



Department of Planning & Community & Economic Development

Economic Development Division

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Office of Business Resources

Office of Real Estate Services

TO: Common Council

FROM: Matthew B. Mikolajewski, Economic Development Division Director

SUBJECT: Exact Sciences Memo (Legistar # 48934)

DATE: September 25, 2017

The following memo provides additional information regarding Exact Sciences' TIF request (Legistar # 48934) as a companion to the TIF Report dated September 25, 2017.

Historic Use of "Jobs Project" Program

Exact Sciences is requesting an investment of Tax Increment Finance (TIF) under the City's "Jobs Project" program. This program was created through the adoption of the City's most recent TIF Policy on February 25, 2014. The City has funded two "Jobs Project" projects to date. In the first case, Extreme Engineering was awarded \$595,000 (representing 40% of Net Present Value of increment) to guarantee 170 jobs within the City of Madison for five years (\$3,500 per job). In the second case, Epicentre Technologies was awarded \$1,890,000 (representing 40% of Net Present Value of increment) to guarantee 100 jobs within the City of Madison for five years (\$18,900 per job). Both of these developments are on greenfield sites.

The "Jobs Project" program calls for no more than 40% of the Net Present Value of increment to be utilized for a project. The Program further limits the maximum amount of TIF investment per job to U.S. Small Business Administration standards. The maximum investment per job under these standards range from between \$35,000 and \$100,000 per job depending on the type of job.

The proposal before the Council would award Exact Sciences \$2,500,000 (representing about 55% of Net Present Value of increment) to guarantee 250 jobs within the City of Madison for five years (\$10,000 per job).

The Property

Under this proposal, Exact Sciences will purchase the former Spectrum Brands site at 601 Rayovac Drive. The property includes a 157,000 square foot office building and a smaller laboratory building. Today, the property generates approximately \$230,000 in property taxes per year. Under the Exact Sciences proposal, it is estimated that the same property could generate an additional \$600,000 in property taxes per year, for a total around \$830,000. The source of this additional revenue includes partial reuse of the former Spectrum Brands office building ("Office Component") and construction of a new 137,000 square foot laboratory/warehouse building ("Laboratory Building") on the site. The property is zoned Suburban Employment and the City is interested in the property remaining in employment use.

There has not been much interest in reuse of the property since it was vacated by Spectrum Brands in 2013. The buildings on the property are large, dated, and were constructed to satisfy the specific needs of a single user (they are not easily subdivided). There are not many employers in Madison large enough to renovate and utilize the entire site, and the economics of a developer repositioning the site for multi-tenant leased office space are challenging.

As part of this transaction, Exact Sciences is also purchasing two vacant properties adjacent to the former Spectrum Brands site. This will accommodate additional growth of Exact Sciences at this site if future needs warrant such growth. If this further expansion materializes over time, property tax revenue generated by the property would likely increase further.

If Exact Sciences does not move forward with this project, there is a risk that the site will remain vacant for an indeterminate period of time. When it is redeveloped at some point in the future, it is reasonable to assume that some level of City TIF investment may be needed. Although there are risk factors associated with investing TIF in this transaction, there may also be risk factors associated with investing TIF in a different transaction on the site, as well as the opportunity cost of delaying property tax revenue growth if the current proposal doesn't move forward.

The Jobs

Exact Sciences' TIF application identified the retention/creation of 300 jobs within the new laboratory and warehouse building ("Laboratory Component") to be constructed on the site. In subsequent discussions with Exact Sciences, it was identified that some of these jobs would be relocated from within the City of Madison, some relocated from the Town of Madison, and some would be entirely new. It was agreed through the negotiation of the terms outlined in the resolution that the fifty jobs relocated from within the City of Madison would not be counted toward the guaranteed amount. As such, the transaction now before the Common Council would guarantee 250 jobs new to the City of Madison; a combination of relocated Town of Madison jobs and entirely new jobs.

Exact Sciences has been experiencing continuous job growth since 2012, adding 740 jobs to Dane County during this time. The following letter from Ms. Sarah Condella of Exact Sciences to Ms. Natalie Erdman provides additional information regarding this job growth. A second letter provided by Ms. Condella, dated September 8, 2017, provides more information about the wage rates and benefits of positions to be housed within the new Laboratory Component. As noted within the resolution, Exact Sciences will be responsible for paying a penalty to the City should the required number of jobs not be maintained over a five year period.

