



**THE REDEVELOPMENT OF ANCHOR BANK AND  
THE MARKET FOR CLASS A OFFICE SPACE IN DOWNTOWN MADISON**

## The Anchor Bank Building Will be Vacant Unless the Proposed Renovation Proceeds

The entire southwestern quadrant of the Capitol Square is blighted due to the current condition of the Anchor building and parking ramp. The current above grade ramp and parking lot eliminate the chance to accommodate and attract people living and working in this area.

### Anchor Bank's Building Exterior is Failing and Needs to be Replaced

The condition of the precast concrete on the outside of the building has been deteriorating and needs to be replaced in the very near future to avoid what could be a catastrophic failure. In 2011, Anchor Bank's structural engineer concluded that:

*"...the exterior facade of the Original Building is in very poor condition. Significant deterioration was observed throughout the façade, and the structural integrity of several precast façade components have been compromised. . . . If the observed deterioration is not addressed in the near future, the condition of the facades at both buildings will continue to degrade and the deterioration will likely accelerate. Hazardous conditions may also develop. . ."*

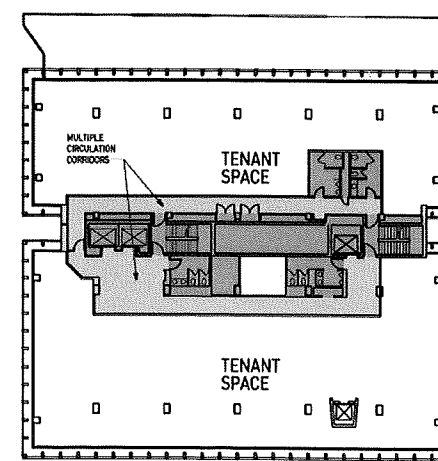


### The Current Office Building Floor Plates are not Functional or Desirable

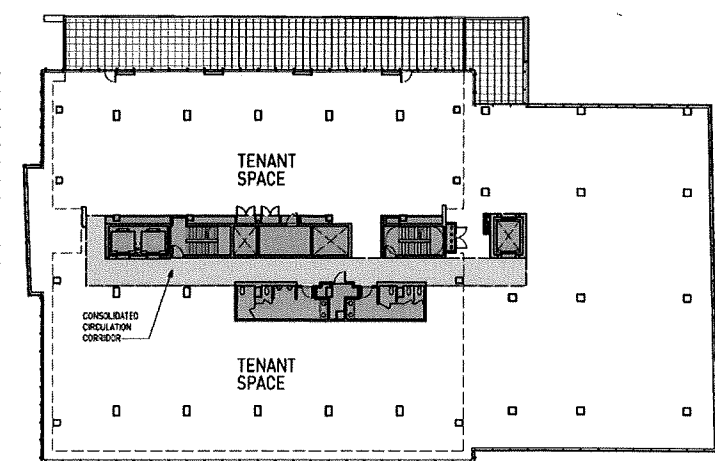
The design and construction of the building in two phases has unfortunately created a floor plate that almost completely divides the building in half, with a continuous row of elevators, stairs and mechanical chases. This subdivision of each floor makes it virtually impossible to create contiguous space that can appeal to contemporary office users. Given very low ceiling heights, nonfunctional floor plates, high energy costs, and a dated and deteriorating façade, the existing building's market appeal is very limited.

A comprehensive renovation and expansion of the building will restore it to a condition that will make it competitive in the Class A office market in downtown Madison. If the proposed development is not undertaken, Anchor Bank will terminate its lease, move out and the building will be effectively vacant.

