January 31, 2013

Mr. George E. Austin, Judge Doyle Square Project Director
Room LL-100, Madison Municipal Building
215 Martin Luther King Jr. Blvd
Madison, Wisconsin 53703

Re: Judge Doyle Square Committee Request

Dear Mr. Austin:

Pursuant to the *Judge Doyle Square Committee* request, JDS Development, LLC has reviewed the *preferred project elements suggested by Alder Verveer* and we are providing this letter response to address the *Judge Doyle Square Committee* concerns.

A. Our Commitment

We are a Madison company. We believe our commitment to the City of Madison has been demonstrated in our financial investment and a shared desire for building landmark assets that will define our city for future generations. Judge Doyle Square is an opportunity my company and I believe we are uniquely positioned to pursue. We are committed to working with the City of Madison to create and execute a vision that will become a landmark for our city. Throughout this process we have worked to showcase several important factors that we believe are unique to our development team, including:

- ***A Public-Private Partnership*** – Judge Doyle Square will be Madison's most important public-private partnership. We are committed to moving forward with the City of Madison to advance a development plan that balances out the many challenging factors of Judge Doyle Square. This can only be done working together to solve the many issues that must be addressed to satisfy the interests of both public and private stakeholders. This is our business. We are proud of the many public-private projects we have developed nationally, but working in our own hometown is something with special significance to myself and our firm. I cannot say it more simply than we are committed to the success of this project – working with the City of Madison – to create a plan and partnership that will have a positive impact on the community for generations to come.

- ***Creative Solutions*** – We have shown over these past few months the ability to bring creative development and design solutions to this project. Our interest in the MMB is one way we saw to create a landmark urban design solution while lowering public investment. We acknowledge and accept the City's position on MMB. I only want to reinforce the point that we believe our ideas toward MMB have shown our creativity and ability to find innovative and creative ways to establish a successful path forward. While we accept MMB will not be used as part of the private development we are committed to finding a creative way to integrate this important landmark as an important focal point of Judge Doyle Square. It is this same level of creativity that will be needed to achieve balance among all of the considerations set forth by Alder Verveer. If you look at our experience I think you will find one of our greatest strengths is solving complex urban development issues with unique and creative solutions.

- **Market Knowledge** – We are embedded in this market. We have carefully evaluated every facet of this project. We have people already working here in Madison that understand this market and are presently deeply ingrained in dealing with the many issues that will shape the final context of Judge Doyle Square. Our experience and local market knowledge is something -- in partnership with the City of Madison -- that will shape this unique opportunity. We have raised many issues over the past few months – approach to the hotel operations, costs of below grade parking, density, urban design and scale, market demand factors and others – that seem to be the basis of many of the ideas now being considered by the City of Madison to lower public investment. We understand these issues and many others and are prepared to engage with you to work though a process to find the best development plan for Judge Doyle Square.

- **Private Investment** – The process employed by the *Committee* has identified many factors that must be carefully weighed between competing development proposals. This is a challenging and dynamic process. There is one factor that we believe does clearly differentiate our development team for the competing interest. Through your submittal process we have shown an ability and willingness to make a private investment that is many times higher (by more than $20 million) than the competing proposal. We believe in the long-term potential of this project and we are prepared to commit our own equity to ensure the success of Judge Doyle Square. This is a complex project in a difficult financing environment. Perhaps the most important issue in the eventual advancement of this project is going to be the level of private equity investment and the inherent risks that must be assumed by the developer to satisfy lenders.

The combination of these factors – underscored by our financial commitment to Madison on this project and elsewhere – are the considerations that we believe uniquely position JDS Development, LLC to be your partner on Judge Doyle Square.

B. General Comments

We understand the concerns of the *Judge Doyle Square Committee* presented in the list of preferred project elements and appreciate the diligent effort being put forward by the *Committee* members to analyze the competing proposals for this important project. As you will see below, many of the concepts and ideas you are now considering were fundamental elements of our various proposals and presentations to the *Committee* which we think emphasize the value we can bring to this process. We feel like we have shown an ability to identify critical elements that can lower public investment and feel that we have earned the chance to be your partner to carry our ideas and others forward with you.

