

Judge Doyle Square Staff Team Presentation

February 25, 2014

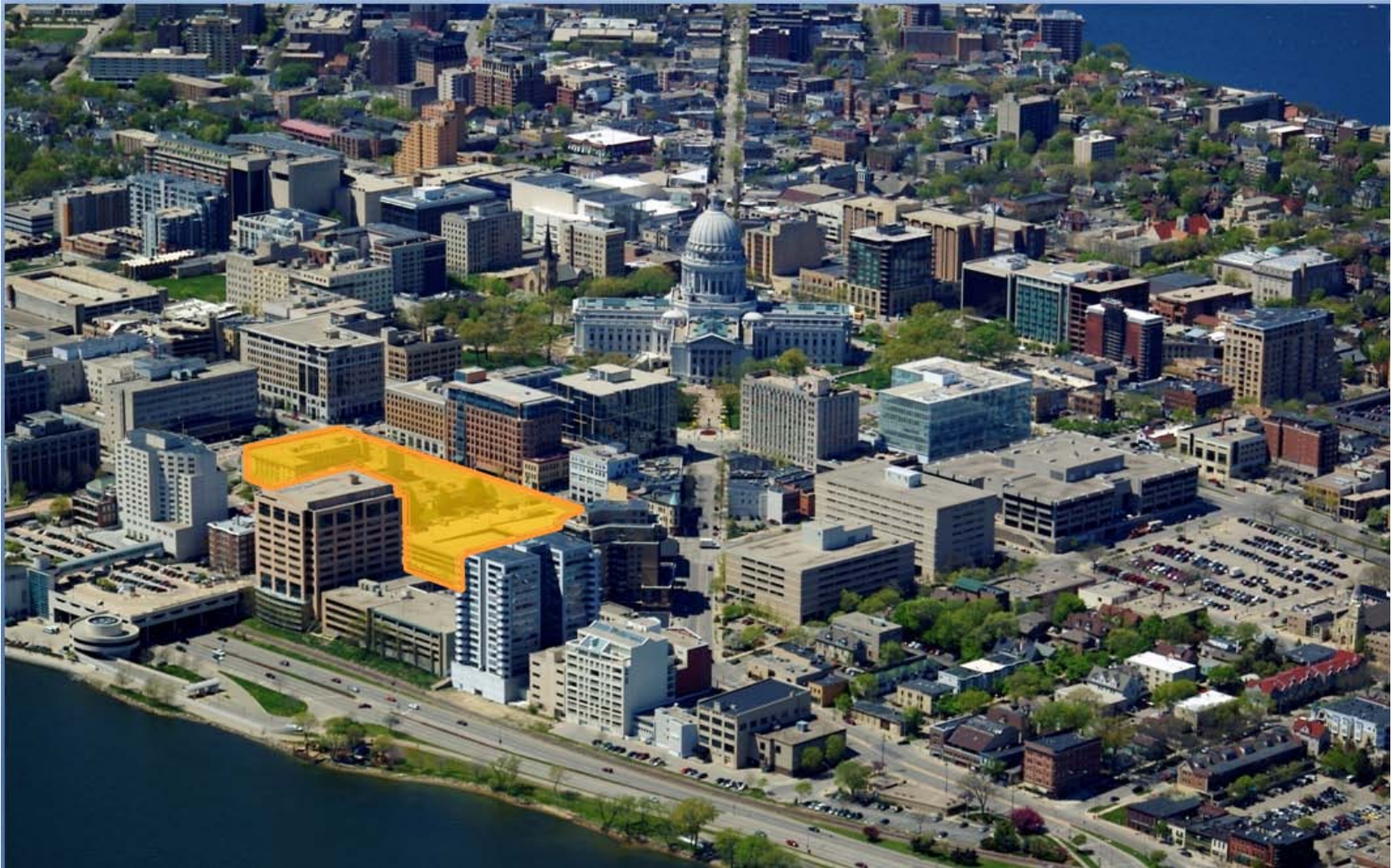


Photo: Skot Weidemann

Today's Agenda

- Provide an overview of the Judge Doyle Square Committee's recommendations to the Common Council
 - *Process, Resolution and Committee Rationale: George Austin*
 - *Project Scope, Cost and Public Investment: Aaron Olver*
 - *TID #25: Dave Schmiedicke*
- Questions and Answers

