

MADISON PUBLIC MARKET DOCUMENTS

This document summarizes the major documents produced by the Public Market team. It is intended to be a neutral summary with an emphasis on facts and specific details. Where “editorial” content or tone exists, it reflects or directly quotes from the language of the underlying documents.

Preliminary Feasibility Study for a Public Market for Madison

Prepared for: University of Wisconsin Center for Cooperatives & HomeGrown Wisconsin

By: Yellow Wood Associates, Inc. with David Boyd, MSA Associates

July 14, 2004

Methodology based on Peer Review of Eight Potentially Comparable Public Markets

- *Main Street Market – Viroqua, WI (population 4,335)*
- *Granville Island Market – British Columbia, Canada (very few permanent residents)*
- *North Market – Columbus, OH (population 711,470)*
- *River Market – Little Rock, AK (population 175,795)*
- *Cross Street Market – Baltimore, MD (population 651,154)*
- *Findlay Market – Cincinnati, OH (population 331,285)*
- *Metro Market – Des Moines, IA (population 193,187)*
- *Portland Public Market – Portland, ME (population 64,249)*

Key Components of Markets Studied

- Varying relationships with farmers
- Markets selected for peer comparison had emphasis on local residential users
- Important to have owners in the market and a mix of competitive vendors
- Some markets have anchor tenants
- Eat in and takeout food is important
- Daystalls or temporary vendors are important, especially for involving farmers and start-ups
- Markets use about 50% of their space for vendors, the other 50% for storage and other features
- Each vendor needs 250 to 500 SF of storage space, some need refrigeration
- Vendors require a loading dock
- Adequate parking is important, downtown locations offer biking, pedestrian, and public transit options
- Ownership is often public, but management is trending toward non-profits
- Markets generally have 4-7 staff
- Market rules are important to controlling local flavor and vendor mix (no national franchises) and maintaining quality, cleanliness, and safety

Key Findings

- Madison can support a 25,000 SF market
- Approximately 22 permanent vendors and 4 daystalls
- Staff: 4-8 people

- 11,000 SF of leasable space at \$20/SF
- 4,800 SF of refrigerated storage; 2,400 SF of dry storage; 2,400 SF of public space
- Based on assumptions, operating income positive in and after year 3 (around \$300,000 of revenue/year for operations)
- Key assumption is no debt service, vacancy rate of 27% dropping below 10% by year 3

Revenue Analysis

- Target is for rent to be 3-10% of vendors' gross revenue (requires vendors to do \$3.3 million of business growing to \$4.3 million)
- Farmers' Market gross revenues for six months estimated at \$7.8 million in 2003
- Small Madison grocery and specialty food stores did \$68.6 million of revenue in 2001 (Public Markets typically do better on a per SF basis)
- Average sales/SF for Madison groceries was \$14.42/SF
- Pro forma requires revenue of \$300/SF for the Public Market to achieve 6% of gross revenue rent target
- Other public markets project \$200/SF to \$744/SF sales in 1997 dollars

Site Locations

- Sites were considered qualitatively, no quantitative analysis was done
- Potential sites listed included: Troy Drive, South Park Street (Villager), and 4 specific buildings in the Capitol East District
- Estimated site development costs (land, site prep, construction) were \$7,186,555

Dakota Worldwide Gravity Model for Public Market

By: Dakota Worldwide, September 13, 2005

This study used a gravity LOCUS model to test three locations for a potential public market based on spending for food-at-home purchases:

1. Site 1000 – Ingersoll and East Main
2. Site 2000 – Fish Hatchery and Park Street
3. Site 3000 – Hill and University Avenue

Site 1000 is identified as the best of these three sites. The demographics don't support the market at Site 2000, and Site 3000 exhibits too much competition with local grocery stores.

Annual Sales (Note: Report uses weekly sales)

<u>Site</u>	<u>Annual Sales/SF (2007)</u>
Site 1000 – 15,000 SF sales area	\$355
Site 1000 – 20,000 SF sales area	\$359
Site 2000 – 15,000 SF sales area	\$150
Site 2000 – 20,000 SF sales area	\$147
Site 3000 – 15,000 SF sales area	\$215
Site 3000 – 20,000 SF sales area	\$213

The analysis contains numerous charts with extensive data assessing the competitive impact on 28 grocery stores in the Madison area. Sales/SF range from Copp's (\$101.92/SF annually) to Willy Street Coop (\$383.76/SF annually).

