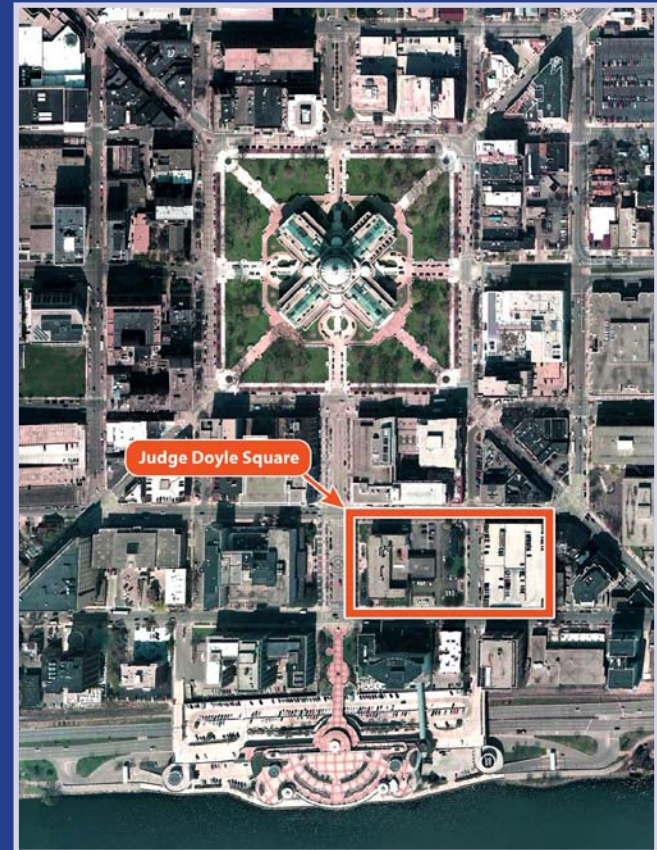




Photo: Skot Weidemann

Request for Proposal City Staff Team Analysis

Judge Doyle Square
Madison, Wisconsin



November, 2013

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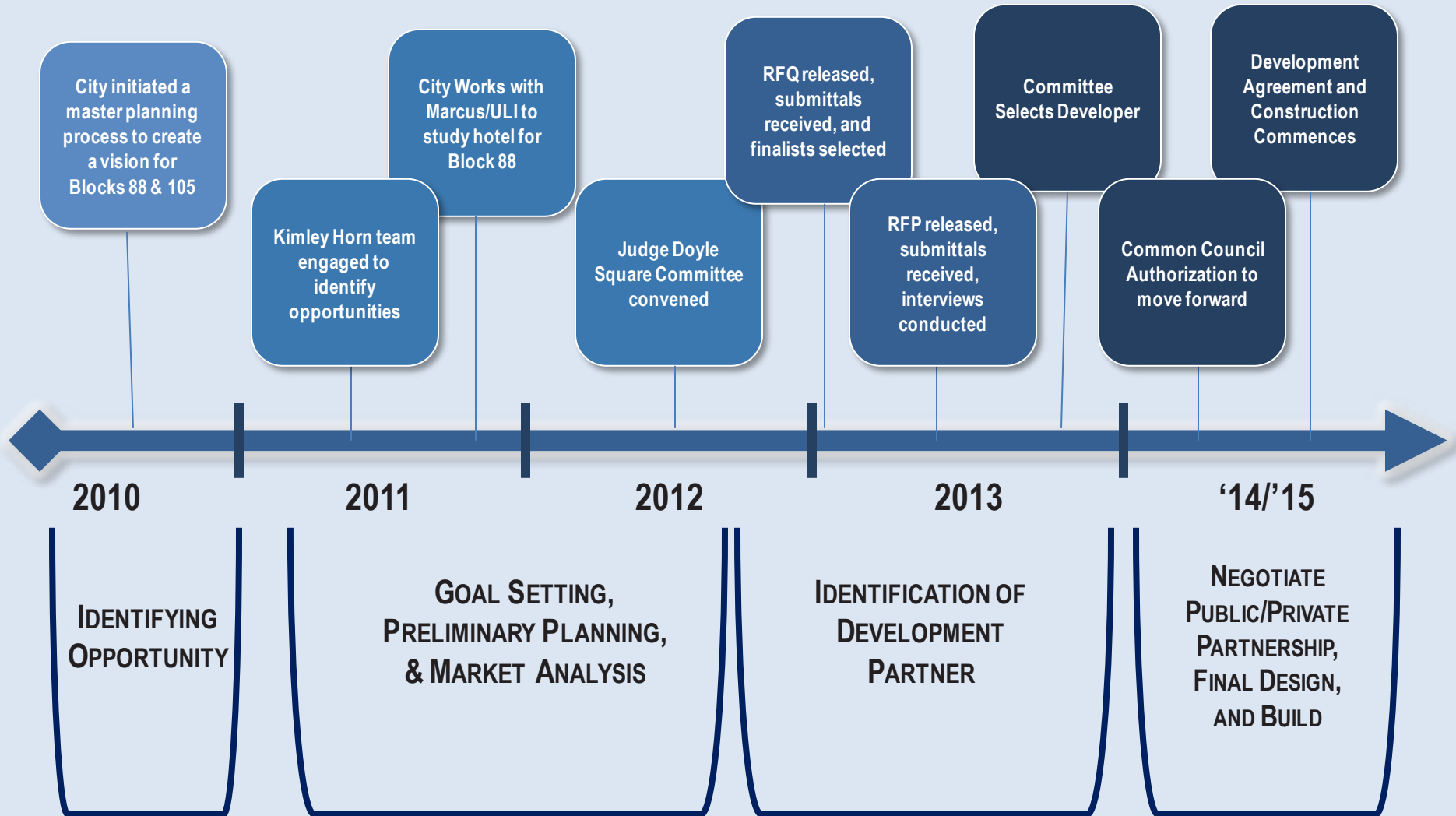
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JUDGE DOYLE SQUARE PROJECT TIMELINE



Introduction

The Opportunity

Madison is a great city! Home to the State of Wisconsin Capitol, University of Wisconsin, and Dane County, Madison is at the center of the State’s fastest growing region. Continually recognized by many national organizations for a wide variety of quality of life awards and rankings, the Madison region offers easy, affordable living, making it a prime choice for businesses and employees alike. With growing diversity among its population, the Madison region fosters a culture of openness, dialogue and energy, and offers a vital and dynamic workforce, the result of an outstanding education system, a diverse economy and successful partnerships between the public and private sectors.

At the heart of the region is downtown Madison. It is unlike any other in the world. In his 1911 *Madison: A Model City*, renowned city planner John Nolen said, “*Madison is one of the most striking examples that could be selected in the United States of a city which should have a distinct individuality, marked by characteristics separating it from and many respects elevating it above other cities.*”

The Downtown serves as Madison’s signature. It is the geographic, economic, and civic heart of the community. When people think of Madison, images of the Downtown and its unique isthmus setting often drive their impressions. It is the place where the community comes together, especially for the many events it hosts and the abundant activities it provides.

Downtown Madison has experienced a renaissance over the past twenty-five years. This is a direct result of the City’s pursuit of development opportunities that have benefited the benefit of the entire City through prudent planning and public investment. A new Downtown Plan, adopted by the City in July 2012 sets the stage for that momentum to continue. It proposes a framework to continue to enhance the qualities that make Madison a world class city.

Successful downtowns are comfortable, but at the same time, exciting, fun, and places of continual discovery. Successful downtowns spend considerable resources planning for and working towards a desired future. This includes identifying and building on the things that work well, while recognizing and seiz-

ing new opportunities that will keep Downtown fresh and dynamic. Downtown Madison today is much different from the city John Nolen knew, but the natural features that provide the unique setting that so enamored Nolen continue to be the cornerstones influencing its evolution.

It is within this context that the City of Madison is pursuing an exciting new development opportunity known as Judge Doyle Square in the heart of the city’s central business district. Judge Doyle Square is a two-block area in downtown Madison, Wisconsin. It is the site of the Madison Municipal Building (MMB) (Block 88), Government East (GE) parking garage (Block 105) and has been identified by the city as a location with significant redevelopment potential.

Judge Doyle Square represents an important opportunity to add another dynamic and high quality, tax-generating development for the benefit of the City and its other taxing jurisdictions on two currently tax-exempt parcels. Judge Doyle Square can be a destination for residents, employees and visitors by expanding and unifying the restaurant and entertainment district on the south side of the Capitol Square. It’s the first City-initiated development project as a result of the new downtown plan and is intended to:

- Utilize two City-owned, tax-exempt parcels to significantly expand the City’s tax base and employment by replacing an aging parking facility, activating South Pinckney Street and improving the pedestrian connections between the Square and Monona Terrace;
- Unlock the development potential of the sites through careful selection of mixed uses that include residential, retail, restaurant, bicycle and parking facilities, and a hotel;
- Retain and grow the business of the Monona Terrace Community and Convention Center;
- Increase economic and retail activity from additional convention attendees, visitors, downtown workers and residents.