The Judge Doyle Square Opportunity



Judge Doyle Square Process

- 2010 – Council authorizes the project in the 2011 Capital Budget
 - City Staff Team formed
- 2011 – Council authorizes planning to commence
 - Block 88 – Marcus/ULI Study
 - Block 105 – Kimley Horn and Associates Study
- 2012 – Council receives study results and City Staff Report
 - Council authorizes RFQ/RFP Process for Judge Doyle Square
 - Council creates the Judge Doyle Square Committee
 - Council authorizes hotel market study update
- 2013 – Council approves the RFQ and authorizes its issuance
 - Four RFQ responses received on April 30, 2013
 - JDS Committee recommends two teams (JDS Development Inc and Journeyman Group) be invited to submit RFPs
 - Council approves the RFP and authorizes its issuance
 - Two RFP responses received on September 30, 2013

Judge Doyle Square Committee Recommendations

Resolution under consideration caps the Committee's 17 months and 18 meetings of deliberation. The elements of the proposed Resolution include:

- Preamble
- Committee Process
- Proposed Actions
 - Select JDS Development LLC
 - Authorize the City to enter into negotiations with JDS Development
 - Report back to the Common Council by August 15, 2014
 - Establish guidelines for the negotiation phase

Proposed Guidelines

1. Keep the Madison Municipal Building in civic use. A significant, active connection to the hotel and Pinckney Street is needed and the planning for the MMB and the adjacent hotel should be thought of as an integrated development.
2. The new structures on Block 88 must be of high design quality and respect the design requirements of the MMB as a National Register of Historic Places building, and create a project design that is compatible with surrounding buildings and uses.
3. The development must be affordable for the taxpayers and efficient in the use of City resources.
 - For Block 88, work to carefully analyze the TIF investment and focus on the public benefit of that investment.
 - The density of the Block 105 development must not require significant public investment beyond parking related costs to serve the new development.
4. Rebuild the Government East parking ramp at an affordable cost to the Parking Utility while realizing a new, walkable extension of the retail/entertainment district to the 200 block of South Pinckney Street.

Proposed Guidelines

5. A significant amount of the existing public parking supply should be maintained during the construction process.
6. Above ground parking should be visually appealing with its presence masked. No parking should be constructed at street level that is visible on South Pinckney Street.
7. An ironclad hotel room block agreement of 250 rooms, and a national affiliation (hotel flag) and a national sales force and reservation system for the hotel use are required.
8. The new hotel meeting/function space should complement Monona Terrace and create synergies with existing Madison hotels.
9. The project should have a community benefit by creating a sense of place for all Madisonians to interact and engage.

Project Vision and Goals

Vision:

Unlock the development potential of two city-owned blocks to improve the south side of the Capitol Square as a destination for residents, employees and visitors by expanding and unifying the restaurant and entertainment district.

Create a pedestrian friendly, urban environment that improves the linkage of the Monona Terrace to an adjoining hotel, retail, restaurant and entertainment district.

Goals:

- Economic Development
- Hotel
- Residential
- Office Retail, Restaurant and Entertainment
- Bicycles
- Parking
- Design and Density
- Intermodal Connectivity



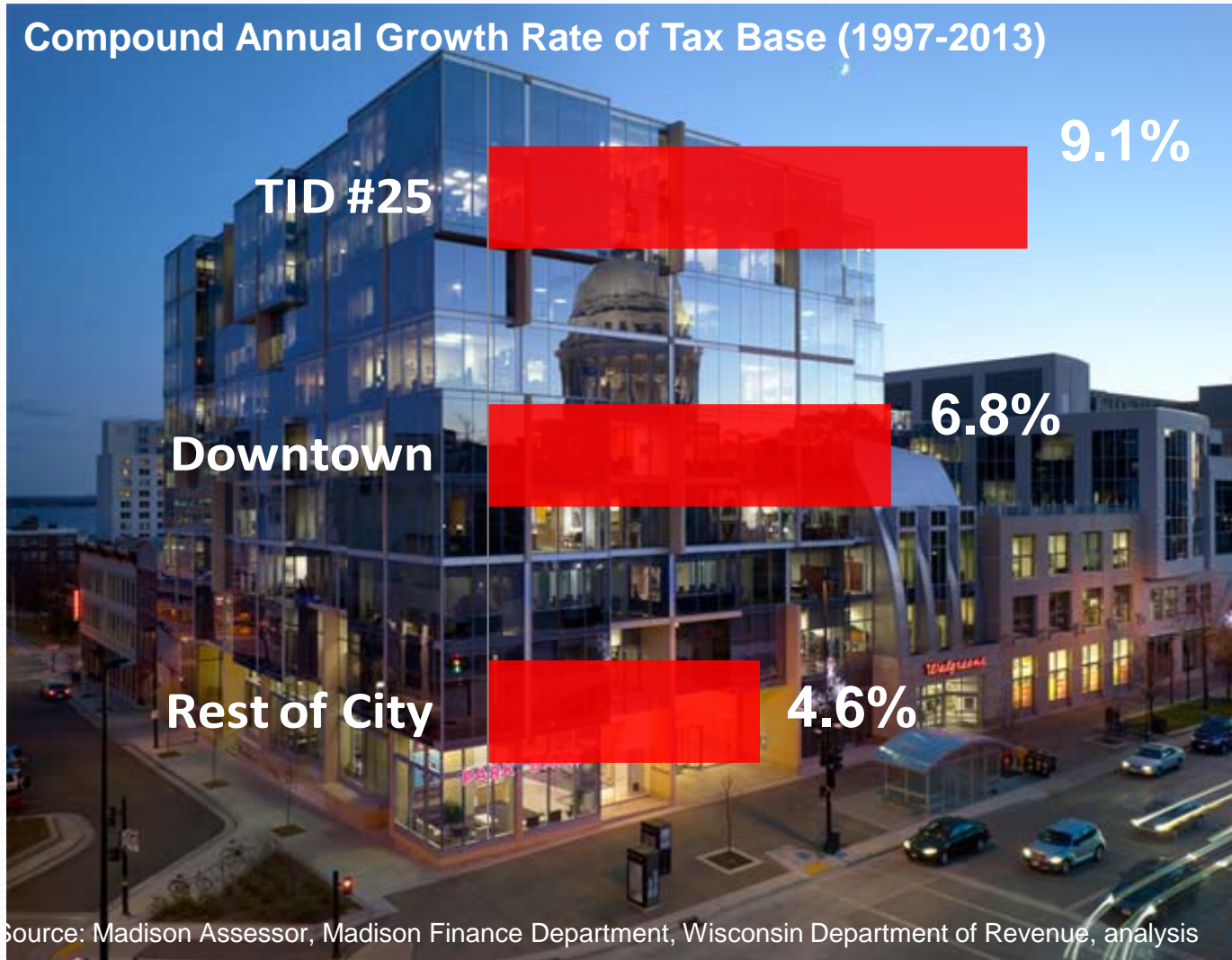
Public investment helped make downtown a destination