Site Analysis for Locating a Madison Public Market - Draft

By: Aaron Pohl-Zaretsky, May 12, 2006

In 2006, Aaron Pohl-Zaretsky conducted an analysis that resulted in draft end products including site analysis and a report. These documents formed the basis for the 2007 Business Plan and Feasibility Study. This section summarizes the site analysis.

The Madison Public Market working group reviewed dozens of sites in three commercial neighborhoods. These options were reduced to 20 potential sites and evaluated on 24 criteria, and 5 finalists were selected for evaluation by Aaron Pohl-Zaretsky.

The Draft Site Analysis reviewed five potential sites:

- Brayton Lot (113 points)
- Marquip Building (80 points)
- Mautz Paint (75 points)
- Bancroft Dairy (70 points)
- Villager Mall (82 points)

The analysis consists of a matrix with 70 variables including:

- Site characteristics (size, existing building, etc.)
- Parking
- Access and visibility
- Adjacencies (i.e. impact on other businesses/grocery stores)
- Potential as catalyst
- Impact on Farmers Market
- Dakota Worldwide projections
- Transit/parking impacts
- Demographics (population, minority population, income, housing value)
- Likelihood of business success
- Likely benefit to low income/minority residents
- Political issues (conformance with plans, relationship to users, turf issues, neighborhood impact)

Unique Site Issues identified in Matrix:

- Brayton Lot – Brayton Lot is a more complicated development due to the need to underground the parking and to work with a private developer on the upper floor uses. The finished development will be the most internally synergistic
- Marquip Building – Marquip is a terrific building for a Public Market. Its signature appearance is somewhat offset by the lack of spillout depth facing E. Washington and its single sided presentation.

- Mautz Paint – Mautz may be an acceptable site. Environmental issues need to be explored. Cost of demolition adds to cost.
- Bancroft Dairy – Central location and “keystone” character and the nearby assets of Lake Monona and the Arboretum are somewhat offset by the lack of a clear supportive neighborhood, and the least dense surrounding residential population.
- Village Mall – Villager Mall would, in many ways be perfect for a Public Market if it were more centrally located and if the associated “turf” issues were not potentially problematic. A PM in Madison has to serve a regional, not a neighborhood population.

This site matrix does not include quantitative data such as projected sales, land acquisition costs, construction costs, or rents.

There is a long footnote suggesting that Pohl-Zaretsky believes proximity to the Dane County Farmer’s Market is of tremendous benefit to both, but notes that there could be negative impacts (producers graduating to permanent market stalls) on the Farmers Market that should be explored.

Based on the criteria, Aaron Pohl-Zaretsky states that “if the author were pressed to make a site selection recommendation now it would clearly be in favor of the Brayton Lot as number one with Marquip as a back-up. That said, further investigation needs to be done...prior to acquiring an actual site option.”

Market Report & Analysis for Madison Public Market

By: Aaron Pohl-Zaretsky, July 2007

Using the site analysis (see above), the public market team concluded that “based on the evaluative criteria, the Brayton Lot is still, by a considerable margin, the very best site for developing a successful Madison Public Market. This site is the most centrally-located, of sufficient size, directly proximate to the downtown employment base and growing residential base, has the greatest potential for becoming a regional destination and is publicly owned.”

Based on this conclusion, Aaron Pohl-Zaretsky developed the Madison Public Market Cohort Survey to assess consumer interest in a Public Market at the Brayton Lot site. This document contains a summary and various demographic data, much of which is found in the 2007 Business Plan and Feasibility Study. However, the Cohort Survey data is only found in this interim end product and is summarized below.

Demographic Conclusions:

- Residents of the Madison Public Market primary trade area have lower incomes than their neighbors.
- A comparatively high % of Madison residents don’t have access to a car.
- Madison as a whole tends to be relatively prosperous.

- There are many poor people in Madison.
- Madisonians value education.
- Madison residents pay a disproportionate share of their income for housing.
- The relatively even division of minorities in Madison makes it easier to create a common ground that is everybody's "turf".
- Many Madison residents don't speak English.
- Madisonians tend to be relatively young.
- Currently, there is a relatively low proportion of minority and women owned businesses in Madison.
- There are 60% more employees working in the market's primary trade area than there are residents who live in that area.
- The dollar value of retail sales per capita in Madison which is more than a third higher than the State and Federal averages.