The result of this effort will be a healthier downtown through increased property values, added employment opportunities and downtown residents, improved public facilities; and additional external capital injected into the region’s economy by visitors to Madison.

Judge Doyle Square Process to Date

In 2010, the City recognized the development opportunity of this area and initiated a master planning project to form a bold vision for the South-East area of the Central Business District. The vision is to improve the south side of the Capitol Square as a destination for residents, employees and visitors by expanding and unifying the restaurant and entertainment district. Using Pinckney Street as the axis, Judge Doyle Square is the opportunity to create a pedestrian friendly, urban environment that improves the linkage of the Monona Terrace Community and Convention Center to an adjoining hotel, retail, restaurant and entertainment district. Adding a significant additional hotel room block is also vital for Monona Terrace to retain and grow its business.

In February 2011, the Common Council authorized planning for the project to commence. A planning team led by Kimley Horn and Associates developed a master plan for Block 105, and the City separately studied with Marcus Hotels and Resorts and Urban Land Interests options to develop additional hotel rooms on Block 88 to support the Monona Terrace Community and Convention Center. In July 2012, the Madison Common Council received the work products from those two planning initiatives along with staff recommendations and authorized the creation of the Judge Doyle Square Committee and directed that a Request for Qualifications (RFQ)/Request for Proposals (RFP) process be initiated.

On February 5, 2013, the Madison Common Council received the recommendations for an RFQ/PFP process from the Judge Doyle Committee and authorized the issuance of the Judge Doyle Square RFQ. On April 30, 2013, four responses to the RFQ were received by the City of Madison. The Judge Doyle Square Committee conducted an initial review of the submittals, held public interviews, performed reference checks and recommended that JDS Development LLC of Madison, WI and the Journeyman Group of Austin, TX be invited to participate in the second stage, RFP process. On July 16, 2013, the Madison Common Council concurred in the Committee's recommendations and authorized the issuance of the second stage RFP to the two development teams. The RFP responses were received on September 30, 2013.

Synopses of RFP Responses

Journeyman Group

Journeyman Group, comprised of Journeyman Group of Austin, TX in partnership with Marcus Hotels and Resorts of Milwaukee, WI and LZ Ventures of Madison, WI, proposes a \$178.84 million project comprised of:

- A 352-key full service Marriott Hotel on Block 88, with a 250 room block for Monona Terrace and 18,200 net square feet of function space and the hotel restaurant and beverage spaces at the street level;
- 275 below-grade parking stalls on Block 88 to accommodate the hotel and City fleet vehicles;
- 11,680 square feet of at grade retail space plus a 3,000 square foot bicycle center on Block 105 with 52,190 gross square feet of Class A office space and 134 rental apartments above grade;
- 1,000 parking spaces on Block 105, including 598 below-grade parking spaces to replace the City's Government East parking facility and an additional 402 above grade parking spaces to service the office and housing uses; and
- The Madison Municipal Building remaining as City offices. However, the proposal does include an option for the Journeyman Group to renovate the Madison Municipal Building for city offices to be concurrent with the Judge Doyle Square development.

The proposed cost of the replacement parking for City's Government East parking facility is \$27.9 million. Journeyman Group proposes to pay \$3.3 million to the City for land acquisition and to receive a tax increment finance (TIF) loan of \$46.73 million from the City.

JDS Development LLC

JDS Development LLC, comprised of the Hammes Company of Madison, WI and Majestic Realty of Los Angeles, CA proposes two options; a \$159.14 million project including the relocation of city offices from the Madison Municipal Building and a \$189.86 million project leaving the Madison Municipal Building as City offices comprised as follows:

- Option 1 – Reuse of the Madison Municipal Building
 - A 308 room hotel (brand yet to be identified) on Block 88 with a 250 room block for Monona Terrace and 10,000 to 15,000 square feet of function space and 15 to 20,000 square feet of restaurant and dining spaces including dining "Food Emporium" at the ground level of the Madison Municipal Building;
 - 315 above and below grade parking spaces on Block 88 to accommodate the hotel and some public parking;
 - A new 80,000 square foot office building replace the City offices in the Madison Municipal Building and a mixed use (residential and/or office tower) on Block 105 with street level retail and a 3,000 square foot bicycle center; and

- 596 parking spaces on Block 105, including 476 above grade parking spaces to replace the City’s Government East parking facility.
 - The proposed cost of the replacement parking for the City’s Government East parking facility is \$27.05 million. JDS Development LLC proposes \$1 for land acquisition and to receive a tax increment finance (TIF) loan of \$16.8 million from the City. The proposed cost of the new 80,000 square foot City office building is \$22.9 million.
- Option 2- Maintain the Madison Municipal Building in City use
 - A 308 room hotel (brand yet to be identified) with a 250 room block for Monona Terrace on Block 88 and 10,000 to 15,000 square feet of function space and reduced restaurant and dining spaces;
 - 536 above and below grade parking spaces on Block 88 to accommodate the hotel and some of the replacement parking for the Government East parking facility;
 - A mixed use (residential, hotel and/or office tower) on Block 105 with street level retail and a 3,000 square foot bicycle center; and
 - 477 parking spaces on Block 105, including some of the replacement parking for the Government East parking facility.
 - The proposed cost of the replacement parking for the City’s Government East parking facility is \$40.15 million. JDS Development LLC proposes \$1 for land acquisition and to receive a tax increment finance (TIF) loan of \$21.22 million from the City.

The Path Forward

The Judge Doyle Square Committee is now in the process of reviewing the RFP submittals in order to recommend prior to year-end a development team to undertake the project. In September 2013, the Committee adopted the developer selection process and timeline. It intends to make a recommendation based on a combination of features and attributes which offer the best overall value to the City. The Committee will determine the potential best overall value by comparing differences in project features, feasibility, and development team attributes, striking the most advantageous balance for achieving the City’s goals for Judge Doyle Square.

This Staff Report is one of the important elements in the analysis of the RFP responses. This report is organized around the fourteen requirements of the RFP organized in three key subject areas:

PROJECT PLAN

(1) the Project Goals found in Section 2 and Project Requirements found in Section 3 of the RFQ; and

(2) RFP Requirements 1, 2, 3, 10.

PROJECT DELIVERY and OPERATIONS

(1) Development phase plan (RFP Requirements 8, 9, 11, 12, 13); and

(2) Operating phase (RFP Requirements 4, 5, 6, 7).

FINANCING

(RFP Requirement 14)

The Staff Report will assist decision makers in determining the degree to which each team’s project plan excels in achieving the City’s goals, the degree to which each team has demonstrated a superior delivery and operating plan and the degree to which each team has demonstrated the feasibility of its financing approach including a cost effective and efficient use of City resources.

Project Plan

Section 1: Project Goals, Requirements, and Design

The Judge Doyle Square Request for Proposals expressed the community’s desire for a transformative destination development on two blocks of Downtown that include the Madison Municipal Building and the Government East parking garage. The project goals and requirements emphasize:

- A mix of uses with the synergy unlock the economic development potential of Judge Doyle Square, support the Downtown and enliven the area
- High quality urban design that respects the Madison Municipal building, relates to the existing context, and creates strong axial links between the elements of an emerging events and entertainment district
- Support for alternative modes of transportation

Currently these two blocks and their structures are in need of rehabilitation and reinvestment. Making such investment now reinforces the goals and aspirations of the Comprehensive Plan, the recently adopted Downtown Plan and the South Capitol Transit Oriented Development District study which is currently underway. These planning efforts articulate the community’s visions for an attractive, active, and economically viable city center.

Research from the Urban Land Institute¹, an international nonprofit that promotes real estate development best practices, shows that successful districts emerge from a synergy of uses that generate, induce, and extend activity. Successful districts offer unique experiences which evolve organically through preservation or adaptive reuse of historic buildings and support for local businesses and culture; authentic districts are not overly formulaic. Activity generators are the anchors of a district that draw large numbers of people to an area at the same time. Around Judge Doyle Square anchors include the Monona Terrace (generates convention and community event activity), the State Capitol (generates civic activity and heritage tourism), the Majestic Theater (generates concert and entertainment activity). Activity extenders are the complementary uses that cause visitors to come early or stay late and spend more money in the district, such as restaurants or retail; farmers market visitors might shop at the

¹ <http://www.uli.org/online-learning/webinar-a-look-at-creative-placemaking-station-north-arts-entertainment-district-baltimore-md/>
Beyard, Michael. *Developing Urban Entertainment Districts*. ULI. 1998

cookware store on King St. or Majestic visitors might meet up early for dinner at the Merchant. Activity inducers are the niche or specialty retailers or venues that become a destination in their own right or are synonymous with the district.