Many of these positions will not require an advanced degree and this project will be located in a neighborhood in need of new employment opportunities for area residents. The site is located in close proximity to the Park Edge/Park Ridge Neighborhood Resource Team Focus Area and Exact Sciences has pledged to work with the new Park Edge/Park Ridge Employment Center to connect neighborhood residents with employment opportunities at the facility. The nature of this work is further articulated in a letter from Ms. Condella that follows.

The Negotiations

Exact Sciences currently owns one building in the University Research Park (headquarters), they lease additional space in the University Research Park (office functions), and they lease a laboratory space in the Novation Campus in the Town of Madison. Exact Sciences will maintain their existing laboratory location in Novation Campus; however, they need a second lab space to accommodate the growth of their product and a need for redundancy. Exact Sciences will keep its headquarters at the University Research Park, but desires to consolidate all of the office functions currently within leased space at a location in proximity to the new,

second lab.

Exact Sciences will build, own, and wholly occupy this facility. As such, there are no developers associated with the project. One method of satisfying a TIF "but for" standard is to explore whether or not a financial gap exists with the project. This method works well in situations where a developer is building a project to sell or lease to another entity. Under this scenario, one can review sources and uses of funds, rate of return for the developer, and determine if a financial gap exists. This approach doesn't work as well in this situation because there are no developers seeking a rate of return for their investment.

As outlined in the TIF Policy, another approach for satisfying a "but for" standard is to grant a financial gap analysis waiver and in turn consider other competitive factors. Per the attached letter from Mr. D. Scott Coward dated September 6, 2017, Exact Sciences is currently under contract for the purchase of property in the City of Fitchburg for this project, and Exact Sciences is pursuing a TIF investment from Fitchburg as well. Comments made by Fitchburg officials within the attached July 28, 2017 Wisconsin State Journal article seem to suggest a willingness by the City of Fitchburg to provide some level of TIF support to the project. If Exact Sciences moves forward, they will elect to build this project either at the 601 Rayovac Drive property or within the City of Fitchburg.

Based on information provided by Exact Sciences Corporation, City staff calculated that Exact Sciences Corporation could be eligible to receive \$1,812,000 under the "Jobs Project" gap analysis waiver 40% Net Present Value (NPV) requirement outlined in TIF Policy. Upon reporting this to Exact Sciences Corporation, senior leadership of the company notified the Mayor that \$2,500,000 (or approximately 55% NPV) would be needed to satisfy the needs of the company to complete the project.

As such, the question before the Council is whether to approve the TIF investment to Exact Sciences under the terms outlined in the resolution, which requires a policy decision on whether or not the project warrants a "Jobs Project" gap analysis waiver increase from 40% to approximately 55% of the net present value of the tax increment generated by the project (\$2,500,000).



441 Charmany Drive
Madison, WI 53719

Ms. Natalie Erdman
Director of Planning & Community
& Economic Development
210 Martin Luther King Jr. Blvd.
Madison, WI 53703

via email to: nerdman@cityofmadison.com

Dear Ms. Erdman,

I would like to follow up on your question regarding Exact Science's jobs growth in the last five years. I appreciate that you would like further detail on the growth that Exact Sciences has experienced in the jobs specific to Dane County (Madison & surrounding communities)

The table below summarizes our year-over-year growth rates in employees for our entire company ("Total Company") and Dane County (Madison & surrounding communities) specifically. As you will see, we have continued to grow, rather than contract, over the course of the last five years.

Year	Total Company growth in jobs	Total Dane County growth in jobs
2012	43%	41%
2013	17%	16%
2014	301%	176%
2015	67%	77%
2016	13%	25%
2017 (estimate)	~43%	~42%
Jobs added between 2012 and Sept 2017	~1,000+ jobs	~740+ jobs

If you have further questions or need additional detail, please reach out and I'd be happy to assist.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sarah Condella'.