Our approach to Judge Doyle Square meets the requirements set forth by the *Committee* while working to find the most responsible way to manage the public investment needed to make this project a reality. As stated above, we hope the *Committee* recognizes that we have tried to showcase our abilities to find innovative development solutions that can lower public investment. We want to reinforce that we acknowledge and accept that the *Committee* and City of Madison intend to keep the Madison Municipal Building for use as City offices. We are prepared to move forward with the City under this direction and welcome the opportunity to find creative ideas for the integration of this important landmark into the broader development plan. While you have directed us not to submit further proposals at this time we have already begun a process to evaluate new development ideas and design concepts for the development sites and we are eager to share these ideas with you. We agree with your direction that it would be inappropriate for development teams to submit new alternatives at this time but we are already working on ideas that will provide meaningful ways for the City of Madison to lower public costs.

C. Specific Preferred Project Elements

We received from the *Committee* on January 24, 2014 an email that presented concerns of the *Committee* and identified preferred project elements that the *Committee* believes will reduce public investments in the project. We believe these are all elements that were core concepts embedded within our JDS 1 and JDS 2 alternative development concepts. We would hope that the *Committee* recognizes this fact and shows a desire to work in partnership with us to see these ideas and others through to conclusion.

We have outlined below a more specific response to each of these issues

1. Keep the Madison Municipal Building in civic use.

We accept and respect the *Committee's* desires to keep MMB in civic use. While we believe it offered a creative way to anchor the Judge Doyle Square development and it is with that same interest that we will work with you to find a creative way to showcase this landmark in the broader development while maintaining MMB for public use. Upon being selected by the *Committee*, we would like to begin to share ideas we have on integrating the public and private elements of the project and using MMB as the unifying element of the overall project. We believe we can also identify meaningful ways to reduce the development and operational costs that the City of Madison will encounter in the renovation of MMB.

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.

Both of our proposals addressed this important consideration and we appreciate that the *Committee* recommended our JDS 2 plan as the "preferred" design approach.

3. The development must be affordable for the taxpayers and efficient in the use of City resources. *Work to keep the TIF investment focused on the cost of the underground parking cost differential.*

Clearly this is going to be a pivotal issue in the advancement of Judge Doyle Square. Our entire effort thus far has been framed to identify the most creative way to balance a vision for Judge Doyle Square with the need for public investment. Our original proposals showed an economic difference between our proposal and the competing interest of more than $40 million. We will bring the same level of diligence to finding new and meaningful ways to lower City investment while maintaining a vision for Judge Doyle Square that creates a landmark worthy of this site.

We have been working diligently to address your concern over the level of investment that will be required of the City of Madison. As stated above, many of the ideas that have been stated publicly to address this concern were ingrained in our original proposals. We have outlined below many of these and others that we are prepared to explore as a way of meeting this challenging concern, including:

- Parking Costs – By locating parking above ground we have identified potential savings of $20 million or more. Working together we believe we can further reduce these costs while providing adequate parking for the entire development.
- Hotel TIF – We developed a hotel plan that requested $21 million less in TIF than the competing developer. We have already begun a process to evaluate new ideas and design concepts for the hotel and we are eager to share these ideas with you. Once we define the market based program

that is suitable for Madison it is likely we can find ways to further reduce the public investment in this element of the project.