Cohort Survey

Aaron Pohl-Zaretsky developed 7 survey instruments for various cohort groups based on qualitative methodology he employed for Grove Arcade in Asheville, NC, La Marquette in New York, NY, and Square Market in Covington, GA. The following responses were received from random respondents:

- 14 surveys from commercial real estate brokers with Eastside experience
- 107 surveys from Madison residents:
 - 30 from the Brayton Lot/Don Miller area (Primary Trade area)
 - 28 from the north and east side
 - 25 from the west side
 - 24 from the south side
- 16 survey from tourists/visitors
- 20 surveys from small business owners near the Primary Trade area
- 23 surveys from employees working near the Primary Trade area
- 20 surveys from UW students and staff
- 14 surveys from parkers who used the Brayton Lot

Respondents were offered a chance at a drawing to win a free iPod to avoid selection issues.

Key Findings:

- 97% supported the idea of creating the Madison Public Market
- Respondents said they were likely to shop there twice a month (25.92/year) and spend \$37.51 each time.
- About half had concerns about parking around the Capitol Square.

Table 10 – Financial Predictions Based on Market Survey Data:

1	Cohort Group	Madison Residents Less Primary Trade Area	Tourists / Visitors annually	Madison Employers	Madison Employees	UW Students, TA's, Professors	Residents in the Primary Trade Area (Brayton)	Total/weighted average
2	Total # in Cohort Group	203,125	2,898,969	7,919	137,316	59,840	18,426	3,325,595
3	Revised # to Account for Duplication (see Table 6 for footnotes)	203,125	434,845	6,014	104,360	45,478	18,426	812,248 Undiscounted Universe of potential customers
4	Revision of Customer #s to account for other factors	21,125 (1)	29,569 (2)	2,255 (3)	35,065 (4)	13,871 (5)	2,443 (6)	104,328 Separate, annual MPM customers (7)
5	% of total customer base	21%	28%	2%	34%	13 %	2% (11)	
6	Survey self prediction - how many MPM visits a year	28.31 times per year	9.53 times per year	24.6 times per year	28.31 times per year	18.8 times per year	34.7 times per year	25.92 times per year
7	Revised # of annual MPM customer visits to account for other factors (8)	14.16 (8) times per year	4.77 (8) times per year	12.3 (8) times per year	14.16 (8) times per year	9.4 (8) times per year	17.4 (8) times per year	12.96 (8) times per year
8	Predicted expenditures/ MPM visit (9)	\$37.97 (9)	\$50.31 (9)	\$35.59 (9)	\$31.00 (9)	\$32.63 (9)	\$40.00 (9)	\$37.51 (9)
9	Predicted gross annual sales (10)	\$11,357,966	\$7,095,930	\$987,152	\$15,392,133	\$4,254,541	\$1,700,328	\$40,788,050 (12)

Financial and Rent Discussion

Based on the discounted consumer reports, the author projects annual gross sales per square foot of \$1,018 (assuming 92% occupancy, 4 years following start-up). Rents in the area are currently approximately \$20/SF. Using 7% of gross sales for rent allows \$70 per square foot (“clearly out of step). The report recommends setting an average rent of \$24/SF and varying it from \$14 to \$40/SF according to a “Robin Hood Principle” of accounting for ability to pay. Author’s

preferred tenant mix is 33% start-ups, 33% experienced business people, and 33% second locations (still no chains or franchises). The report also references a fee of 1% of gross sales for marketing.

Commercial brokers estimate a cost of \$48.35/SF to finish out a retail vanilla shell space.

Business Plan and Feasibility Study

By: Common Wealth Development & Blue Planet Partners, November 1, 2007

SUMMARY

Based on the Site Analysis, Dakota Worldwide data, and the Cohort study, the Public Market Team prepared this "Business Plan and Feasibility Study" for a 55,000 SF building with 44,200 SF of net leasable retail space on the Brayton Lot site and a staff of up to 6 staff.

The Business Plan projects break-even will be reached in Year Four. Projected construction costs are \$19.4 million plus \$3-5 million for green building features.