Sarah Condella
Senior Vice President, Human Resources



441 Charmany Drive
Madison, WI 53719

September 8, 2017

Ms. Natalie Erdman
Director of Planning & Community
& Economic Development
210 Martin Luther King Jr. Blvd.
Madison, WI 53703

via email to: nerdman@cityofmadison.com

Dear Ms. Erdman,

I would like to follow up your question regarding Exact Science's TIF request and the wage level of jobs Exact Sciences plans on offering at its new diagnostic lab and support space at the 650 Forward Drive site.

In Section 6 of our TIF application the jobs outlined and guaranteed are directly related to the new diagnostic lab and support space at 650 Forward Drive. As indicated in the application, Exact Sciences' base wages for jobs retained at the start of the project will range from approximately \$31,200 to \$185,000 annually. For new positions, Exact's wage shall range from \$31,200 to \$200,000 annually. The chart below outlines in greater detail the job levels Exact Sciences expects to be offering its employees in regards to the TIF guarantee.

Wage rates (approximate annual & hourly rate details)	\$31,200 to \$52,000 annual (\$15 - \$25/hour)	\$52,001 to \$75,000 annual (>\$25 - \$36/hour)	\$75,001 to \$100,000 annual (>\$36 - \$48/hour)	\$100,001 annual or greater (> \$48/hour)
Approximate percentage of jobs created	75%	15%	5%	5%

In addition to the base salary wages listed above, all full-time and some part-time employees (depending on percentage of time worked to determine eligibility) of Exact Sciences are entitled to additional benefits, which include:

- Annual cash bonus opportunity, based on company's performance against shared goals (ranges from 5% - 25% of annual salary target, based on position level)
- Medical, vision & dental insurance, effective upon date of hire
- Company stock, granted in the form of restricted stock units which vest over time
- 401(k) plan with a 100% company match on employee contribution, up to 6% of base salary
- Paid time off (PTO), paid holidays, paid volunteer time off
- Fully paid parental leave for up to 12 weeks (both maternity/paternity; after one year of service)
- Opportunities for tuition reimbursement & sponsorship of professional development courses, conferences & continuing education
- Fitness membership reimbursement

Please note that the jobs outlined above do not reflect all of the additional jobs Exact Sciences plans to create or transfer from other facilities to the existing office building (601 Rayovac Drive), which include jobs within the customer care center, order/data entry, operations, administrative, information technology & additional corporate functions that may occupy that site. In the November and December of 2017, Exact will be moving over 350 jobs into the office building. These additional jobs are not included within the current Job Based TIF request.

If you have further questions or need additional detail, please reach out and I'd be happy to assist.

Sincerely,

Sarah Condella
Senior Vice President, Human Resources



441 Charmany Drive
Madison, WI 53719

Ms. Natalie Erdman
Director of Planning & Community
& Economic Development
210 Martin Luther King Jr. Blvd.
Madison, WI 53703

via email to: nerdman@cityofmadison.com

Ms. Erdman,

This letter is intended to summarize and formalize Exact Science's commitment to work with the City of Madison and other community partners with regards to our expansion efforts at the 650 Forward Drive location on Madison's southwest side. It lays out specific strategies and activities that will offer employment opportunities to residents of adjacent neighborhoods while helping Exact Sciences expand its operations and develop a high quality, diverse workforce at the new location. In anticipation of expanding at the Forward Drive site, Exact Sciences pledges to work with the City, neighborhood and community-based organizations to undertake activities that will prove mutually beneficial to the company and the community. Our company is particularly interested in optimizing the City's soon-to-open Park Edge Park Ridge (PEPR) neighborhood employment center by collaborating with its operator, the Urban League of Greater Madison, and other relevant community-based partners to make a positive impact. Among the activities in which Exact Sciences will engage:

- **Youth engagement and employment skills development:**
 - **Engagement** - Exact Sciences is currently expanding its outreach to community youth through the MMSD Personalized Pathways program and has previously participated in the AVID/TOPS program. In partnership with Pathways, possibly in addition to other youth employment readiness programs, Exact Sciences will develop opportunities for community youth to gain an understanding of related job skills and hands-on experience with the practical application of these skills. Examples of related activities include conducting class tours of the Exact Sciences facilities, providing content development & delivery (presentations) to youth programs, and offering job shadowing opportunities, internships and/or co-op opportunities.
 - **Internships** - Throughout the year, and especially during the summer months, Exact Sciences will work with the City to make internship opportunities available to disadvantaged youth, with a particular emphasis on providing such opportunities to young people living in neighborhoods adjacent to the company's new southwest Madison site. Students may apply for internships to develop on-the-job skills and obtain exposure to potential, longer-term career opportunities.
- **Outreach, Career Exploration and Development Opportunities:** The Exact Sciences team will work to develop opportunities for job trainees to broaden or develop skill sets through a variety of means. These may include, for example:
 - **Apprenticeships** – Through engagement with Madison College, the Urban League of Greater Madison and/or other potential organizations such as the Wisconsin Bureau of Apprenticeship Standards, Exact Sciences may develop one or more apprenticeship opportunities for individuals seeking education and training in a relevant trade. Details of the types of jobs and specific timing will be



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Madison, WI 53719

determined based on business need. Exact Sciences will report on efforts during quarterly review with the City's economic and community development team.

- **Internships** – As business needs demand, Exact Sciences will look to create internships to provide adults opportunities to develop on-the-job skills and gain them exposure to potential, longer-term career paths. Internships would be developed in a variety of skill areas and in numbers based on business need.
- **Advertising/awareness-building** – Exact Sciences will work with the Park Edge Park Ridge Employment Center (PEPR) and other local, community-based employment resource groups to increase awareness of employment opportunities through a variety of mediums to reach potential job seekers, with a particular focus on job seekers living in neighborhoods adjacent to the new Exact Sciences location (including online postings, open house events, postings in training centers, newspaper advertising, etc.).
- **Job training and employment opportunities:** Exact Sciences will work closely with the PEPR employment center to provide job training in partnership with community based organizations. Exact currently works with the Urban League of Greater Madison (ULGM) in the development and delivery of the Customer Service job readiness training curriculum, and plans to continue contributing to the success of that program through ongoing involvement. In anticipation of the new job training center opening in mid-2018, Exact Sciences will be involved in a variety of ways to contribute to the center's impact on the community. Examples of expected involvement include:
 - **Curriculum development:** Exact Sciences will coordinate with the operator of the PEPR employment center to develop curricula that will benefit trainees across a broad set of industries/skills with an emphasis on skill areas that are relevant to entry-level positions at Exact Sciences. These would include, for example, materials handling, warehouse/inventory management, administrative support, basic laboratory skills and call center/customer service.
 - **Participant Selection:** Exact Sciences may participate in the selection of training cohort participants.
 - **Trainers & coaches:** Exact Sciences may appoint experienced employees to lead and/or teach training hosted by community-based organization/s related to development of employment skills and may coach trainees on their journey to develop these skills.
 - **Awareness events:** Exact Sciences will work with the City and its community partners to host or participate in job fairs, community open houses or other similar events to help build awareness of potential employment opportunities, including efforts specifically focused on reaching residents of neighborhoods adjacent to the company's new southwest Madison site.
 - **Job application support:** Exact Sciences employees will support community efforts to work with low-skilled workers who have barriers to employment by participating in job readiness training activities for trainees such as resume preparation and interview coaching.
 - **Employment Opportunities:** Exact Sciences agrees that to the extent that positions are available, it will offer interviews to all individuals who successfully complete above mentioned job training curricula, meet minimum job qualifications and successfully complete the online application process.
 - **Retention Support:** Exact Sciences will work with community-based training providers to implement job retention strategies for new hires who participated in training programs, including allowing them access to the job site to conduct one-, two- and three-month check-ins with new hires and their supervisors.



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- **Quarterly meetings to report on progress & discuss new opportunities:** Exact Sciences agrees that the ongoing partnership with the city's community and economic development team will be critical to the success of the project and its potential added value on the community. Therefore, Exact Sciences agrees to actively participate in quarterly meetings (four times per calendar year) with the relevant city team to review hiring & recruitment issues, share updates on the partnerships with the job training center and other job-oriented groups and discuss future opportunities to provide meaningful development.
- **Resource development for job training:** Exact Sciences commits to partnering with the City and its community partners to research and pursue additional funding for job related training, as applicable, from such sources as the Wisconsin Department of Workforce Development Fast Forward Worker Training Grant and the Wisconsin Economic Development Corporation Workforce Training Grant.