The rich employment and dense residential nature of the area coupled with the varied anchors provides the opportunity for new development to appeal to many different destination itineraries. The combination of design, organization of new land uses and preservation of the Madison Municipal Building will influence the extent to which these factors working in tandem will have the desired effect of fully unlocking the development potential of the area.

Project Requirements

Both proposers include the requisite features (hotel block for Monona Terrace, a bike center, parking), a similar mix of uses (hotel, retail, restaurant, entertainment, office space), and compatible densities to maximize the development potential of the site. The most significant way in which the proposals differ involves the treatment and use of the Madison Municipal Building (see section 3). How the proposals understand and interpret the project requirements through their design concepts further distinguishes the proposals. It is these distinctions that will determine which project is more likely to achieve the desired impact of the RFP goals.

While each proposal satisfies the project requirements, there is substantial variation in how the proposers combine the requirements to maximally attain the project goals, particularly with regard to the synergy of uses, the district linkages and axes, support for alternative modes of transportation and design. A summary table below and a more detailed explanation of City staff’s comparative analysis of the proposals follows.

Summary of Project Requirements and Detailed Project Concept

A summary table (page 10) attempts to provide an objective comparison of the degree to which the projects respond to both quantitative and qualitative aspects of the project goals and requirements relative to each other. The following symbols indicate the relative differences between the projects:

Summary of Staff Findings

Journeyman. While the Journeyman proposal included a greater level of detail about elements requested in the project goals and requirements, the overall design of the project was uninspiring and it is unclear how the project will fully unlock the development potential of the area. The project preserves the Madison Municipal Building as City offices (the City’s preferred alternative), but it has a weak relationship to the existing landmark. It lacks a good direct link through the adjoining proposed hotel and the new structure appears to turn its back on the MMB. The path forward for the Journeyman proposal would involve significant redesign of the project to achieve the project goals. In particular, the proposal would need to substantially improve the relationship of the hotel to the Madison Municipal Building and the surrounding context. The applicant and the City would need to determine whether this is a feasible path forward. What priority are the design and urban planning considerations for the community? Is it feasible for the applicant to redesign the project to the extent that City staff believes necessary to achieve the project goals?

JDS Scheme 1. This proposal represents an exceptional design that presents a promising alternative to the preferred path articulated in the RFP. The proposal preserves the Madison Municipal Building through adaptive reuse as a hotel. While this preservation path is possible under the Secretary of the Interior’s standards for historic preservation, the proposal would be subject to restrictive covenants to ensure landmark’s status. For example, retention and repair (not replacement) of elements that articulate the building’s architectural and historic significance would be required, such as retention of Judge Doyle’s Courtroom and repair (not replacement) of the existing windows. Adaptive reuse of the MMB as a hotel makes a stronger connection between Monona Terrace and the burgeoning events district. The renderings illustrate a new building with a strong relationship to the existing landmark through materials, form, streetscape, and inclusion of a direct and prominent connection through Block 88. This proposal

achieves the design and urban planning objectives of the RFP, and with restrictive covenants to protect the features of architectural and historical significance of the MMB potentially exceeds the criteria. The path forward for this proposal would include alteration of the design per restrictive covenants to protect the landmark status of MMB and a decision from the City whether the design and planning considerations beyond historic preservation are sufficient to warrant the adaptive reuse of the MMB.

JDS Scheme 2. This proposal meets the minimum requirements of the RFP and allowed the proposal team to submit their preferred JDS Scheme 1. Similar to JDS 1, the basic design is superior to the Journeyman proposal and it includes the preservation of MMB which is the preferred alternative of the City expressed in the RFP. This alternative would reinforce MLK and the axis between Monona Terrace and the State Capitol as the Downtown’s civic core. The Downtown Library illustrates the City’s capacity to carry out impressive restoration projects with positive community impacts. If this alternative is chosen, the City would need to establish town hall styled events and programming such as lectures and musical events that make the MMB a more active destination than just city offices to unlock the development potential of the district (staff and budget or a public-private partnership for such programming would need to be identified). The path forward for this proposal is to determine whether the applicant would seriously consider building it and for the City to determine whether it is a financially viable option.

Land Uses

All three proposals include the requisite land uses and required minimums for parking and hotel rooms. Of the three proposals, Journeyman provides the largest quantity of hotel rooms and parking spaces. The differences in the project rest in the design treatment and configuration of uses in relationship to the historic MMB landmark and the broader district context.

Design

The following matrix summarizes the differences between the three proposals.

Project Plan Initial Responses

Plan Design Review Criteria	Journeyman	JDS (Scheme 1)	JDS (Scheme 2)
<p>General Design Comments</p>	<p>Overall project design, especially the hotel, is uninspiring</p> <p>Lacks relationship between MMB and hotel</p> <p>Some elevations are missing in proposal, especially the west elevation of Block 88 & the east elevation of Block 105</p>	<p>An exceptional proposal with an overall project design that is well articulated</p> <p>MMB and Hotel are well integrated; creates strong relationship that defers to and emphasizes the grandeur and significance of the MMB</p> <p>Municipal office entry on Block 105 needs to create “grand”/ modern civic entry significant ground floor presence</p> <p>Program elements include mixed use areas that provide excellent activation of all streets</p>	<p>Overall project design is well articulated</p> <p>Less detail provided for Scheme 2, several façade elevations are missing</p> <p>Plan and elevation seem inconsistent</p> <p>Program elements are vague, particularly the mixed use areas</p>
<p>Architectural Expression & Materials</p>	<p>Hotel entry lacks sense of arrival and is hidden on Wilson Street, next to the loading dock, creating no axial relationship between Pinckney Street or Monona Terrace. The loading dock faces the main entrance of the Hilton across the street and diminishes its sense of arrival and connection to the larger context as well.</p> <p>Blk 88 design seems to be a two sided building, the Doty and MLK facades have been given very little detail or architectural presence</p> <p>Blk 105 seems to be well detailed on all 4 facades (unsure about the eastern side, elevation missing)</p> <p>Major components of Hotel architecture do not seem to create a clear overall design composition</p> <p>Materials details needed</p>	<p>Visually interesting composition</p> <p>Hotel tower placement makes strong statement that respects the MMB</p> <p>Classical architectural approach respects MMB</p> <p>Curved top of office building on Block 105 provides good variation in building form</p> <p>Materials details needed</p> <p>Hotel lobby creates nice axial relationship between new municipal offices and the City & County Building; will activate the hotel lobby and encourage gathering; minimizes walk time between government offices and provides protected path during inclement weather</p>	<p>Hotel tower placed in middle of block</p> <p>Classic architectural approach works well with MMB</p> <p>Curved top of office building provides good variation in building form</p> <p>Unsure how/what materials are applied to various facades</p>

Plan Design Review Criteria	Journeyman	JDS (Scheme 1)	JDS (Scheme 2)
Engaging Pedestrian Environment	<p>Pinckney Street facades are very tight and create a “canyon” like streetscape. (62.5’ wide and 11 stories tall)</p> <p>Pedestrian corners on Block 88 should be activated</p> <p>Doty street frontage of Blk 88 is dedicated primarily to service/back of house. Un-activated façade that creates a “dead” space for over half the block</p>	<p>Clearly articulated points of arrival/entry for various components of the project</p> <p>Project activates each pedestrian corner and mid-block Pinckney St.</p> <p>Focal points, terraced seating areas, formal landscape design activates MLK well and improves MMB approach</p> <p>Superior activation, well conceived and functional organization of all street facades</p>	<p>Pinckney Street facades are very tight and create a “canyon” like streetscape.</p> <p>Good arrival for various components of the project</p> <p>Project activates each pedestrian corner and mid-block Pinckney St.</p> <p>Shorter office building less looming over Pinckney</p>
Project Massing & Shadow	<p>Hotel separation from MMB allows transition from different scale of structures, though lacks thoughtful composition; no relationship between MMB and hotel at building seams</p> <p>Blk 105 massing is generally successful</p> <p>Stepbacks on Pinckney St. facades would reduce “canyon” effect on relatively narrow street</p>	<p>Excellent use of subordinate volumes to break up mass of building and create interesting public gathering areas</p> <p>Middle of the block placement minimizes shadows and canyon effects</p> <p>Pinckney street section is successful</p> <p>Positive visual termination of rooftops</p>	<p>Massing generally appropriate, although increased mass of hotel on Pinckney Street is less graceful than in Scheme 1 approach. The height of the hotel wings make for a less interesting massing</p> <p>Variety in building massing, but stepbacks on Pinckney St. facades would reduce “canyon” effect on relatively narrow street</p> <p>Positive visual termination of rooftops</p>
Internal Program as Expressed to Exterior	<p>Structured Parking in Blk 105 seems to be well integrated with general architectural design</p> <p>Bike center on Doty somewhat hidden</p>	<p>Structured Parking seems to be well integrated with general architectural design</p> <p>Street side exposure of structured parking at mid-elevations creates dead zones in façade/no ambient light, noise, sense of life from above</p> <p>Location of food emporium needs to be clarified (is basement space boh)</p>	<p>Hotel floorplate would be more successful if tower was integrated with MMB similar to Scheme 1</p> <p>Block 105 has less street side exposure of structured parking at mid-elevations</p> <p>Block 88 has a lot of street side exposure of structured parking at mid-elevations that create dead zones in façade/no ambient light, noise, sense of life from above.</p>

