation Strategy** – The Common Council Resolution to accept the Public Market Business Plan directed the City Staff and the Local Food Committee to develop a Project Implementation Strategy and deliver that to Council by March 31, 2016. The first step is for the LFC to review, discuss, and finalize this implementation document and present it to Council for approval.
 - 2) **Draft the PMO Founding Documents** - Once the direction described in this document is approved, the City will move forward with developing drafts of the required “founding documents” for the PMO. The City, LFC and the LFC’s Organizational Structure Subcommittee will create, review, discuss, and edit a series of draft documents necessary to create the PMO and establish it as the operator of the Public Market. The City may engage the services of outside public market operational expertise and legal to develop these documents. These Founding Documents include:
 - a) **Articles of Incorporation** – The PMO Articles of Incorporation will establish the PMO as a Wisconsin non-profit corporation. They will include basic information on the PMO, and information on the purpose and structure of the organization. They will be signed and filed by the three “Founders” (described below) who will be the initial directors.
 - b) **By-laws** – The By-Laws will describe the structure, rules, and operations of the PMO.
 - c) **Application for 501(c)(3) status** – Once incorporated, the PMO will move forward with an IRS application for tax exempt status. That process generally takes well over a year. In the interim period, the PMO may consider working with another non-profit organization to be a fiscal agent that can accept tax exempt donations on behalf of the Public Market.
 - d) **Operating Agreement with the City of Madison** – The PMO will enter into an Operating Agreement with the City of Madison. This agreement will describe the terms of the relationship between the PMO and the City on how the Public Market is operated.
 - e) **Lease with the City of Madison** – The PMO will enter into a lease with the City. The lease will describe the terms of the real estate relationship between the City and the PMO for the Public Market space. Most likely, the City will continue to own the Public Market Real Estate, and the PMO will occupy it through a long term lease with a annual payment of \$1. The PMO would then sublease individual spaces within the Public Market to vendors and other tenants.
 - 3) **Establish PMO “Founders”** – Incorporating a non-profit corporation will require three “founders” who file the articles of incorporation and bring the PMO into existence. These three founders will be the initial Board of Directors. For continuity, it will be important for the
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founders to be people who have been involved in the Public Market process and individuals who can help facilitate a smooth transition from a project controlled by the City to a partnership between the PMO and the City with the PMO becoming the long term operator. Also, the founders should be seen as politically neutral and not representing any particular interest or public market constituency. These three people will incorporate the PMO, establish themselves as the interim board, and appoint themselves to an initial one-year terms.

- 4) **Create Board of Directors Appointment Process and Appoint First Board** – As noted, the Founders will be the initial interim Board. The PMO By-Laws will establish a process for appointment of the remaining Board Members and the Interim Board will implement that process. The Board will have 15 members. The Founders will be the first three. The remaining twelve seats will be filled by Mayoral appointments with seats identified for specific constituencies and areas of expertise. This will be the Interim Board. The Founders will approve all initial appointments. The Interim Board will be appointed to three year terms. Since the Interim Board will oversee the project for the first three years and most of that time period will be in the pre-opening phase, the Interims Board’s work will primarily focus getting the public market funded, built, and opened. At the end of the Interim Board’s three year term, the Board will self appoint new members in staggered three year terms with a third of the Board elected every year. At the end of the first three years, the public market will hopefully be up and running. Accordingly, the role of the Board, its decisions, and its needed expertise will shift from a focus on funding and building the Public Market to a focus on operating a Public Market.
- 5) **Signing Day** – Once these four steps are complete and all the documents have been developed, the Founders will incorporate the PMO and execute the agreement with the City. At this point, the PMO will formally come into existence.

2) Capital Funding

The total capital cost of the project will depend on a variety of factors including the final design, amenities, rents, lease-up timeline, etc. Based on the business plan and information available to date, the City will set an initial capital campaign target of **\$14,000,000**. This includes business planning costs, startup costs, construction costs, and an operational cushion to cover operating losses for the first 3 years. The City will continue to champion the Public Market project and be a lead investor in building the market. The City, the LFC, and the eventual PMO will work together to identify and raise the remaining funds.