At Exact Sciences, we are looking forward to the continuation of a beneficial partnership to enable the success of the above-mentioned efforts. Please feel free to contact Sarah Condella (608-210-5100) at any time to discuss.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sarah Condella', written over a horizontal line.

Sarah Condella
Senior Vice President, Human Resources



441 Charming Drive
Madison, WI 53719

September 6, 2017

Ms. Natalie Erdman
Director of Planning & Community
& Economic Development
210 Martin Luther King Jr. Blvd.
Madison, WI 53703

via email to: nerdman@cityofmadison.com

Dear Ms. Erdman,

As you are aware, Exact Sciences is currently considering the possibility of purchasing and extensively redeveloping the former Rayovac headquarters site as a potential home for Exact Sciences' new diagnostics lab and supporting functions.

Exact Sciences is undertaking a thorough evaluation of sites in and around Dane County and has tentatively narrowed the options to the Rayovac site in the City of Madison and a site in the Uptown Development in the City of Fitchburg.

Exact Sciences is currently under contract on the Uptown Development site in Fitchburg. In addition, Exact's development team has had productive conversations with the City of Fitchburg regarding TIF assistance and the approach Fitchburg is willing to provide Exact Sciences.

While a formal outline of terms has not been finalized, the City of Fitchburg has indicated that it would be willing to consider a request of approximately 10% of project costs. We previously provided you with a conservative estimate of \$57.3 million in project costs for the Phase 1 lab, excluding costs associated with a new office building.

While Exact Sciences is actively considering the Fitchburg option, it is also interested in the Rayovac site for a variety of reasons, provided the City of Madison can provide a commitment for incentives necessary to support financing of the project. As part of that commitment, Exact is requesting a waiver on its job-based TIF application to raise the City's TIF support from 40% (\$1,800,000) to 55% (\$2,500,000) of the anticipated tax increment.

Exact Sciences is excited about the opportunity to partner with the City of Madison and is currently finalizing a plan with area partners regarding job-based training in support of its waiver request. On behalf of the whole Exact Sciences team, we appreciate the City of Madison's consideration and partnership with Exact Sciences.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Scott Coward', followed by a large, stylized flourish.

D. Scott Coward
SVP, General Counsel

8/15/2017

Madison, Fitchburg preparing for public assistance to Exact Sciences | Politics and Elections | host.madison.com

http://host.madison.com/ws/news/local/govt-and-politics/madison-fitchburg-preparing-for-public-assistance-to-exact-sciences/article_c3a9fe8d-03b9-59f1-9959-232a9ae8ee04.html

EXACT SCIENCES | MADISON, FITCHBURG PREPARE PROPOSALS

Madison, Fitchburg preparing for public assistance to Exact Sciences

DEAN MOSIMAN dmosiman@madison.com Jul 28, 2017



The long-vacant former headquarters of Spectrum Brands, seen from the Beltline between Whitney Way and Gammon Road, is one of two finalists as the site for a second processing lab for Exact Sciences, developer of the Cologuard DNA-stool test for colorectal cancer. Madison officials are proposing to expand a tax incremental financing (TIF) district to include the site.

JOHN HART, STATE JOURNAL

As Exact Sciences Corp. remains tight-lipped about new construction in Madison or Fitchburg, the cities are preparing to deliver public assistance to win a major development by the quickly expanding cancer-screening company.

On Tuesday, Madison Alds. Maurice Cheeks and Mark Clear will introduce a resolution to amend the boundary and project plan of a tax incremental financing (TIF) district on the West Side to include the former Spectrum Brands property on the Beltline being eyed by Exact Sciences and to provide the company up to \$3.4 million in TIF assistance.

Exact Sciences, now located at University Research Park on the West Side and in the town of Madison, is considering the Spectrum Brands property at 601 Rayovac Drive and an undisclosed location in Fitchburg to house its second processing lab and customer service offices.

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Although no formal request has been made, Madison officials and Exact Sciences have discussed potential TIF support, and the \$3.4 million is a ballpark impression of what the company may request, city economic development director Matt Mikolajewski said. "We want to be proactive about having a placeholder in the plan," he said.