Significant Downtown TIF Loans



Judge Doyle Square aims to extend downtown growth in tax base and vitality of the City's dense center

Compound Annual Growth Rate of Tax Base (1997-2013)



Source: Madison Assessor, Madison Finance Department, Wisconsin Department of Revenue, analysis

JDS Scheme 2 Massing Diagram



Scheme 2 - Massing Concept Southeast View

Cost and Investment Overview

Category	Amount
TOTAL COST	\$190 million (without city offices)
<u>SOURCES OF CAPITAL</u>	
Equity & Tax Credits	\$32 million
Debt	\$96 million
TIF	\$21 million
Parking Utility	\$40 million
Bike Center	\$1 million

Modifications will be necessary. Resolution before Council provides guidance for change



- JDS indicated pro forma did not work
- Parking Utility cannot support assumed contribution
- Negotiations may alter program

Initial Project Costs and Public Investment Comparisons

Category	Journeyman	JDS – 1	JDS – 2
Hotel cost	\$87 million 352 rooms	\$86 million 308 rooms	\$78 million 308 rooms
Block 88 parking	\$11 million 275 stalls	\$9 million 315 stalls	\$23 million 536 stalls
Block 105 parking	\$37 million 1,000 stalls	\$18 million 596 stalls	\$18 million 477 stalls
Block 105 private uses	\$82 million	\$40 million	\$89 million
TOTAL	\$217 million	\$153 million	\$206 million
PUBLIC INVESTMENT			
TIF	\$47 million	\$17 million	\$21+ million
Parking Utility + Bike Center	\$31 million	\$28 million	\$41 million
Net Land/Lease Contribution	\$13 million	\$15 million	\$10 million

Direct Tax Benefits of Project

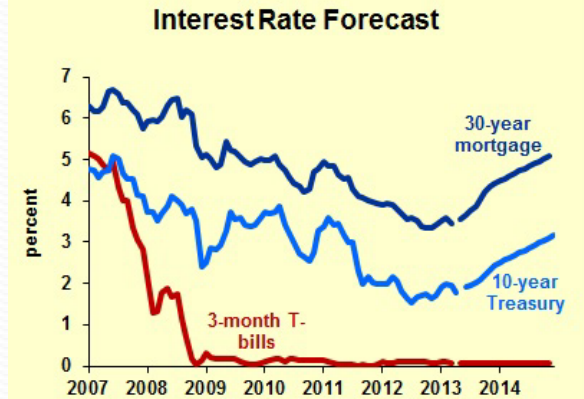
Category	30 Year Horizon		40 Year Horizon	
	Low	High	Low	High
Property Taxes	\$34 million	\$43 million	\$39 million	\$53 million
Room Taxes	\$16 million	\$22 million	\$18 million	\$27 million
Sales Taxes	\$11 million	\$14 million	\$12 million	\$18 million
TOTAL	\$61 million	\$79 million	\$69 million	\$98 million