The following Sources and Uses Table identifies potential sources of capital dollars for the project and how those funds will be used. With the exception of the City’s capital dollars, which are approved in the City’s adopted Capital Improvement Plan, these sources are all projections and not guaranteed. Moreover, the City’s adopted budget includes language stating that the City’s allocation of capital dollars is contingent on other funding being secured. Consequently, attracting additional outside funding is essential to the Public Market project moving forward. That said, the City is confident that the funds noted as potential sources are realistic opportunities and the City is already taking steps to pursue those funds.

Madison Public Market Sources and Uses Budget - 12/21/15		
Sources	Amount	% Total
City UDAG reallocation	\$1,000,000	7%
City Capital Dollars	\$4,250,000	30%
State/Federal Grant Support	\$3,000,000	21%
New Markets Tax Credit Equity	\$3,250,000	23%
Private Foundation Support	\$2,000,000	14%
Local Individual Donors	\$500,000	4%
TOTAL SOURCES	\$14,000,000	100%
Uses	Amount	% Total
Business Plan (completed 2015)	\$250,000	2%
Startup Costs (detailed in budget at the end of this document)	\$750,000	5%
First 5 Years Operating Losses	\$300,000	2%
Construction Costs	\$12,700,000	91%
<i>Hard Costs</i>	\$9,800,000	70%
<i>A/E & Contractor Fees</i>	\$1,700,000	12%
<i>Contingency</i>	\$700,000	5%
<i>Other Soft Costs (LEED cert., legal, permits, etc.)</i>	\$500,000	4%
TOTAL USES	\$14,000,000	100%

Strategy for Each Item:

- **City UDAG allocation** – in 2012, the City reallocated some unused UDAG funding to the public market. Some of these funds have been used for costs related to developing the business plan (primarily to engage the consulting team). The remaining funds will be used for other pre-construction activities (fundraising, design, vendor cultivation, etc.).
- **City Capital Dollars** – The City’s Capital Improvement Plan identifies \$4.25 million in city expenditure for the Public Market in 2017 and 2018.
- **Federal Grant Support** – Led by the Madison Region Economic Partnership (MadREP), the Madison region was recently designated as a national center for food and agriculture through the federal Investing in Manufacturing Communities Partnership (IMCP) program. The application for this designation featured the Madison Public Market as a key piece of infrastructure. This multi-agency designation puts the public market and related food projects in the Madison region in “the front of the line” when it comes to accessing federal grant dollars. The City staff will coordinate with MadREP to identify potential federal grant programs and prepare applications.