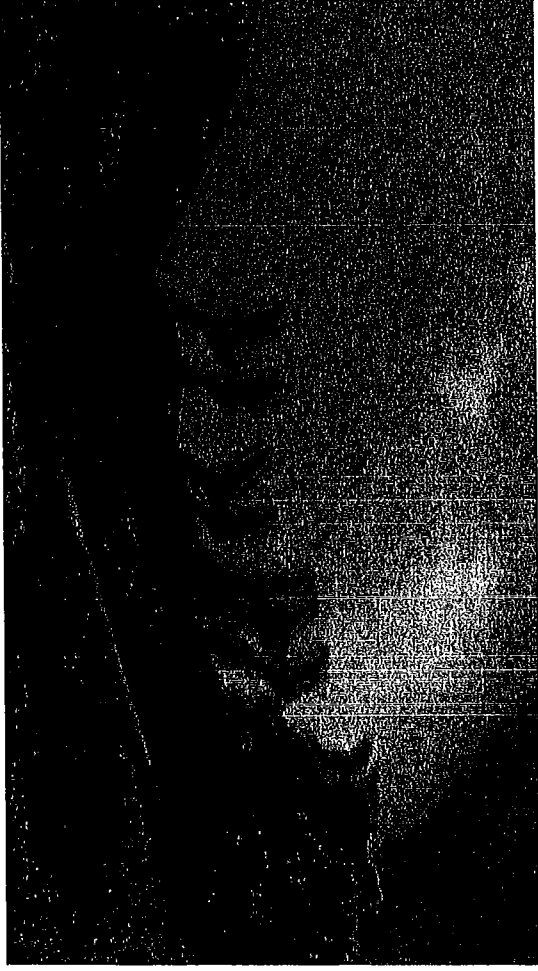
Fitchburg has identified a site for Exact Sciences in an existing TIF district on its east side, and staff is preparing an amendment to the district's boundary and project plan that will be introduced to the City Council if Fitchburg is chosen, city administrator Patrick Marsh said.

The city's Plan Commission has already considered a zoning change to accommodate the project, Marsh said.

"We're just preparing as best as we can," he said. "If it is Fitchburg, we'll be ready to go."

Fitchburg has not received a formal TIF request for a new building with a construction value of perhaps \$50 million, Marsh said, declining to reveal the scale of the city's potential TIF assistance. "I don't want to give away our hand," he said.

Exact Sciences has made no decisions, senior corporate communications manager Bryan Goettel said Friday. "We continue to evaluate our options," he said, declining to share a potential construction cost or TIF request.



Publicly traded Exact Sciences is developing tests to screen for cancer. Its first product, Cologuard, a DNA-based stool test for colorectal cancer, has been on the market since August 2014. In announcing its earnings on Tuesday, the company also increased its estimate for the number of tests it expects to process this year to 550,000, up some 18 percent from its previous guidance.

Exact already occupies two buildings and part of a third at University Research Park. It is expanding its Cologuard processing lab in the town of Madison and recently completed a secondary stock sale to pay for that project and to add a second processing lab for future needs.

An application submitted to Madison's Urban Design Commission on June 28 doesn't name the company considering the Spectrum Brands site. But it calls for building a clinical lab and warehouse with a total of 115,000 square feet of space on what's now a parking lot just south of the existing buildings.

The four-story 157,000-square-foot office building that housed Spectrum Brands' headquarters would stay. The adjacent research and development building, at 630 Forward Drive, would eventually be torn down and replaced by a parking lot; new additions could connect the office building with the new labs in a second construction phase.