Plan Design Review Criteria	Journeyman	JDS (Scheme 1)	JDS (Scheme 2)
Project Relationship to Landmarks	<p>Project does not address relationship to Fess Hotel Building (Great Dane)</p> <p>Hotel components show little relation to architectural elements of MMB</p> <p>The hotel tower is separated from MMB but lacks any relationship particularly at the seams</p> <p>No relationship between hotel and Monona Terrace</p>	<p>Hotel details and rhythm reinforce the formal, classical architecture of the MMB</p> <p>Formal landscaped areas compliment the architecture and provide a sense of gravitas in exterior spaces</p> <p>Reuse of MMB as hotel creates a unique heritage tourism destination; however, removal of Judge Doyle Courtroom is unacceptable as it is one of the key historical features of the building and must be retained</p> <p>Relationship to Fess Hotel Building (Great Dane) is unclear</p> <p>Project integrates well with MMB and enlivens approach to Monona Terrace</p>	<p>Project does not address relationship to Fess Hotel Building (Great Dane)</p> <p>Unsure how hotel relates to MMB, little architectural detail given</p> <p>No relationship between hotel and Monona Terrace</p>
Relationship to Surrounding Character	<p>Transition of tower along Doty Street in relationship to the Fess Hotel Building is abrupt</p> <p>Length of towers parallel along E Wilson Street with little relief or stepback may cause a difficult transition with smaller buildings across the street</p> <p>Proposal doesn't address the relationship between the parking garage to the existing restaurant (Tempest) and apartment Building on E Wilson Street</p>	<p>Placement of the bulk of hotel tower at the center of the block with a stepped down massing towards E Wilson Street creates careful transition to smaller buildings across the street and defers to MMB</p> <p>Well thought out details activate public gathering spaces atop and surrounding building; landscaped areas around MMB soften the urban environment</p> <p>Entry canopies clearly articulate building access points</p> <p>Transition of tower along Doty Street in relationship to the Fess Hotel building is abrupt</p> <p>Proposal doesn't address the relationship between the parking garage to the existing restaurant (Tempest) and apartment Building on East Wilson Street</p>	<p>Transition of tower along Doty Street in relationship to the Fess Hotel Building is abrupt</p> <p>Although the hotel massing is pushed higher towards E Wilson street, the slimmer profile of the hotel wings may seem appropriate for the transition across the street to the smaller buildings</p> <p>Proposal doesn't address the relationship between the parking garage to the existing restaurant (Tempest) and apartment building on East Wilson Street</p>
Compliance with Downtown Plan and Downtown Urban Design Guidelines*	<p>Generally consistent with the recommendations in the Downtown Plan</p> <p>Except as cited in above sections, the project seems generally consistent with the Downtown Urban Design Guidelines given the level of detail provided in the submissions</p>	<p>Expresses the spirit and intent of the recommendations in the Downtown Plan</p> <p>Except as cited in above sections, the project seems generally consistent with the Downtown Urban Design Guidelines given the level of detail provided in the submissions</p>	<p>Generally consistent with the recommendations in the Downtown Plan</p> <p>Except as cited in above sections, the project seems generally consistent with the Downtown Urban Design Guidelines given the level of detail provided in the submissions</p>

Synergy of Uses

Journeyman

The Journeyman team acquired three letters of interest from well-known, local businesses that would provide live entertainment, restaurant and cycling uses to augment the emerging events and entertainment district. As successful, local businesses with brand recognition, their potential to anchor the district is compelling and bodes well for the organic, authentic and local/uniquely Madison evolution of the space.

The configuration of the spaces, however, lacks cohesion and synergy. The uses are clustered by the respective functions, rather than mixed in a way that generates positive tension between uses. This clustering effect means that the spaces may enjoy activity at certain times of day or days of the week, but may not produce the more “around the clock” activity that is an essential component of an entertainment/events district. For example, MLK between Doty will lack activation in the evening and on weekends due to the clustering of civic uses. The east side of Pinckney will have no activity outside of retail hours of operation. Of possible locations, the bike center is located furthest from the access to the Monona Terrace bike elevator. If the proposal proceeds, there should careful consideration of the configuration of the site to encourage pedestrian activity and the unplanned ambling resulting from good layout and positive tension between uses. In order to activate the MLK façade in a more substantial way that helps unlock the development potential of the district, the City would need to program the MMB with town hall style events (that are more appealing than an average public meeting; such as lectures, musical events, etc. – see Town Hall Seattle for a good example: <http://townhallseattle.org/>). Such programming would likely require significant capital and human resources not currently anticipated in the city’s budget or a department’s operational responsibilities; consideration should be given to a partnership between the City and a nonprofit administrator of such a program.

Comparison of Responses	Journeyman	JDS 1	JDS 2
Land uses	○	○	○
Hotel rooms (quantity)	●	○	○
Hotel block	○	○	○
Mix of uses, at-grade retail or restaurant (on Wislon, Doty and Pinckney)	○	●	○
Overall design	○	●	○
Architectural expression and materials	○	●	●
Project massing and shadow	○	●	○
Internal program as expressed to exterior	○	○	○
Project relationship to landmarks	○	●	●
Relationship to surrounding character	○	●	○
Madison Municipal Building	○	○	●
Retain MMB as City offices (City preference)	●	○	●
Integration/treatment of MMB in overall proposal	○	●	○
Support for alternative modes	○	●	○
Parking (quantity of spaces and configuration of ingress/egress)	○	○	○
Bike Center	○	○	○
Engaging Pedestrian environment and site landscaping/streetscape	○	●	○
Synergy of uses	○	●	○
District linkages and axes	○	●	○

- High
- Moderate
- Low

JDS Scheme 1

The proposal indicates that negotiations with potential users are confidential, no letters of interest were provided. More detail is needed.

Conceptually, the plan includes a “Food Emporium” and references Todd English’s Food Hall in the Plaza Hotel (www.theplazany.com/dining/foodhall/) as a model. Another model for the “Food Emporium” is a new Denver venture amidst an industrial area northeast of downtown called The Source: www.denverpost.com/food/ci_24001068/denver-venture-source-collects-artisans-foodies-under-one. If this proposed use reaches such a high plateau, then it could have a significant impact on the district. Such a restaurant/retail food destination could serve a variety of itineraries from people seeking a sit-down dining experience, to an office worker looking for good food on the go (who would have otherwise skipped a meal) or a hotel guest looking for a unique gift for a loved one. With our proximity to rural farms, concentration of local food businesses, and density of local dining options, the Food Emporium could appeal to a customer seeking a gift of food and it could become a retailer for local/Wisconsin farm products, something that could boost tourism related sales and reinforce Madison as a destination for “foodies”. Done right, this “European style market” concept holds much potential to function as a unique, niche business that provides another anchor and activity generator for the district, and complement the restaurants on Capitol Square and Pinckney.

The configuration of the uses is such that it creates nodes that straddle the various district axes. It is appealing that this configuration creates a positive tension between the uses, encourages ambling and distributes the uses so as to maintain “around the clock” activity. The government offices anchor the opposing ends of the axis through the hotel on Block 88, which maintains activity on MLK after 4:30 pm and on weekends. The sprinkling of retail and restaurants ensures that businesses with different primary hours of operation are distributed so that no block of facades feels lifeless during certain times of day. There is a nice sense of procession from the Wellness Center/Bike Center node at the bottom of Pinckney to Capitol Square via the mix of hotel, office, retail, residential, and restaurant uses that straddle the street.