- **U.S. Economic Development Administration (EDA)** – The EDA provides capital funding for projects that create jobs and foster local economic development. EDA general provides grants of up to \$3 million with a 1 to 1 match requirement. Grants are typically due in the Spring. The City should get in touch with EDA in early 2016 to discuss the project with EDA officials and discuss how to proceed with an application.
- **U.S. Department of Agriculture (USDA)** – The USDA has several funding programs focused on food-based economic development. Because Madison is not a rural area, the potential for USDA funding may be limited. Nonetheless, as a project that will support the regional food system, there may be opportunities for USDA funding. The USDA’s Community Food Projects Competitiveness fund is one opportunity. This program provides funding of up to \$250,000 for initiatives focused on growing local and regional food economies.
- **U.S. Department of Health and Human Services (HHS)** – HHS has programs focused on improving public health by strengthening local food systems. The Community Economic Development (CED) program is a grant designed to link food and economic development. Only non-profit organizations are eligible for this program so the applicant would need to be the PMO not the City of Madison.
- **State of Wisconsin Support** – As a project to help grow one of Wisconsin’s agriculture, food, and beverage sector – one of Wisconsin’s key economic drivers and differentiators, the State has expressed an interest in supporting the Madison Public Market. Moving forward, the City will continue to coordinate with state officials within the Wisconsin Economic Development Corporation and other agencies to identify potential ways the State could be a financial participant in the project. There may be other state agencies that could provide resources focused on programming elements of the public market. For example, the state tourism office could support efforts to position the public market as a destination or the state Department of Agriculture Trade and Consumer Protection (DATCP) could support agriculture related components.
- **New Markets Tax Credits Equity** – The proposed Public Market site is within a census tract that is currently eligible for New Markets Tax Credits support. Further, food-based economic development projects are currently a priority for the New Markets program. The City is in discussions with community partners to package a NMTC deal. The first step is for the project to get into the “pipeline” be being included in tax credit applications submitted by registered Community Development Entities (CDEs). That process is underway. Once the CDEs receive their allocations of credits (fall of 2016), the City will coordinate with New Market allocatees to package the financing.
- **Tax Increment Financing** – In 2016, the city intends to amend Tax Increment District #36 (TID #36) to create a funding mechanism that could help support the public market project. TID #36 encompasses most of the “Capitol East District” and the intensive level of development activity taking place in this area could create increment to help support

the Public Market. In 2016, the City will amend the TID #36 project plan to make this opportunity possible and then monitor development activity to determine if TIF resources generate a revenue stream to help finance the Public Market.

- **Corporate Philanthropy, Local Foundations, Private Donors** – The City has been contacted by one corporation potentially interested in supporting the public market. Around the country, other Public Markets have successfully attracted corporate support. In addition, the business planning process highlighted strong community support for the project and the City is hopeful that individuals and local foundations may offer some support for the project. A key next step to pursue these funds will be to develop professional

State/Federal Grant Funding Strategy

For State and Federal Grant Programs, the City will continue to coordinate with MadREP, state officials, and other partners to identify potential funding sources and pursue grants. The City will develop an initial list of grant targets and begin submitting applications in 2016.

Private Fundraising Strategy

For private donations and foundation support, the project will need support and guidance from experienced professional fundraiser. The City may elect to engage a consultant for this effort. In addition, before launching a fundraising campaign, the Public Market project needs to create a package of marketing and fundraising materials that communicate the vision for the public, its benefits to the community, and reasons for requesting support.

3) Physical Design

The Public Market Business Plan identified the general area near the intersection of 1st Street and East Washington Avenue as the preferred location for the public market and market district. The advantages of this area include its visibility, potential for sales, vendor support, opportunity to connect to the river, and large nearby redevelopment opportunities to create a market district.

The City's Fleet Services Building, located on the corner of First and Johnson Street, is a key site within this broader area. The Public Market Business Plan used the Fleet Service garage as the focus to create a preliminary floor plan and proposed mix of uses. This analysis showed that retrofitting the Fleet Building is a viable option to create the public market. In addition, the City already owns this building, is planning to relocate Fleet Operations to a new facility in 2017, and the building is well-suited to a retrofit project. That said, the design is flexible. The floor plan and mix of uses could be accommodated in another building or a new building that could be constructed. The City's goal at this stage has been to keep options open.

- **Option 1: Fleet Services** – The first option is to move forward with the Fleet Services Building as the location for the Public Market and initial catalyst for the Market District. The advantages of this option are that the City already owns the Fleet Services Building, has plans to vacate the building, and the building's size and layout are well-suited to conversion to a public market. The key disadvantage of this option is timing. The Fleet Services is not budgeted to move out of this building for several years.

- **Option 2: Joint Venture with Private Land Owner in the District** – Option 2 would be to work in partnership with a private property owner within the Market District to build the public market as an anchor component of a larger redevelopment project. The key advantage of this option would be freeing the project from the budgetary and timing challenges of accelerating the relocation of Fleet Services. In addition, a new construction project could result in a more efficient, more functional, and less expensive project. In short, it could be done faster, better, and cheaper.
- **Option 3: Phased/Hybrid Development** - A hybrid would be to partner with a property owner to get the Public Market up and running and use the Fleet Building as an expansion. As an example, the retail uses of the public market could be phase 1 and then the Fleet Building could provide space for food aggregation, processing, and storage uses.

