



DATE: June 20, 2019

TO: Transportation Commission

FROM: Judge Doyle City Staff Team

RE: Informational Report on the Judge Doyle – Block 88 Air-Rights Development Process

Block 88 Request for Proposals

On February 26, 2019, the Common Council authorized a Request for Proposals (RFP) be issued to develop the air-rights above the City's new municipal garage on Block 88 behind the Madison Municipal Building. The project is part of the Judge Doyle Project, a two-block redevelopment effort initiated by the City to unite the vibrant Capitol Square and the Monona Terrace Community and Convention Center with a significant mixed-use development opportunity to be comprised of commercial, hotel, residential, retail, and restaurant uses combined with parking and bicycle facilities, including the replacement of the City-owned Government East public parking ramp.

The link to the RFP document is:

https://www.cityofmadison.com/planning/judgeDoyleSquare/documents/Judge_Doyle_SquareBlock_88-RFP.pdf.

On Monday, April 15, 2019, the City received three responses to its RFP from the following development teams: Gebhardt Development of Madison, Mandel Group of Milwaukee and Stone House Development of Madison. Following the proposal evaluation process which included a completeness and compliance review of the responses to RFP guidelines, reference checks, technical interviews of each team with the City Negotiating Team, development team interviews with the Finance Committee, presentation of analyses and recommendations from the City Negotiating Team and deliberations by the Finance Committee, the Common Council on June 11th selected Gebhardt Development to move into negotiations with the City to develop the project.

The link to the Gebhardt development proposal is:

https://www.cityofmadison.com/planning/judgeDoyleSquare/documents/Judge_Doyle_Project-RFP_Response-Gebhardt_Development-2019_04_15.pdf



Gebhardt Development

proposes to build a 196-unit apartment development and 26,000 square feet of creation/office space and amenities above the Podium, and 7,000 square feet of retail space in the Podium, with a total development cost estimated at \$52.0 million. The building was proposed to be built utilizing a wood construction technique. An option was also provided to

build the building as a post-tension concrete structure if the wood construction approach wasn't feasible. Seventy-eight units would be income restricted at or below 60% of Dane County median income. Gebhardt is requesting \$1.75 million of affordable housing funds from the City of Madison and has proposed to pay \$5.5 million to purchase the air-rights and the Podium, net of the construction modifications to the building's structure.

The Common Council's action provided that the other two development teams would be reconsidered if the City is unable to reach an acceptable development agreement with the Gebhardt team. The schedule to complete the negotiations is for the City Negotiating Team to conduct the final negotiations in June and July, with Finance Committee review in August and Common Council consideration on September 3rd.

Parking Utility Reserves

In May 2018, the City took over the development of the Podium element on Block 88, which is the above grade parking and retail space with an estimated cost of \$11 million. This cost was internally financed from the reserves of the City's Parking Utility, with interest calculated at the investment earnings rate of the City's cash reserves. The original approach for replenishing the Parking Utility reserves was through a combination of ground lease payments from Block 88 from the air-rights development plus retail lease and parking revenue from the Podium, and from ground lease payments from Block 105 from the development of a hotel and apartment building. Based on the selection of the Gebhardt proposal, it is anticipated that these revenue streams would repay the Podium cost and interest to the Parking Utility in approximately 15 years.

As part of the Finance Committee's deliberations, it requested the graph of projected Parking Utility reserves that was presented to the Transportation Commission in August 2018. It shows the projected Parking Utility reserves by year from 2018 through 2023, assuming completion of all currently planned Parking Utility capital projects, including the Judge Doyle garage and Podium, and the State Street Campus Lake Street garage replacement. The projection does not reflect any repayments from the Judge Doyle project (e.g., air rights/lease payments on Blocks 88 and 105). In other words, proceeds from purchase or lease of the air rights/podium on Blocks 88 and 105 would add to the reserve balance amounts in this projection.

As you will note, this projection shows there are sufficient reserves to fund these projects and meet reserve policies for operations. There are no excess amounts for other projects in this projection and the

projection is subject to modification based on changing conditions, including higher than normal costs and lower than anticipated revenues due to weather events (severe snow, flooding, etc.).