JDS Scheme 2

The proposal indicates that negotiations with potential users are confidential. More detail is needed. The proposal maintains a good configuration of uses, but to a lesser degree of impact than JDS Scheme 1 and with the same obligations for the City as the Journeyman proposal.

District Linkages & Axes

Journeyman

The configuration of the uses lacks cohesion and does not create discernible axial relationships between the variety of uses in the proposal or in the larger district context. There is little relationship of new construction to existing buildings, especially between the hotel and the MMB.

- Along Doty Street, the service and loading area of the hotel creates a dead space that diminishes the pedestrian experience at street level as the hotel turns its back on the MMB. The façade of Block 105 is equally void of activity. The parking entry (with excessively large curb cuts that diminish the pedestrian experience), bike center and apartment entry comprise the vast majority of this frontage and does little to reinforce the entertainment district activities.
- With retail storefronts comprising the entirety of Block 105’s Pinckney façade, this block will have very little activation after retail hours of operation. The proposal provides no connection through Block 88 to connect the MMB with the Pinckney St. axis.
- The proposal results in no net change in the activation of MLK; the City would need to do much to alter the status quo, lackluster sense of arrival and linkage between Monona Terrace and the State Capitol through programming of the space that would require resources not currently anticipated in the budget, as mentioned above.
- The main hotel entry on Block 88 along the heavily-travelled Wilson St next to the loading area and structured parking ingress/egress provides no sense of arrival or connection to the Pinckney St axis. The street level activity would be dominated by automobile movements that diminish the pedestrian experience at street level and create a barrier rather than a seam between Monona Terrace and the Pinckney St axis. Furthermore, the placement of the loading dock egress in diametric opposition to the Hilton’s main entrance further diminishes the cohesion of the larger district context.

JDS Scheme 1

The JDS proposal provides context-sensitive consideration of the formal/primary, important/secondary and informal/tertiary axes and paths necessary to create a cohesive network that links uses and supports exploration of the South Capitol district. The configuration of uses, especially the use of the MMB as a hotel, creates a strong relationship between the Monona Terrace, the historic MMB building and the State Capitol.

- The hotel, formal landscaping and public gathering spaces activate MLK and increase “round the clock” activity along this street, rather than the current government uses which is typically inactive after 4:30 p.m. weekdays and on weekends, except during special events. However, this proposal would alter the sense of civic core; that sense would only be preserved in retained and repaired physical features of architectural and historic significance in the MMB.
- The connections through Block 88 unite the overall development scheme by engaging pedestrians on all street frontages, activating all four facades, providing protected passage in all cardinal directions during inclement weather, drawing visitors and passersby into the space (where they may spend money at retail/dining options therein), and linking the formal MLK axis with the activity of the Pinckney Street axis.
- The configuration of retail spaces vis a vis a unique Food Emporium creates a retail node through which visitors will pass as they are drawn between Monona Terrace, the Emporium, Capitol Square and the Majestic.
- The location of the bike center across from the hotel’s wellness center creates a health node that terminates the Pinckney St axis and best connects cyclists/alternative mode users to Wilson Street’s transit and the Monona Terrace bike elevator.

JDS Scheme 2

The district linkages and axes are similar to JDS 1 providing for an enhanced pedestrian experience compared to the Journeyman proposal, but with a lesser degree of impact than JDS 1. The proposal results in no net change in the activation of MLK, without extensive public programming that is not anticipated in the City’s budget or the operations of a particular department.

Alternative Mode Access

Journeyman

The bike center occupies the frontage on Doty of Block 105. Of the potential siting options, this one is least compatible with the goal of unlocking the district’s economic development potential as it occupies space that is better suited to retail/restaurant/entertainment uses and it is furthest from transit and bike trail access provided by Wilson St and the Monona Terrace bike elevator respectively. The potential to be operated by a local bicycle manufacturer with national brand recognition is compelling. The streetscape and orientation of uses make for the least inviting pedestrian experience of the three proposals.

JDS Scheme 1

The bike center is ideally located to serve office commuters, connect to high frequency transit on Wilson (which will likely increase following the implementation of South Capitol Transit Oriented Development study and the Transportation Master Plan recommendations) and connect to the Monona Terrace bike elevator. The management plan for the bike center is conservative which is realistic in the near term. It leaves options open for the city to explore interesting and unique operation possibilities, perhaps something grassroots like the One on One Bike shop/café in Minneapolis that could have the added impact of reinforcing the desired entertainment district vibe. This proposal also provides the most inviting pedestrian realm.

JDS Scheme 2

Same as JDS Scheme 1, though with a slightly diminished pedestrian experience at street level.

Section 2: Madison Municipal Building

As stated in the Request for Qualifications and the Request for Proposals, it is the preference of the City of Madison to continue City ownership of the Madison Municipal Building and its operation as City offices, unless an exceptional proposal includes an alternate purpose for MMB with new City offices within blocks 88/105 or an equivalent distance from the City-County Building (RFQ, pg. 13). Because of this stated preference in the RFQ and RFP, the City of Madison contracted with Isthmus Architecture, Inc. to develop a Madison Municipal Building Conceptual Schematic Design Study, a copy of the report is available www.cityofmadison/planning/judgedoylesquare/gallery/.

The study was initiated to assess the Madison Municipal Building in terms of historical significance and better understand how the City would undertake a sustainable re-use and rehabilitation of the building. The study also identified the programming needs and established estimated costs for a comprehensive rehabilitation. In addition, the study will help inform the Judge Doyle Square development project currently under consideration by the City.

History

John Nolen’s visionary plan of 1911 for the City of Madison stipulated a strong “organic relation between the new Capitol (building) and Lake Monona.” He stated that the six blocks southeast of the Capitol Square, between Main Street and Lake Monona, “should be secured ... as sites for other public buildings.”

In 1913, The Federal Public Buildings Act authorized the construction of a large number of federal public buildings. The United States Post Office and Federal Courthouse, the previous name of the Madison Municipal Building, was designed as a first class, subclass B, building, stating: “The building exemplifies the image the federal government sought to project to the public.”

In 1927, the Madison Common Council formally adopted the following:

“resolved, that whereas it is deemed desirable to establish a civic center so that all public buildings may be grouped for greater convenience of the public and the improvement of the beauty of the city, and whereas it is the sense of the common council of the City of Madison that said civic center should be established on Monona Ave., now therefore be it resolved that said Monona Ave. is and it is hereby designated by the City of Madison as a civic center.”

Construction started on the building in 1927 and was completed in 1929.

In 1979, under Mayor Paul Soglin, the City of Madison bought the building. The federal court operations moved to new facilities while the post office remained, sharing the space with city offices and remains to this day at this location.

Madison Municipal Building as a place of city government is important not only because of its architectural significance but because of this *historical* significance. Any rehabilitation of the Madison Municipal Building should respect the historical significance of the existing structure while providing for a modern interior environment thereby meeting the needs of a functional public building. The final result could be an outstanding example of long-term civic vision and sustainability for the City of Madison for years to come.

Historical Designations

Federal:

National Register of Historic Places, authorized under the National Historic Preservation Act of 1966. Listed: 11/27/2002

State:

Wisconsin State Register of Historic Places, authorized by the Wisconsin State Legislature is the State’s official list of cultural resources worthy of preservation. The Wisconsin State Register is administered by the Wisconsin Historical Society (Certification Date – July 19, 2002). Listed: 07/19/2002

City:

The building is listed in the City of Madison Landmarks Registry. Designated October 15, 2002.

Request for Qualifications and Request for Proposals

In the RFQ, the City took the position to maintain the Madison Municipal Building for City ownership. The City indicated that a proposal that chooses to utilize the MMB for some other purpose would not automatically be disqualified. Such a proposal would have to be an *exceptional* proposal to change the City’s preference to remain in the MMB. Considered solely within the context of the MMB, an exceptional proposal would be one that achieves the Secretary of the Interior’s standards to a high degree. With that in mind the proposals provide two paths to that outcome:

Path 1: MMB preserved, retained as city offices

- City preserves and repairs features of historical and architectural significance.
- The Journeyman team significantly redesigns proposal to respect MMB or the JDS team works out unclear details of their JDS Scheme 2 proposal.
- To unlock development potential of the district, the City must identify staff and financial resources to program the space with interesting civic events (more than just typical public meetings).
- Maintain building as city office space and post office, a higher level of preservation than adaptive reuse.

Path 2: MMB preserved without city offices

- City and SHPO establish the restrictive covenants that would prescribe the extent of historical or architecturally significant features to be retained/ repaired required to preserve MMB after sale.
- The JDS team implements their Scheme 1 with restrictive covenants.

- Details of Post Office retention or relocation would need to be determined.
- Reuse building as a hotel and associated uses.