TYPICAL OFFICE FLOOR



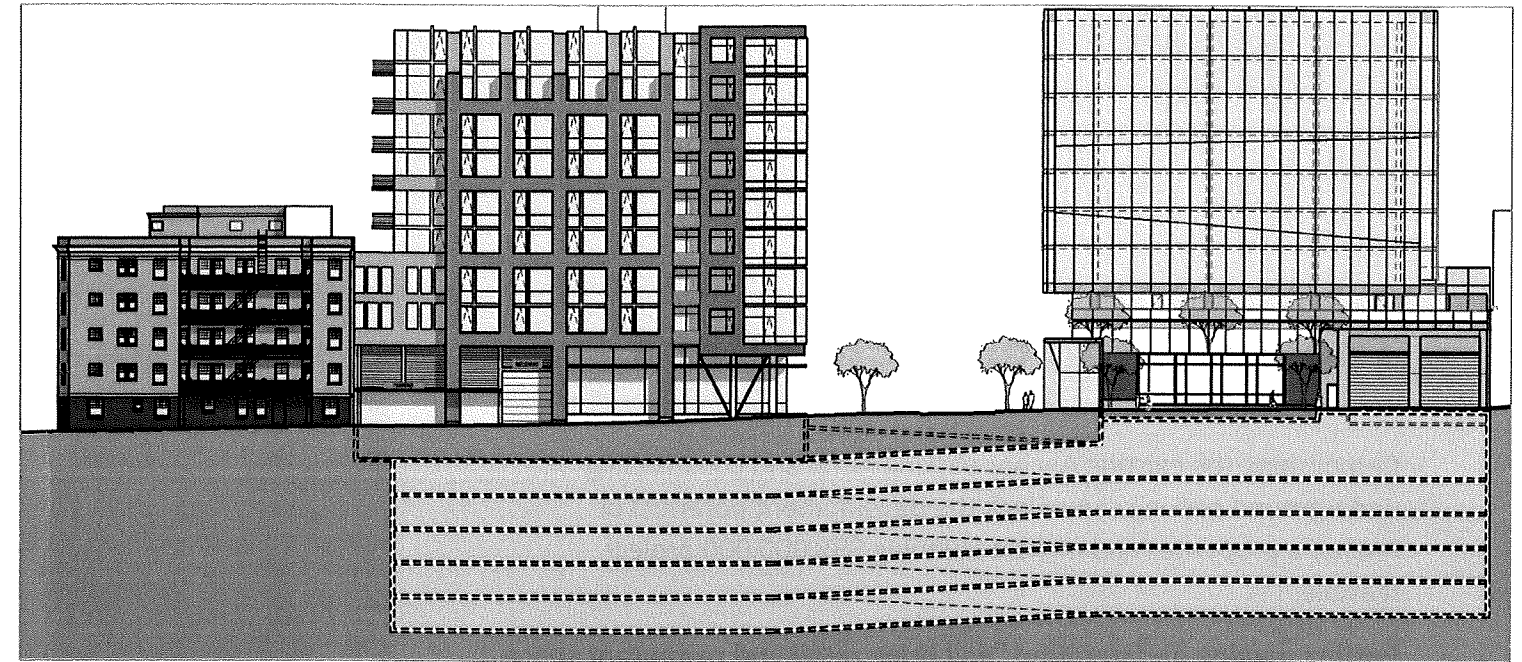
EXISTING CORE DIAGRAM



PROPOSED CORE DIAGRAM

## The Existing Anchor Parking Ramp is Beyond the End of its Useful Life

The existing Anchor parking ramp is 49 years old, and concrete deterioration is obvious. After completing a detailed assessment of the ramp, Gunnar Malm & Associates determined that it would require more than \$3,000,000 in immediate repairs and recommended that the ramp be demolished. After carefully evaluating all options, ULI concluded that the only viable option was in fact demolishing the existing above grade ramp and building a large new underground parking ramp that crosses underneath Carroll Street. A new nine story retail and residential building will be developed on the site of the existing ramp. The new building will provide new restaurant/retail space on both sides of Carroll Street that will generate life and vitality throughout the entire southwestern quadrant of the Capitol Square.



# THE PRESENT

**Outdated Office Building with Rapidly Deteriorating Façade and a Parking Ramp that is Falling Apart**



## **The Potential of Anchor Bank**

Demolishing the existing Anchor parking ramp and constructing underground parking can unlock the development potential of Anchor's properties and make a stunning \$95,000,000 project feasible.

**Putting parking underground "will bring retail and restaurant space to a total of five block faces" according to City of Madison Planning Staff, which "enthusiastically supports the project as a welcome transformation of this important part of the downtown core."**

The City of Madison has approved the PD- GDP/SIP for the renovation of the office building and parking ramp, and the PD- GDP for the new residential/retail building. All of the necessary land use approvals have been granted except for the final SIP approval for the residential portion of the project which will be submitted in late February. This



# THE FUTURE

**A New 207,000 sf Class A Office Building plus 88 Rental Apartments**



# Today, ULI's Class A Downtown Office Space is 97% Leased

## The Market for Class A Office Space in Downtown Madison

ULI's Mission is to "...create and sustain exceptional buildings and tenant relationships that strengthen our communities." ULI develops, manages and invests in real estate with the perspective of long term owners committed to improving the value of every building.