All of these are viable options that are consistent with the approved business plan. The Local Food Committee and non-profit operating organization will work with the City over the next several months to develop a more specific plan for the physical design of the market and market district. The City should keep options open, stay nimble, and continue moving forward with a vision that includes building a Public Market as well as implementing the broader vision for a market district.

4) Continued Vendor Development and Support

Through efforts over the last three years, the City has organized a strong pool of farmers and food-based businesses who are interested in becoming part of the Madison Public Market. This pool of prospective vendors includes a mix of small and mid-sized businesses and agriculture producers who see the Madison Public Market as a key opportunity to start or grow their food-based enterprise. Based on the City’s surveys and focus groups, about 70% of these enterprises have fewer than four employees. Some of them are well-established enterprises but many of them are start-ups.

The Market-Ready Program - During the interim period between completing the business plan and opening the market, the City needs to do things to maintain vendor interest and support vendors. Specifically, the City will launch the “Market-Ready” program. This program will package micro-enterprise grants to prospective public market vendors to help them prepare business plans, completed food handling permitting requirements, participate in training programs, design their stalls, etc. The goal will be to help early-stage businesses interested in starting in the public market get to a point where they are “market-ready” and poised to be successful within the Public Market when it opens. This program will be developed in tandem with the City’s other recently-launched efforts to support small businesses. The City will likely work with other partners in the community to administer this program (WWBIC, MDC, UW-SBDC, UW-Extension).

5) Momentum Building

The Business Planning effort built a lot of support in the community. The project has momentum right now. The challenge is maintaining that momentum during the period between the completion of the business plan and the grand opening of the market. Fortunately, there are numerous things the City and partners can do to help maintain good will for the project, support, and momentum.

- **Pop-up Markets** – Support the continued growth of newly created pop-up events like MadCity Bazaar and Let's Eat out.
- **Night Market Events** – Host evening events with market activity combined with music in a party-like atmosphere
- **Themed Community Dinners** – Host fundraising dinners and events that features locally-sourced foods likely to be featured at the Public Market
- **Tastings and Competitions** – Hold competitive food tastings that celebrate Madison's unique food offerings likely to be available at the public market.
- **Vendor Previews** – Activities to “preview” the offerings of prospective Public Market Vendors
- **Visioning Sessions** – Additional community work sessions to brainstorm ideas for things to include in the market
- **Design Unveiling** – As the design process moves forward, events and PR to unveil the design of the market
- **Beer/wine/spirits festivals** – events focused on locally-crafted beer/wine/spirits
- **Logo Design Contest** – Host a crowd-sourced contest to develop a logo for the market
- **Naming contest** – Host a crowd-sourced contest to name the market
- **Submit favorite public market photos** – Crowd source submittals of favorite pictures of markets from around the world to highlight features to include
- **Photos that capture Madison's food** – Crowd-source contests with people submitting photos that capture the essence of Madison's food
- **Food Cart Rallies** – Working with Let's Eat Out, hosting public market fundraising events featuring food carts
- **Market Mobs** – Events where a pop-up market takes-over a public space in the City for a day (Breeze Stevens Field, Monona Terrace Roof, Vilas Park, High School Parking lots, etc.)
- **General Ongoing PR** - The City will strive to keep the Public Market in the public mind with ongoing press releases on progress and milestones (creating organization, hiring staff, completing design, events, etc.)

This process should be light, fun, interactive, and lively. There should be a focus on fundraising but within the broader goal of simply maintaining interest and support. Much of this work can be done in collaboration with partners who are engaged in the Public Market process (MadCity Bazaar,

100State, Dane County Farmers Market, REAP, etc.). The fledging “Friends of Madison’s Public Market” could potentially play an active role in these activities with the City providing support.