GOALS

The Madison Public Market sets three goals:

1. Expand the regional food economy
2. Generate significant regional economic development
3. Create a vibrant public space that celebrates diversity

BACKGROUND

The business plan/feasibility summary includes various descriptions of public markets, process summaries, history, and demographic data also included in other documents. It summarizes the Dakota Worldwide gravity model for grocery stores (there was not enough data to conduct one specifically for public markets) and shows the following weekly sales/SF for three sites:

SITE	2009 Weekly Sales/SF
East Rail (Cap East District)	\$11.25
South (Park & Fish Hatch)	\$4.78
West (University & Hill)	\$7.56

FOOD MIX/TENANTS

The report suggests three kinds of food:

1. Fresh, Local, Ethnic Foods (diverse ingredients)
2. Restaurants and prepared foods (meals/samples)
3. Food production and distribution (ability to see food being produced)

The report anticipates four types of sales venues:

1. Stores – retail space fronting the streets, some accessible from within the market
2. Stalls – open directly to customers along aisles

3. Day tables – outdoor tables rented on a daily basis (for producers, crafts, start-ups)
4. Free standing carts – movable within market or to sidewalks/streets outside

The Report suggest 9 target stores

1. International grocery
2. Cheese store
3. Farmer's Market Co-op
4. Microbrewery
5. Seafood store/restaurant
6. Bakery
7. Bookstore
8. Fair trade store
9. Vintage Clothing/Thrift store

In addition, the report anticipates 28 stalls with a variety of prepared food/restaurants, boutique ingredients/gifts, flowers, kitchen supplies, beverages. 8 Carts and 4 restaurants are anticipated.

Vendors are anticipated to include 33% experienced businesses, 33% second locations, and 33% first-time start-ups.

The market plans to collect a fee for marketing equal to 1% of gross sales.

The business plan includes a number of conceptual building/site layout ideas for the Brayton Lot site. It anticipates 8 full-time employees employed by a non-profit that manages the market (the City could own the property).

Financing for the capital costs are projected as:

- Public sources (federal, state, local) – 49%
- Debt financing – 17%
- Philanthropic (33% national, 67% individual/local) – 34%

This chart depicts the planned source of funds:

	67,000 sf bldg
Madison Public Market Draft Sources	
REVISED: 3/18/09	
Sources of Funds:	
Federal Office of Community Services	\$600,000
Dane County Grant	\$3,200,000
First Mortgage Loan - 7%, 30 year amortization	\$3,267,902
Federal EDA/Earmarked funds	\$1,500,000
City of Madison CDBG	\$500,000
HUD EDI	\$850,000
TIF	\$2,000,000
WI Dept. of Commerce	\$1,000,000
Private Campaign-Individual, Corporate & Foundations(Local)	\$4,250,000
Foundations (National)	\$2,250,000
Total Sources of Funds:	\$19,417,902
NOTES:	
Assumes City contribution of real estate for Public Market.	
New Markets Tax Credits could replace first mortgage if financially beneficial.	

CAPITAL EXPENSES

The projected capital costs may not be relevant to a Government East location. The business plan's chart shows \$11.5 million in hard costs (including parking), \$6.8 million in soft costs, a \$1 million development fee and an additional \$3-5 million for "green building" improvements.

OPERATING EXPENSES

The Brayton Lot business plan calls for approximately \$1.4 million in operating income at full capacity. 82% of this income is derived from rent and marketing charges, the rest from parking, daystall rental, special event revenue, and miscellaneous sources.

Expenses by Year 4 are just over \$1.3 million with 35% for employees, 25% for facility management, 6% for office/leasing, 11% for marketing, 4% reserve, and 20% for debt service.

The business plan requires a one-time operating subsidy of \$676,133 to cover losses in Years 1-3.

Site Analysis for Locating a Madison Public Market

By: Aaron Pohl-Zaretsky, Common Wealth Development, North Star Economics & Blue Planet Partners, August 3, 2010

Although “the initial MPM Report was accepted by the Common Council, there was a strong desire to see how other sites compared to the Brayton Lot, which was the preferred site.” Based on this desire, the team conducted another site analysis of 3 additional sites plus Brayton Lot to make a recommendation anticipating that if another site was selected “then additional, more detailed market development feasibility studies would need to be completed.”

This report analyzes 4 sites (and ranks them in this order):

1. Government East (215 S. Pinckney Street)
2. Brayton Lot (300 East Washington Ave.)
3. Mautz Paint (900 Block of East Washington Ave.)
4. Union Corners (E. Washington, Winnebago, and Milwaukee Street)

Summary

“Only the Capitol Square area has both the concentrated employment and residential base that can generate the strong sales necessary to attract public market vendors who can pay the rent required to operate a financially self-sufficient public market.” Therefore the report says that Government East or the Brayton Lot site stand out as the strongest sites.