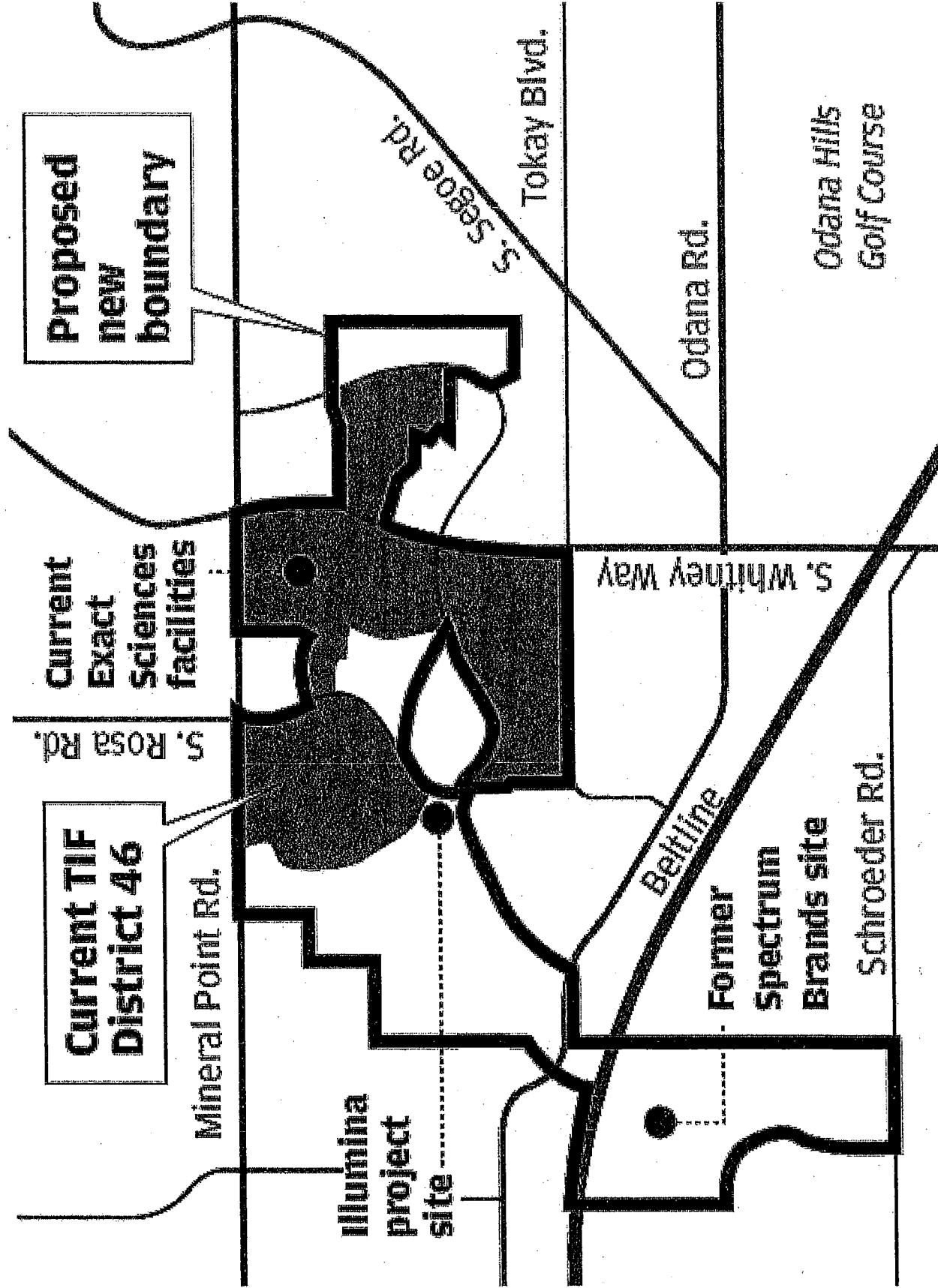
The proposed amendment to Madison's existing TIF district, which would require approvals from the City Council, Plan Commission and TIF Review Board of taxing jurisdictions, would significantly increase the amount of land and money available to support development projects.

Under TIF, a municipality uses future property tax revenue in a designated area to help fund private development and public infrastructure.

There is time pressure to amend Madison's TIF district because the council has already approved \$1.89 million to Illumina Inc., which is building a 132,000-square-foot facility with offices, laboratory and other space near the corner of Research Park Boulevard and Odana Road just outside the current boundaries. The TIF award is contingent on amending the district boundary and project plan, although the city would consider a loan if the changes aren't approved, Mikolajewski said.

The amended district, however, would also provide up to \$3.4 million to Exact Sciences and have another \$1.74 million available to support other development projects.

The \$7.53 million total compares to \$2.8 million in the existing TIF boundaries and project plan.



State Journal