Project can be reasonably expected to generate \$60-80 million in direct taxes over a 30 year horizon (excludes indirect and induced impacts)

Notes:

1. Low case – 1.5% property tax growth, 1.8% sales & room tax growth, 6% discount rate
2. High case – 2% property tax growth, 2.7% sales & room tax growth, 4% discount rate

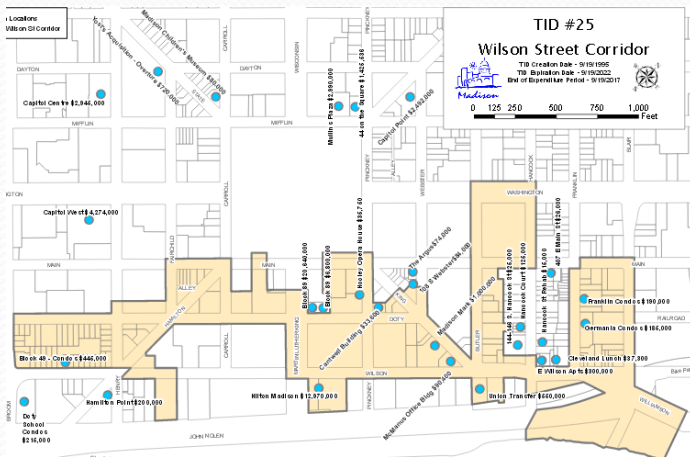
The timing is good to consider Judge Doyle Square Project



Interest rates are low, but likely to rise

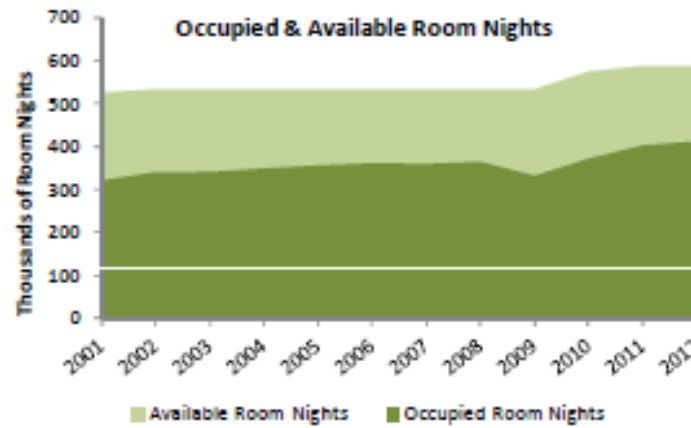


Government East is at the end of its useful life



TID #25 could help meet project and local taxing jurisdiction goals

City of Madison



Hotel market is strong and able to absorb new rooms

Tax Increment District # 25

Background and Issues

Background

- Created: September 1995
- Latest Possible Date for Capital Expenditures: September 2017
- Latest Closure Date: September 2022 (last year of increment – 2023)
- Current Tax Increment: \$3.8 million
- Current Estimated Cash Balance if Closed in 2014: \$27 million
- Current Estimated Balance if Closed in 2014: \$16.7 million
- Current Estimated Balance if Closed in 2022/23: \$50 m to \$60 m (exc. new development)
- TID Closure and Levy Limits: levy limit increased by 50% of the TID increment as share of total equalized value

Issues

- *Why has TID 25 remained open?*

There are two CDA lease revenue bonds that are being repaid with a combination of TID 25 tax increment and developer contributions.

Monona Terrace Hotel Parking (Series 1999C)

- Original Indebtedness -- \$10.87 million
- Estimated Developer Rent (2014 through 2022) -- \$4.7 million

Block 89 Parking (Series 2000)

- Principal -- \$6.8 million
- Estimated Developer Rent (2014 through 2019) -- \$2.8 million

Issues

- *What requirements are associated with the Monona Terrace Hotel Parking debt?*
 1. Marcus Corporation must provide a 150-room block for Monona Terrace events.
 2. The developer of a second convention center hotel must negotiate for a 120 day period with Marcus to operate that hotel. If an agreement cannot be reached, then the developer may solicit proposals from third parties to operate the hotel, but only on terms substantially similar to those offered to Marcus.

Using TID 25 for JDS Project – Points to Consider

- Avoids challenge / delay of establishing new TID (e.g., blight findings)
- Maintains lease revenue structure and related room block and hotel operations provisions.
- Returns JDS property value to tax roll sooner / uses cash balance to help finance TIF investment.
- Lower risk TID structure
- Requires TID project plan amendment to address project cost deficiency (TID has been over-budget for several years; JRB approval required).

Questions and Answers