- Block 105 – Our approach to Block 105 is to develop market driven program. This precludes the need for $8 million of TIF on Block 105 to build speculative program as proposed by Journeyman Group.
- Density – Working with the City to further refine the desired density on Block 105 may reduce the investment needed by the Parking Utility. As indicated in our proposal, it's important to utilize less expensive above ground parking to assist the Parking Utility in meeting its reserve / replacement requirements in the future.
- Phased Parking – If further review by the City suggests less density is the correct path for Block 105 we will explore a more affordable way to phase parking. The goal will be to maintain the greatest amount of parking for neighboring business as is possible. We have already creatively addressed this issue in our proposals and would be willing to review phasing again to reduce costs and serve the neighboring businesses.
- Historic Tax Credits – We have identified potential funding sources that may be available through the use of historic tax credit and other creative means of financing.
- Meeting Space – We developed a meeting space strategy that is complementary to Monona Terrace. As a result we do not need operating subsidies. This negates the need for an annual room rental subsidy from the City estimated nearly $1 million per year. Our plans include an offering of amenities and an operating strategy that enhances the competitive position of Monona Terrace. As stated above, the final program definition will determine the appropriate meeting and banquet facilities which may offer further opportunity to reduce capital investment.
- Renovation of MMB – We have experience with redevelopment projects across the nation. In past letters submitted to the *Committee* we have identified program and budget risks we believe are not included in the current budget estimate by the City to renovate MMB. By working with the City we can develop a plan that utilizes a portion of MMB for purposes of creating an authentic Madison experience and providing the community a new way of engaging this historic landmark building. There are many ways we can reduce capital investment through integration of operating systems (i.e. HVAC equipment, central plant, etc.) aiding the City of Madison in its objective to lower public investment.
- Development Management – We believe we can support the City's efforts to design and renovate MMB and realize substantial cost savings.
- Sustainability – Under our plan to renovate MMB we assumed state of the art mechanical systems and operating strategies to reduce ongoing utility and maintenance costs. We believe many of these concepts can benefit the City's renovation of MMB. We will work with the City to implement these ideas and hopefully reduce the operating costs of this historic building.
- MMB Program – A major driver of cost when renovating a unique building such as MMB is the efficient use of all available space. The City needs to maximize the potential of every square foot available in the building. We look forward to reviewing the City's plans for MMB and offering insights from our experiences developing active public spaces, office buildings and other commercial properties.
- Community Partnerships – As a local development team we have relationships with potential community partners that may have interest in sponsoring public elements of the renovated MMB and other private aspects of the project. We are presently advancing several programs like this locally that can provide a means of lowering capital cost to the City of Madison.
- Hotel Service Level - As we work with the City of Madison to further analyze the service level of the hotel there may be an opportunity to further reduce TIF. We have already begun performing market assessment needs and looking at ways to revise design in order to meet service level

standards and reduce overall costs. These decisions will be made working with the City of Madison in a cooperative manner.

- Architectural Expression & Materials - As noted by the City Staff Team Report we designed a visually interesting composition with a strong hotel tower placement that respects MMB. As we advance further into design we'll be able to identify additional features that can enhance the design of these two blocks and potentially reduce the cost of the overall project. A common technique is brick inset precast as a means of lowering enclosure costs and this could generate substantial cost savings.
- District Linkages & Axes – The City Staff Report indicated that our plan provides context-sensitive consideration of the axes and paths necessary to create a cohesive network. We were able to link uses and support exploration of the South Capitol district. We have started to explore new ways to use MMB as a civic building to maintain a strong relationship between Monona Terrace, the historic MMB building and the State Capitol. As stated in the City Staff Report, this connectivity is appealing in that it creates a positive tension between the uses, encourages ambling and distributes the uses so as to maintain "around the clock" activity.

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.

Another key objective of our proposals was not creating a canyon effect on Pinckney Street. We have been very concerned about this issue and the negative impact it can have from an urban design perspective. I believe you recognized our JDS 2 design concepts as being superior and an appropriate way to overcome this obstacle. We proposed a building orientation that sets the proper scale for Pinckney, creates an active urban street, lowers parking costs, and addresses the market concerns identified in your own report about density on Block 105.

5. A significant amount of the existing public parking supply should be maintained during the construction process.

We understand how important parking is to the neighboring businesses. Those businesses cannot afford to be without parking for 13 months as presented by Journeyman Group. Each of our development proposals will mitigate the impact of lost parking.

6. The density of the Block 105 development must not require significant public investment beyond parking related costs to serve the new development.

As stated above, one of our main objectives for this project is keeping public investment as low as possible while meeting the requirements of your RFP. Our proposal has never required the use of TIF for Block 105. The only public investment we identified for Block 105 was to be used to rebuild the parking structure owned by the City of Madison. We also highlighted the realities of the market demand / density concerns as outlined in the 2013 State of the Downtown Report and found an effective way to lower parking costs to the City of Madison by bringing parking above grade (which also exposed the impractical realities of density that cannot be supported on that site).