6) Implementation of Equity Recommendations

The City’s Racial Equity and Social Justice Initiative (RESJI) Team utilized the City’s Equity Tool to analyze the public market and make recommendations on how the project can have a positive impact on Madison’s communities of color and low income populations. The analysis led to ten detailed recommendations. Implementation of these recommendations will require an ongoing focus. Many of the implementation steps described in this document should continue to consider the equity implications of decision making. Decisions such as board appointments, vendor selection, facility design should apply an “equity lens” to the project. Equity considerations should be incorporated into all decision making about the Public Market. In addition, the City and the future PMO should consider ways to focus directly on implementation of the ten equity recommendations. To begin, the city should engage an intern in spring and/or summer 2016 to focus on continued vendor outreach and development to cultivate public market vendors from communities of color.

7) Market District Planning

From the time the Local Food Committee first convened in May 2012, the Committee has approached the Public Market as more than a stand-alone facility, but as an opportunity to create a catalyst for food-based economic development that will serve the entire city and strengthen the broader regional food system. The LFC recently created a subcommittee to develop a more detailed scope of work and action plan focused on how the Public Market can be positioned as the centerpiece of a larger Market District. This includes looking at the immediate area surrounding the market for opportunities for market-related development as well as considering a larger “food innovation corridor” stretching from downtown Madison to the near north and east sides of Madison. The LFC and the LFC’s Market District subcommittee will continue working on a strategy for how to focus on the broader idea of creating a Market District with the Public Market as the centerpiece.

Pre-Construction Implementation Budget

Each of the seven areas identified in this plan will require funding. Below is a two year operations budget for the activities described in this Implementation Strategy. This is a pre-construction budget that does not include capital costs for design and construction of the building. These funds would be used for these purposes in 2016 and 2017 drawing from the City’s existing funding allocation for the project.

- 1. Organizational Structure for the Public Market Operations** – Administrative costs, legal fees, and project facilitation support. To move forward with establishing the permanent operating entity. Create founding documents, define staff roles, etc. This will include engaging legal support and an outside project facilitator to support this work.
 - a. **Budget:** \$75,000

2. **Capital Budget, Funding, and Marketing Strategy** – Engage a professional fundraiser and/or marketing consultant to develop a fundraising campaign strategy. This will include developing marketing materials (clear logo, website, brochures, etc.) a clear message strategy (why is this worthy of contributing) and a set of targets for outreach and funding development.
 - a. **Budget:** \$100,000
3. **Physical Design** – Create an updated preliminary site plan, architectural vision, and floor plan for the Public Market
 - a. **Budget:** \$75,000
4. **Continued Vendor Cultivation, Vendor Support**– Create and implement the Madison “Market-Ready” Program to help prospective vendors develop their business plans and become ready to operate within the market when it opens. This will be a micro-enterprise grant program to provide small grants of up to \$15,000 to prospective public market vendors. Work with community partners to implement the program. Prospective vendors will use funds for business plan clinics, training on food handling licensing, funds permitting fees, funds for marketing plans, etc. This will emphasize the equity recommendations and focus reaching entrepreneurs representing low income populations, communities of color, displaced workers, etc.
 - a. **Budget:** \$200,000
5. **Momentum Building Efforts** - Create and support market-related events to continue building momentum, testing ideas, and getting public market activities happening in advance of the permanent public market’s opening. This could include pop-up markets, night markets, tastings, food cart rallies, fundraising events, contests, festivals, etc.
 - a. **Budget:** \$75,000
6. **Implement Equity Recommendations** – Continue to work on implementation of the 10 recommendations included in the Equity Analysis. Engage a full time intern to work on these – with staff and program support.
 - a. **Budget:** \$25,000
7. **Other Costs** – Initial staffing, website/graphics, accounting, leasing, admin.
 - a. **Budget:** \$200,000