



Department of Planning & Community & Economic Development

Economic Development Division

Matthew B. Mikolajewski, Director

P.O. Box 2983

Madison, WI 53701-2983

Phone: (608) 266-4222 | Fax: (608) 261-6126

cityofmadison.com

Office of Business Resources

Office of Real Estate Services

To: Members of the Madison Common Council

**From: Matthew Mikolajewski, Director
Dan Rolfs, Community Development Project Manager
George Reistad, Business Development Specialist**

Subject: Grocery Store – Truman Olson Development (1402 S. Park St.)

Date: August 3, 2021

The Truman Olson Development at 1402 South Park Street (the “Project”) will provide many needed services and amenities to South Madison residents and will fulfill many priorities of the City of Madison. These include:

- Ensuring food access for South Madison residents
- Creating 150 units of affordable housing
- Establishing a street connection that opens up parcels between S Park Street and Fish Hatchery Road
- Increasing residential density in South Madison

In order for the Project to proceed, Rule Enterprises and Movin’ Out, Inc. (collectively, the “Developer”) must close on their financing in 2021. To allow this to occur, the Developer’s lenders require that the owner of the grocery condominium (the “Grocer”) have building acquisition financing in place. Additionally, the grocer’s lenders require financing to both acquire the space for the grocery store (the “Grocery Condo”) (\$4.6M) and to build out the Grocery Condo (another \$4.3M) in 2021. The Grocer will not actually be able to complete tenant improvements in the Grocery Condo until 2022. The Grocer’s intent was to close on the Grocery Condo and commence build out at roughly the same time. Because of the timing disparities between the Project closing requirement for the Developer and the Grocer’s timeline for the Grocery Condo acquisition and build out financing, the City is proposing to step in to fill this gap by purchasing the Grocery Condo. This will allow construction to commence on schedule and also allow the Grocer to finalize their financing to ultimately occupy the Grocery Condo.

Approving this resolution is likely the most expedient path to achieving all of the City priorities noted above and staff recommends moving forward accordingly. That said, the City taking an ownership interest in the Grocery Condo fundamentally changes the City’s relationship to this project by inserting the City as a more active participant in the development. This presents both opportunities and challenges.

Approving this resolution provides the City with a degree of certainty/control over the project from the standpoint that approval would mean the larger development project would be able to proceed. This would insure the

desired affordable housing and insure a newly built “box” within which a grocer could serve the neighborhood for the next several decades. What this resolution doesn’t accomplish; however, is guaranteeing that a specific grocery store can and will locate within the project.

Staff will continue to work with Luna’s Groceries to achieve the project originally envisioned for this site; however, the City currently has no legal agreement with the Grocer to open a store at this location. While the Grocer has indicated a strong desire to continue working with the City to open, they are under no legal obligation to do so. If the Grocer is not comfortable moving forward, for whatever reason, they can back away from the transaction.

Just as the Grocer has no legal commitment to the City to occupy this space, the City is not obligated to sell or lease the Grocery Condo to Luna’s Groceries. If discussions with the Grocer are not successful, the City could partner with a different grocery store to occupy the space.

As noted in the resolution, staff will work over the next year to find a way to reduce the ultimate financial commitment by the City to something below the \$4.7 million contemplated by this resolution. At the same time, as noted in the resolution, it is possible that the final cost to the City could exceed \$4.7 million in our effort to secure long-term food access for this neighborhood.

In summary, while this resolution will provide the City with a level of certainty/control over the broader development project, it leaves a number of known unknowns regarding the grocery store that will occupy the space.