As stated in the RFQ, the City reiterates in the RFP its desire to maintain the Madison Municipal Building in City ownership. An addendum was issued to the RFP, indicating that responses *must* include a proposal that maintains MMB for City offices. In addition, the response *may* include an alternative proposal that involves using all of the MMB and relocating City offices/meeting space.

- ✓ A major decision for the Judge Doyle Square Ad-Hoc Committee and Members of the Common Council will be to decide if the use of MMB for another purpose other than City Offices, meets the spirit of an exceptional proposal to the point where the City will change its desire to stay in MMB.

The Madison Municipal Building is on the National Register of Historic Places and is a City of Madison designated landmark. Any construction on Block 88 must be designed and constructed in a way that preserves the architectural significance of this National Register building, as approved in writing by the State Historic Preservation Officer (SHPO). This means that an exceptional proposal that includes reuse of MMB as something other than a civic structure would need to include a restrictive covenant due to the transfer of a municipally-owned, National Register listed property, and local landmark to a different owner. Some of the key items that may be part of the restrictive covenant include the following:

- Retention and restoration of Judge Doyle’s Courtroom
- Repair versus replacement of the historical or architecturally significant features of the building, such as windows
- Additions must be subordinate and not cover facades or diminish sightlines to the historic structure
- Main post office front entrance hall may be considered a historic space that would need to be retained and restored
- Infilling openings (windows or doors) or creation of new openings will be highly scrutinized

Though the above items are not an exhaustive list of what may be required, an exceptional proposal should consider the cost and programmatic implications associated with a restrictive covenant.

- ✓ The Judge Doyle Square Ad-Hoc Committee and Members of the Common Council should direct City staff to work with the SHPO and National Trust to determine the extent of features requiring retention and repair to meet the high standards of historic preservation that this project will require.

In the RFQ and RFP, the City encourages the proposer to include an at grade connection from the mid-block entrance to MMB on Martin Luther King Jr. Boulevard through the MMB to the private development.

- ✓ The Judge Doyle Square Ad-Hoc Committee and Members of the Common Council should determine whether this connection is as essential as City staff believes it to be to help unlock the development potential of the broader district and reinforce connections that are particularly important for pedestrian convenience, ease and comfort during inclement weather. The Judge Doyle Square Ad-Hoc Committee and Members of the Common Council should provide a recommendation so that the developers and staff can work together to develop an agreed upon solution, if needed.

The City may be interested in the shared use of meeting rooms/spaces developed within the hotel portion of the site.

- ✓ This item was only discussed briefly in some of the proposals and could be negotiated later as part of the final development agreements.

The loading dock area for MMB will most likely be removed and/or renovated. Interface between the preserved portions of the MMB and new construction on Block 88 are essential to the historic preservation, design, and pedestrian friendliness goals of the RFP. The proposals need to describe how this proposed interface between the public MMB and the private uses will be designed.

- ✓ This item will need to be further investigated in future design phases.

Preliminary Cost Estimates

The estimated probable cost of the rehabilitation of MMB is projected to be \$25,920,000. Considering the very preliminary work that has been done thus far in terms of designing a renovated MMB, this level of budget is appropriate and the City would work to bring the project in under budget.

All of the proposals in one way or another suggest that the developer can either remodel the Madison Municipal Building or build-out a “grey box” space on Block 105 for less than the City’s current estimate of \$25,920,000. However there are several issues with this statement. First of all, none of the proposals fully understand the City’s needs for a remodeled MMB or a newly build-out “grey box.” In addition, the current funding level includes additional costs that the proposals may not be considering such as furniture, fixtures and equipment (FFE), move costs, costs to digitize documents and store off-site, cost for a percentage of the lease payment for temporary space, and the build-out of City Channel in CCB. All of these factors were considered when the City developed its preliminary budget.

A rehabilitation of MMB would be an excellent candidate for historic tax credit incentives. Based upon these early concepts, the credit could be considerable, especially since the Wisconsin legislature recently enacted an increase in the state historic tax credit to 20 percent.

Developers Proposals Evaluated

Issue	Journeyman	JDS #1	JDS #2
Madison Municipal Building as a part of the hotel development	MMB maintained as City Offices. **They do include an alternative to do the renovation for the City. See Costs**	MMB would be part of hotel including reception, administrative offices, and food emporium. City Offices would be required to move off of Block 88.	MMB maintained as City offices
Connection through MMB	No walk through connection for public but does have a connection through loading dock and parking garage and from second floor (though details of this connection are not provided). **Further studies/design for connection from Block 88 development to the MMB will need to be done.**	A connection through main lobby to Pinckney Lobby. Details on how connection would be designed are minimal.	A connection through main lobby to Pinckney Lobby. Details on how connection would be designed are minimal.
Loading Dock	Shared loading area with access drive between MMB and Block 88 Development. Questions about how loading area affects MMB and context. More detailed design work needed.	Loading dock on Block 105 for City Offices.	Unclear how loading on Block 88 would be shared.
Post Office	Decision regarding Post Office is with the City.	Assumption that Post Office moves – unclear to where.	Decision regarding Post Office is with the City.
MMB – National Register of Historic Places and City Landmark	The height, massing and design of the hotel on Block 88 are a concern with regard to the MMB, a National Register and local landmark building. The reuse of MMB as a civic use (city offices and post office) retains elements that contribute to the historical significance of the building. **Renovation of MMB would be a City project for City use and would meet all the requirements for a high quality historic restoration and re-use.**	This option presents a creative design that could maintain the historical and architectural significance of the building in physical form (but not in use); it provides access through MMB to the hotel and Block 105; builds massing on Block 88 in a way that greatly reduces the impact on MMB. A preservation path is possible, though MMB would no longer be a civic building. A restrictive covenant would be required to retain/repair the features of historical and architectural significance. It could meet the requirements for a high quality historic restoration though to a lesser degree than maintaining the current use.	This option presents a creative design that would maintain the historical significance of the building, provide access through MMB to the hotel and Block 105, and builds massing on the Block 88 in a way that greatly reduces the impact on MMB. Renovation of MMB would be a City project for City use and would meet all the requirements for a high quality historic restoration and re-use.
Parking for Municipal Use	Underground parking for 40 city fleet vehicles in Block 88.	40 spots on block 105 below new city office building.	Does not specifically say – assuming on Block 88.
Phasing	Demolition of loading dock and annex by 9/14 – Parking for City vehicles by 10/15.	Shows phasing with no timeline.	Shows phasing with no timeline.

Issue	Journeyman	JDS #1	JDS #2
Costs	<p>Renovation of MMB financed and managed by the City.</p> <p>**OPTIONAL - Developer renovates MMB through the formation of a partnership – including City leasing MMB to Journeyman for \$1 per year for 40 years, Developer funds renovation – City leases temporary space in Block 105 for 24 months, no property tax payment for MMB.**</p> <p>**The budget for this option is questionable as the developers have little knowledge about the condition of MMB, the City needs, and the other costs associated with this project including, Design Fees, other Soft Costs, Construction, FFE, Move Costs, Lease for Temporary Space, remodel CCB for City Channel, and scanning and off-site storage of files. Also, there may be issues with public works requirements and state-mandated levy limits. There may be questions regarding how plans and specs are developed and how construction of MMB would be managed.**</p>	<p>Proposal indicates there will be a savings – in offices for the City on Block 105, compared to costs to renovation MMB.</p> <p>**Budget numbers provided by developer are not detailed enough to understand if all elements of project are included. The details of a restrictive covenant were not provided in the RFP (and the extent to which MMB features would need to be retained/repared). It is unclear if all costs are included such as Design Fees, other Soft Costs, Construction, FFE, Move Costs, Lease for Temporary Space, remodel CCB for City Channel, and scanning and off-site storage of files. **</p> <p>**They are proposing to not only provide a grey box for the City, but to build it out for the City. There may be an issue with public works requirements and questions regarding how plans and specs are developed – and how construction of MMB would be managed.**</p>	<p>Renovation of MMB could be financed and managed by the City.</p> <p>**However proposal indicates the developer will do the work for \$25.92 million but it is unclear if this includes all project costs including Design Fees, other Soft Costs, Construction, FFE, Move Costs, Lease for Temporary Space, remodel CCB for City Channel, and scanning and off-site storage of files **</p> <p>**There may be an issue with public works requirements and questions regarding how plans and specs are developed – and how construction of MMB would be managed.**</p>

Section 3: Operations – Hotel Room Block

One of the major components of the Judge Doyle Square initiative is to build another hotel that will provide an additional hotel room block for Madison's Monona Terrace Community and Convention Center. Monona Terrace was built in 1997 and the adjoining 240 room Hilton Hotel opened in 2001. As part of this development, the Hilton agreed to provide Monona Terrace a 150 room block for conferences and conventions.