The site analysis compared 65 variables and identified Government East and Brayton Lot as the strongest. Mautz Paint and Union Corners were viewed as weaker in large part because they are not located in the dense residential and employment areas downtown critical to strong sales and would not fulfill the current Madison Public Market goals. The report notes that the Mautz Paint or Union Corners site would likely require a different business model with an on-going public subsidy that was designed as a smaller neighborhood market, not a regional facility.

Here are the key advantages and disadvantages identified for each site:

Government East

Key Advantages:

- Proximity to a concentrated employment base that will patronize the MPM on weekdays (25,272 workers within ½ mile)
- Proximity to a growing residential district and near-east neighborhoods that will patronize the MPM throughout the week (26,560 residents within 1 mile)

- Parking Utility is proceeding with redesign and redevelopment of site with an estimated timeline of 2-3 years
- Within one block of the Saturday Farmers' Market and the Wednesday Farmers' Market – providing an excellent synergy between these uses
- Located adjacent to the Capitol Square, Monona Terrace, and King Street Entertainment District that draw out-of-town visitors
- Central location that has good potential for becoming a regional destination
- Proximate to the Monona Terrace and Hilton Hotel – providing conference attendees with great food and passive recreational activities
- Good access for all modes of transportation
- Location in a compatible, mixed-use community
- Public ownership

Key disadvantages:

- Lower visibility – not located on main thoroughfare
- More challenging access due to narrower streets and area congestion
- Elevation changes could complicate design

Brayton Lot

Key Advantages:

- Ideal location for a catalytic economic development project that will link the Capitol Square with the East Washington Capitol East District
- Proximity to a concentrated employment base that will patronize the MPM on weekdays (28,530 workers within ½ mile)
- Proximity to a growing residential district and near-east neighborhoods that will patronize the MPM throughout the week (34,870 residents within 1 mile)
- Accessible to Monona Terrace conference attendees and visitors staying at downtown hotels
- High visibility on East Washington Avenue, a main thoroughfare
- Central location that has greatest potential for becoming a regional destination
- Excellent access for all modes of transportation, right side of East Washington Ave. for drive home traffic
- Location in a compatible, mixed-use community
- Public ownership

Key Disadvantages:

- Location is in currently “under-developed” area
- Property is potentially 6 to 10 years away from being ready for development given current Parking Utility plans
- Elevation changes could complicate design

Mautz Paint

Key Advantages:

- Adequate size
- Good East Washington Avenue access, right side of Avenue for drive
- home traffic
- Fair visibility
- Could spur redevelopment in surrounding area
- East side neighborhoods likely to support

Key Disadvantages:

- Private ownership
- High cost of acquisition
- Difficult acquisition path
- Possible negative effect on Willy St. Co-op
- Too far from downtown concentrated employment area to be easily accessible during weekdays
- Surrounding area is currently under-developed with some large vacant sites

Union Corners

Key Advantages:

- Adequate size
- Plenty of room for parking
- Could help anchor redevelopment on site
- A public market would fit well with strong near east-side support for local and regional Food

Key disadvantages:

- Location is weak sales site
- Private ownership
- High cost of acquisition
- Difficult acquisition path
- Not centrally located – more difficult to access
- Too far from downtown concentrated employment area
- Lower residential density

Appendix A is attached depicting the 65 variable site analysis matrix.

Appendix C contains an economic impact analysis conducted by NorthStar Economics in April 2010.

This economic impact analysis looked at the impact from construction, public market staff, public market operations, tenant employment and operations, and income and sales tax generated. The report finds that construction will have \$14.7 million impact and support 146 workers during construction. Operation of the market is projected to have a direct impact of \$25 million, support 302 direct workers, and generate \$2.2 million in income and sales tax revenue.

The report estimates that a total of 808 jobs (direct and indirect) will be support by the creation of the public market.

Construction estimates were based on a bid estimate from Miron Construction who estimated that the public market portion of a mixed-use development would cost \$9.7 million (excluding common areas, parking, and uses shared with other tenants).

Miron Construction Cost Estimates

Category	Cost per Square Foot
Construction	\$100.41
Tenant Improvements	\$60.00
Soft Costs	\$25.00
Developer Fee	\$15.00
TOTAL	\$200.41

The report anticipates a positive spillover effect on other retailers, particularly for the King Street/Capitol Square area, Dane County Farmers' Market, and Monona Terrace, but notes that these impacts are outside the scope of study.