In 1986, when ULI purchased the old vacant JC Penny department store in Block 89, the Capitol Square was nearly deserted. No new private office building had been built since 1973, retail storefronts sat empty around the Square as merchants abandoned downtown for new suburban malls, and few restaurants were available as no one came downtown to eat or relax.

ULI was a pioneer in creating new Class A office buildings on the Capitol Square that attracted new tenants who wanted to office downtown. Since 1986, ULI has created, renovated, and owns a total of 942,000 square feet of Class A office space (not including the Anchor Bank Building). ULI is the largest private office landlord in downtown Madison. Today, the Capitol Square offers the quality of life that attracts people and firms who want to live and work in downtown. Today, **ULI's Class A downtown office space is 97% occupied** and no large blocks of office space are currently available.

Historically, the Class A downtown office market was dominated by law firms and lobbyists (43% of our total tenants) and financial institutions (18%). Five years ago, ULI made a conscious decision to try to expand the downtown office market beyond its traditional market segments. Our efforts have been successful.

Today, ULI's **information technology tenants are the market segment that is growing most rapidly** in our downtown office properties. **ULI's information technology office tenants have grown by 143%** since 2011 to occupy a total of 58,954 square feet of rentable area. Restaurants were the second most rapidly growing market segment and increased by 29% since 2011. Lobbyist increased by 15.8% since 2011. In contrast the law firm market segment was relatively stable and grew by only 1.6%.

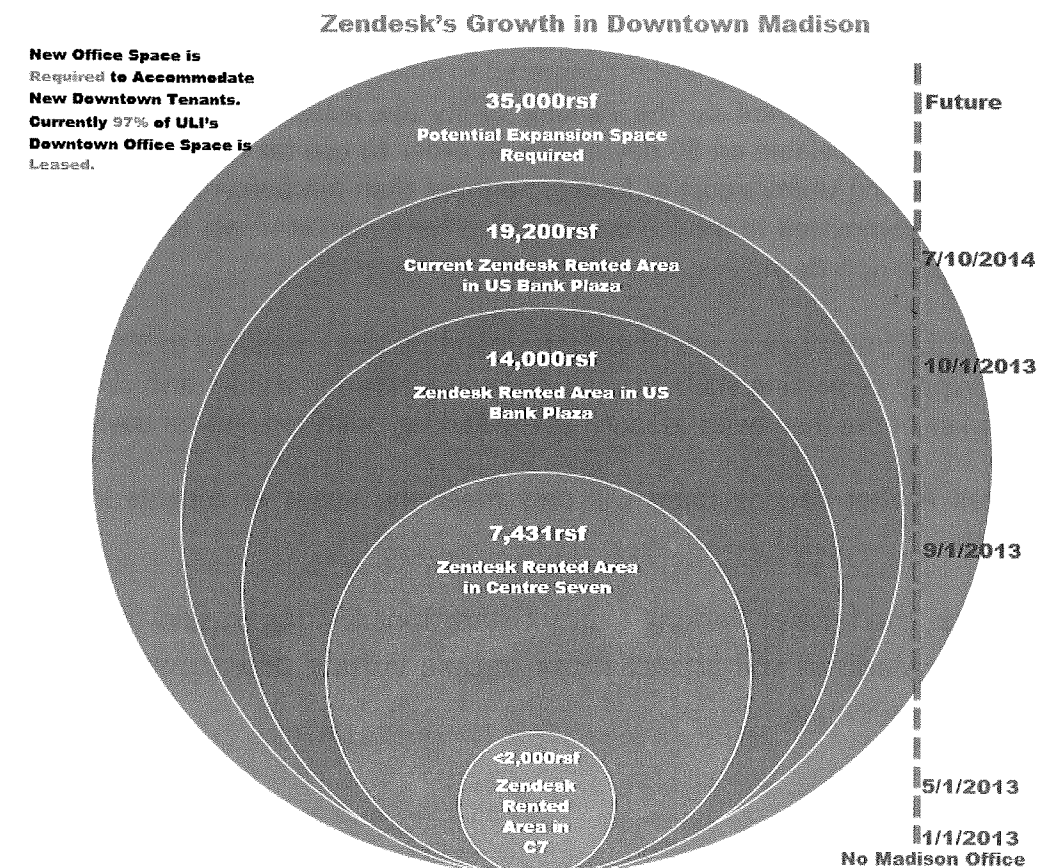
**Downtown Madison needs to have available Class A office space to be able to attract new tenants.** The renovation and expansion of Anchor Bank will transform an outdated office building that is at serious risk of being abandoned and create 207,000 square feet of much needed Class A office and restaurant/retail space. ULI would not undertake a new development unless it was convinced that there was a market to absorb the new space it is creating.