Conferences and conventions are a critical component of Monona Terrace's annual revenue. By definition, conferences are any event that generates between 50-150 room nights at peak and up to 499 room nights in total. Conventions defined are events that generate 151 room nights or more at peak and 500 or more room nights. These events, while representing only 10% of the total events held at Monona Terrace annually, generate 50% of the total revenue stream.

While Hilton provides 150 rooms for these types of events, in 2012 the average size room block required for the 65 conventions and conferences hosted at Monona Terrace were 300. The overflow was "pushed" to the Sheraton, while the Hyatt Place, Concourse or Inn on the Park (the only other hotel within 1200 feet of Monona Terrace) collected the rest of attendees.

The Hilton is one of the, if not the top performing, hotels in the City of Madison. According to HVS, Hilton's occupancy in 2012 was 82%, with a top rate of \$150 per night. These performance numbers are clearly superior to the rest of the marketplace. Additionally with an 82% occupancy, the hotel has little room for growth in regards to occupancy so that will continue to push the rate higher.

The Greater Madison Convention and Visitors Bureau track annual lost business. As a result of lost business citing "lack of quality and quantity of hotel rooms" the City in 2008 commissioned Hunden Strategic Partners to complete a feasibility study for an additional hotel to support Monona Terrace operations. Hunden concluded that in order to maximize the community's investment in Monona Terrace, a 400 room full service hotel be built within 1200 feet of the facility.

The study noted that the lack of quality, full service hotel rooms adjacent to Monona Terrace limits the facility's growth, stating "Madison would profit from a new full-service hotel within walking distance of the convention center." It also noted that Madison's current convention hotel package does not measure up to the basic needs of planners or Madison's competitors.

The Greater Madison Convention and Visitors Bureau Lost Business report notes a lack of quality and quantity room block as the largest single controllable reason

for lost business. From 2008-2010, Monona Terrace lost leads due to a lack of hotel rooms cost Monona Terrace almost \$2 million in facility revenue and the city over \$23 million dollars in direct spending.

Meeting planners expect a destination with several large hotels so they can put their attendees in as few hotels as possible. In addition, meeting planners generally require a destination with adequate hotel room blocks with a walking distance of the facility. While Monona Terrace can comfortably hold events with 800-1,500 attendees, the room block for this number of people requires multiple hotels, and shuttles which requires additional expense incurred by the group. In short, the room block that currently supports Monona Terrace will not allow for the facility to maximize its capabilities.

With the advent of the Judge Doyle Square project, the City also contracted with Johnson Consulting to complete a hotel study after "the Great Recession." The City was interested in determining if the market had changed as a result of market conditions. Johnson Consulting confirmed the previous study noting that a 250 room block would help to host larger and more frequent conventions and compete with other cities regionally and nationally.

In regards to Judge Doyle Square, it should be noted that a typical contractual relationship between convention centers and headquarter hotels usually commits 80% of all available rooms to the room block. It also provides language for "sun setting" of the agreement at some point into the future which would allow the hotel to place those rooms on the market within an adequate time frame to sell the rooms on the open market. In the case of Journeyman and JDS both have a quantity of rooms based on the typical formula to provide a room block of 250 rooms.

RFP Requirement: A description of the hotel room block for Monona Terrace and the key provisions of the room set-aside, including any impact of the phasing of the hotel on the room block availability. The 250 room block is essential for the new hotel to induce demand for the market and the RFP response must specifically state how the minimum 250 room block will be provided and whether there is any phasing involved.

Journeyman Group Response: The Hotel Operator will be able to reserve 250 guest rooms with the Hotel for Required Room Block Days for use by Meeting and Event Planners. Room Block Requests must be submitted in writing with supporting documentation including the history of the group's room block events over the past two years. If behavioral problems have been experienced during that time frame, Hotelier reserves the right to refuse the block. In addition, if

the history reflects an attrition rate less than 80% the hotel reserves the right to modify the request.

The Hotel will respond to the Room Block Request within five business days, provided that certain reasonable Hotel requirements are met. Each Room Block Commitment will include single and double occupancy rates for the Event. A provision will be included that permits the Hotel Operator to increase the rate by up to eight percent per year in order to take advantage of rising rates in the market place.

There is also a 60 day expiration clause to contract with the event planner as well as provisions for rate change without penalty but requiring a new Room Block Commitment form. No discussion of room rates are discussed with the exception of implied market or Event Planner agreed upon Room Block Rates.

JDS Response: The Greater Madison Convention and Visitors Bureau is guaranteed blocks of 250 rooms at a rate determined by the Hotel. The hotel collects all room block proposals from the Greater Madison Convention and Visitors Bureau (GMCVB). The GMCVB will notify Hotel as soon as a client has selected Madison and begun the contract process.

The proposal sunsets the clause beginning 24 months out, up until that point the GMCVB is guaranteed the full 250 rooms. From 18-24 months out, the GMCVB pending proposals are first option. Should hotel business arise, the hotel will give GMCVB ample time to book the business. If unable to book, the GMCVB will agree to reduce or release proposed block to accommodate Hotel business. Under 24 months, the Hotel agrees to provide monthly updated calendar showing room availability.

From 12-18 months out, the Hotel and GMCVB will maintain ongoing communication regarding pending proposals and reasonable deadline to contract business, reduce block or release block. New business is first come, first served.

JDS noted that rates will be negotiated between Hotel and client. Rates are more negotiable the farther out the business is contracted so Hotel is able to re-capture the revenue through yield management efforts.

Recommendation: With the public financing commitment to Judge Doyle Square and the prioritization of the room block as part of this project, it is critically important that the room block agreement provides capacity and rate for groups who are looking at booking Monona Terrace Community and Convention Center. Both developers have agreed to enter into an agreement that provides 250 rooms to Monona Terrace for future group business. It has also been communicated a

formal process for securing and releasing rooms should be developed. The following are room block recommendations for both of the proposed hotels.

Room Block Commitment Agreement (RBC) Terms for a 305 Room Hotel

The required room block commitment is defined in the table below.

Booking Period (the number of months the event is to occur after the date of a room block request)	Hold Period (the number of days the room block offer must in effect)	Commitment Days (the number of days room blocks are committed in any given year)	Room Block Size (the maximum number rooms the hotel may be required to commit on any given day)
12-17	60 days	123 (35% of 365)	150
18-23	200 days	219 (60% of 365)	200
24-36	400 days	237 (65% of 365)	250
37+	500 days	274 (75% of 365)	275

Room Block Commitment Agreement (RBC) Terms for a 350 Room Hotel

Booking Period (the number of months the event is to occur after the date of a room block request)	Hold Period (the number of days the room block offer must in effect)	Commitment Days (the number of days room blocks are committed in any given year)	Room Block Size (the maximum number rooms the hotel may be required to commit on any given day)
12-17	60 days	123 (35% of 365)	150
18-23	200 days	219 (60% of 365)	200
24-36	400 days	237 (65% of 365)	250
37+	500 days	274 (75% of 365)	275

- 2) The RBC will define a competitive set of four to six hotel properties in Madison that participate in providing room blocks for Monona Terrace events. At a minimum these properties would include the Hilton, Sheraton, Hyatt Place, DoubleTree, and Madison concourse hotel.
- 3) Permitted room block rates offered to potential convention center customers will be indexed to the average daily room rate (ADR) of the competitive set for the most recent calendar year. For example, permitted room block rates may not exceed 125% of the ADR of the competitive set. The index will be negotiated and based on pro forma assumptions regarding the group rate in the proposed hotel and the ADR of the competitive set. The permitted rates will be adjusted by seasonal patterns of ADR levels.
- 4) Permitted room block rates will be allowed to escalate from the time of commitment to the date of the event by the lesser of 5% per year or the annual rate of growth in the average daily room rate of the competitive set.
- 5) The hotel operator would have the right to refuse groups based on clearly documented evidence of poor payment history or a history of damaging property.
- 6) The agreement will establish protocols and time frames for the hotel manager's response to room block commitment requests.
- 7) Rooms reserved under a room block commitment will remain available to customers until the 30th day prior to the first scheduled day of the event.
- 8) The room block agreement will allow of the proportional adjustment of the required room block size during periodic renovations of the hotel which would reduce the number of available rooms.

The developer will be required to implement the RBC through the selected hotel operator.

In addition, it would be in the city's best interest to extend the 150 room block agreement with Marcus for the Hilton Hotel. If this can be done in conjunction with the Judge Doyle Square development, it would eliminate future concerns about an expiring agreement. As Marcus is not only an equity partner with Journeyman, but also mentioned in the JDS proposal as the management group for their proposal, it should open the door to negotiate an extension of this agreement.