The development of Block 105 will be market driven and that reality has to be balanced against what could become excessive investment in public parking. We believe we have properly framed these issues in our proposals and presentations to the *Committee*. We will work with you to further evolve

these ideas and believe we have already found a strategy for Block 105 that will lower public parking costs, achieve market supported development densities and protect the urban character of Pinckney Street.

7. No parking should be constructed at street level that is visible on South Pinckney Street.

As stated in our letter to the *Committee* dated January 23, 2014 there are a variety of ways to construct above grade parking that blends perfectly into the building façade to completely mask the presence of parking above street level. We have also stated and shown that it is vitally important to the success of Pinckney Street that no parking spaces should be constructed at street level. The streetscape needs to be designed to create an active street edge which has been the basis of all of our design presentations.

8. An ironclad hotel room block agreement of 250 rooms must be achieved. A hotel affiliation with a national reservation system is required.

We are committed to providing a hotel room block agreement of 250 rooms. We also strongly agree that a hotel affiliation with a national reservation system is important for the JDS hotel to be successful.

Recently, there has been discussion about the service level of the JDS hotel and whether a limited service hotel would be a better option. We evaluated this same issue prior to submitting our original proposals. The plans we submitted assumed a full service hotel, but we have been clear from the beginning that this is something that needs to be studied further with the City of Madison. We responded to repeated questions about level of service and hotel affiliations in a consistent manner. In all of our response we stated that this is a decision that needs to be made working together with the City of Madison. We outlined a process to address this issue together at the time the scope and breadth of the project is fully defined. We stated in every instance that we believe it is premature to commit to a hotel flag affiliation at this time. We believe further design and market assessment needs to be completed before these issues can be fully considered and evaluated. This is a process and something we are prepared to immediately engage with the City of Madison to begin moving forward.

9. The new hotel meeting/function space should be sized to complement Monona Terrace and not take significant business away from existing Madison hotels. For example function space for a banquet of 100 people plus multiple meeting spaces.

This is another example of a key consideration and concern we have raised in our proposals and presentations. The Judge Doyle Square development needs to be a complement to Monona Terrace. We were very careful to outline what we believe is the proper (and market supported) program for banquet and meeting facilities in Judge Doyle Square that will not cannibalize Monona Terrace. We were very concerned about the level of meeting and banquet space as proposed by Journeyman Group especially when it became known that an annual operating subsidy of nearly $1.0 million per year would be required in their proposals to support these meeting facilities. We are the only proposer that is actively engaged in the meeting and banquet market in the Madison region and believe we have unique insights into the demand for meeting and banquet facilities at Judge Doyle Square that we are prepared to share with the City.

The Path Forward

We are prepared to immediately engage with the City of Madison to complete a development plan for Judge Doyle Square that addresses all of the preferred project elements outlined by Alder Verveer while protecting and realizing the vision we all share for this landmark project.

We understand and recognize many of the concerns you have identified in outlining your preferred project elements. We understand the need to look at every viable means of lowering public investment. These are all things that have already been framed into each of our proposals and presentations. As stated above, our proposal saved the City of Madison more than $40 million versus the Journeyman Group proposal. We have demonstrated an ability and willingness to commit a level of private equity to Judge Doyle Square that was in excess of $20 million more than the competing development team. We believe all of these factors have been a part of our planning since the beginning. The point is simply that we believe we have demonstrated an understanding of the key issues – shown creative development and design solutions – demonstrated our financial commitment to Madison – embraced the need to find a prudent level of public investment – proven we have the experience and expertise to make a project of this magnitude a success.

We want to be your partner. We have put forth considerable effort and resources to demonstrate our commitment to make Judge Doyle Square a success. I am prepared to commit the full resources of our firm – in partnership with the City of Madison -- to realize our shared vision for Judge Doyle Square. For us – in our own hometown – the path forward is one that can only result in success.

Sincerely,

Robert P. Dunn
JDS Development, LLC