**Rents in the renovated Anchor Bank building will be directly competitive with rents ULI's current tenants pay in our existing downtown office buildings**

**The information/technology segment of the downtown office market in ULI's buildings has grown by 143% since 2011.**

## Zendesk: An Example of Technology Growth

Zendesk, one of ULI's newest tenants, is a technology firm from San Francisco that provides a customer service platform designed to bring organizations and their customers closer together. In May of 2013, ULI leased Zendesk a small temporary office space adequate for 5 people. On September 24, 2014, it had an open house in the 19,000 square feet of space it presently leases in its new home in US Bank Plaza. Today, downtown Madison is the location of Zendesk's second largest office in the US. Firms like Zendesk are the future of the office market in downtown Madison, and Madison needs the space to be able to accommodate them.



## **Class A Office Space in Downtown Madison Requires Adequate Parking**

The availability of parking to meet the needs of prospective tenants is a critical component of office and residential development in downtown Madison. Parking stalls required for tenants and their clients must be committed for the life of a building in order to make that building leasable and financeable. Without adequate parking, no new development will occur.

The adopted Downtown Plan recommends underground parking. With almost no developable land area available in downtown Madison and a height limit for new buildings, the adopted Downtown Plan recommends underground parking be constructed to replace aging above grade ramps. However, due to high construction costs, the Parking Utility concluded in its Sustainability Report that it was impossible for the Parking Utility to build underground parking with its future infrastructure needs without jeopardizing its current reserves.

Similarly, it is not possible for the private sector to build an underground parking ramp that would have an annual operating deficit approaching \$900,000 using conventional financing. The proposed TIF loan makes it possible to proceed with the proposed construction of underground parking to enable the Anchor redevelopment to proceed.

**The City of Madison Parking Utility cannot supply long term parking for private office buildings.** Less than five percent (5%) of all available stalls owned by the Parking Utility are reserved for monthly parking under long term leases compared to ninety-one percent (91%) of all ULI spaces. Monthly parking stalls that are owned by the Parking Utility are leased to individuals, not to the owners of buildings, and are cancelable on 30 day notice. In order to use tax exempt financing for parking (which minimizes the Parking Utility's cost of funds), no more than ten percent (10%) of the total parking stalls financed can be committed to private users. The private market needs to own and develop the parking needed to support new downtown development.

70% of all Parking Utility spaces are used for transient parking compared to 9% of ULI spaces. Because of the limited supply of parking stalls ULI can make available for visitors and clients, ULI charges outside transient parkers more than twice as much as the Parking Utility charges for daytime hourly parking.

The 548 stall Anchor parking ramp will only meet the needs of tenants in the Anchor properties development.

Tom Woznick, the former Parking Utility Operations Manager, said that all new development in downtown Madison will attract more people visiting downtown and effectively increase Parking Utility revenues.

## **Private Parking Compliments the Madison Parking Utility**

**91% of ULI parking stalls are reserved for long term parking compared with less than 5% of Parking Utility stalls.**

**70% of the Parking Utility stalls are used for transient parking compared with 9% of ULI parking stalls.**

**Only four sites located within two blocks of the Capitol Square can accommodate a large underground parking ramp**

The future supply of new parking in downtown is extremely limited at a time when the demand for parking is growing. It is critically important to downtown Madison's future that each of these sites be developed to provide as much parking as possible.