Section 4: Market Information

Madison is a robust market due to the presence of the state capital, the University of Wisconsin and a strong and diverse employment base. The quality of life attractiveness spills over positively to downtown Madison in terms of local residential opportunities, jobs, and entertainment. Madison’s regional and national profile has been raised to new levels as the local breadth of employment opportunity has grown and strengthened.

The Madison market has seen investment, expansion and redevelopment in a broad cross-section of areas from advanced education facilities, arts centers, sports and convention facilities, restaurants, stores, attractions, employers and various residential offerings. Madison has evolved, especially over the last fifteen years, into a cohesive destination with its own brand of progressive lifestyle amenities. The destination appeal of the metro area and local area residential and business growth presents the support structure for the consideration of a proposed convention hotel development.

Downtown Madison as a destination offers amenities that visitors and meeting attendees prefer such as walking distance from dining, shopping and cultural venues. As a result of a strong economy, a national profile and an intimate yet healthy Downtown entertainment area, Madison competes at a tier above its position as opposed to smaller markets. Madison is unique in that it is among a handful of cities that can compete against larger metropolitan areas.

The meetings industry remains robust. Ever since people gathered to exchange information there have been natural meeting locations. Even today with webcasts and the advent of technology, nothing replaces the opportunity to meet and exchange ideas and information with colleagues. Technology doesn’t provide and quite possibly never will offer the same opportunities as face-to-face meetings.

In their 2012 Hotel Study Report, Johnson Consulting noted that Monona Terrace could accommodate 61% of the largest convention/meeting/exhibition events in the United States, based on the number of attendees. In addition, association and industry specific meetings continue to grow despite the slowdown during the great recession.

Madison can compete at a tier above its position as a smaller tier market, as it has done in the past. The City is one of the more attractive urban walking cities in the United States. Efforts to improve the downtown area and provide more live, work and play opportunities will further enhance this destination. It will also support the operations of Monona Terrace and future downtown development, by providing walkable and desirable area for event attendees to visit, which is one

of the key requirements for event recruitment to a destination.

Comparison of Full- and Select-Service Hotels

Many hotel websites describe their location as a “full-service hotel,” but few outside the hospitality industry may understand what that really means. Full-service hotels are sometimes confused with select-service hotels or limited-service hotels. This discussion elaborates the differences between full- and select-service hotels with respect to their physical features and services. The figure below shows this comparison.

The steady improvement of amenities offered by select-service hotels has blurred the distinction between a full-service and a select-service hotel. While select-service properties are generally of lesser quality, the quality of the guest room has converged in the two hotel types. But key differences remain as the two property types operate on different business models.

Over the past few decades select-service properties have increased their share of the hotel inventory by lowering the capital costs of development and focusing their operation on the most profitable area of hotel operations—the rooms department. With limited services in the less profitable areas of hotel operations such as the food and beverage department, select-service hotels generate higher profit margins than full-service hotels. Room rates are typically lower because select-service hotels cater to more budget-conscious travelers. Consequently, on a per room basis select-service hotels typically deliver less revenue and income per room than full-service hotels.

Full-service hotels are difficult to finance because of the high capital costs associated with building a higher quality product and with significant amounts of function space. Full-service hotels typically contain roughly 60 to 100 square feet of function space for every hotel room. The function space provides capacity to host group meeting events, which produce rooms, food and beverage and other service revenues.

Full-service hotels need a larger staff and larger facilities to accommodate guests who require more luxurious amenities and services. Typically, a full-service hotel like a Marriott or Hilton offers its guests services such as bed turn-down, newspaper delivery, concierge service, valet parking, doormen, and in-room dining service. Travelers who opt for a full-service hotel expect a consistency in the service they receive and greater attentiveness from the hotel’s staff.

The major hotel companies offer a family of brands that include full- and select-service properties. The figure below shows some examples.

Comparison of Full-Service and Select-Service or Limited-Service Hotels

Features	Full-Service	Select-Service
Room Count	Higher	Lower
Public Space	Extensive	Limited
Restaurant	Large & Upscale	Small with limited service
2nd Restaurant	Larger properties	Seldom
Lounge	Large & Upscale	Small with limited service
Meeting Space	Extensive	Modest
Ballroom	Large	Small if any
Guest Services	Extensive	Limited
Pool	Large	Small
Exercise Facilities	Extensive	Limited
Business Center	Extensive	Limited
Gift Shop	Often	Seldom
Fit and Finish	Upscale	Average
Air Conditioning	Central	Often Central Public Space/Wall Units in Rooms
Spa	Sometimes	Rarely
Construction	Steel/Concrete	Often frame construction

Services & Pricing	Full-Service	Select-Service
Price Point	Higher	Lower
Doormen	Often	Never
Bellmen	Often	Rarely
Valet Service	Usually Available	Mostly self park
Concierge Desk	Often	Never
Concierge Floor	Typical	Never
Bus Shuttle Service	Typical	At airport properties
Breakfast	Charge	Sometimes Free
Turndown Services	Often	Never
In-Room Dining	Most Often	Never
Internet	Charge	Often Free
Fitness Trainers	Sometimes	Never
Bathroom Amenities	Upscale	Basic
Resort Fees	Sometimes	Not often
Catering Services	Always	Rarely

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The major hotel companies offer a family of brands that include full- and select-service properties. The figure below shows some examples.

Hotel Company	Full-Service Brand	Select-Service Brand
Hilton Hotels and Resorts	Hilton	Hilton Garden Inn
Marriott International Inc.	Marriott	Courtyard by Marriott
Hyatt Hotels	Hyatt	Hyatt Place
Starwood Hotels and Resorts Worldwide	Sheraton	aloft
Intercontinental Hotel Group	Intercontinental	Holiday Inn Express

Implications for the Judge Doyle Square Project

In the issuance of the RFP for the Judge Doyle Square Project, the City of Madison expressed a preference for full-service hotel development for the following reasons.

- 1) Full-service name brand hotels have national and local sales teams that sell group meeting and local banquet business. This sales force can induce new visitation to the market by rotating new group events into the hotel. New visitation to the downtown market would have a significant economic impact. A select service property could not induce new group room nights.
- 2) Event planners who book events at Monona Terrace would prefer a room block in a full-service property. A branded property would assure event planners that their delegates would have access to the standard of the quality and services that they have come expect and receive in other cities. Conventions centers often generate hotel based business in conjunction with a larger convention. As examples: an exhibitor at a tradeshow or convention may hold a hospitality event in the ballroom of a neighboring hotel or an association board of directors may hold its annual business meeting in the function space of a neighboring headquarters hotel. While a select-service property could provide a room block for convention events, it could not provide the other services that event planners expect.
- 3) A full-service hotel has greater potential to generate a positive urban impact. Unlike a select service property, a full-service would draw daily local traffic to its attached restaurant, bar and lounges. The function space would also support local social events. Consequently, a full-service hotel would create more economic activity in downtown Madison.

Project Delivery and Operations

Section 1: Delivery — Detailed Construction Budget

This analysis is intended to evaluate their responses to item 8 of the Request for Proposals, which requested a detailed construction budget including hard costs and soft costs. However, to gain an accurate “side-by-side” comparison, it was necessary to draw information from both the Construction Budget section (Chapter 8) and the Public/Private Financial Section (Chapter 14). Nevertheless, this analysis is solely focused on comparing the budgets of the projects and is not intended to evaluate their financing plans. The financial analysis is provided in chapter 3 of this report.

The construction budget analysis consists of seven tables listed below. For each table, staff provides a narrative comparison of the teams’ approaches to the budget item, some “bottom line” numbers comparing the budgets, and additional questions that the committee may want to ask each of the development teams:

- TABLE 1: Total Budget Comparison
- TABLE 2: Land Acquisition, Demolition, and Site Preparation
- TABLE 3: Hard Costs & FF&E
- TABLE 4: Soft Costs and Pre-Construction Costs Comparison
- TABLE 5: Development Fee
- TABLE 6: Architecture & Engineering
- TABLE 7: Treatment of Municipal Building and City Office Space

In addition to the seven tables, several charts are provided at the end of the report to further illustrate the differences between the proposals.

TABLE 1: Total Budget Comparison

Comparison of Approach	<p>The Journeyman team included a much more detailed construction budget in Chapter 8 of their proposal (p. 72) than the JDS team. However, Journeyman’s construction budget in Chapter 8 neglected to include soft costs (requested in RFP). The sources and uses information Journeyman provided in their financial plan (p. 102) was ultimately more useful to gain an accurate “side by side” comparison with JDS and therefore was used throughout this report’s analysis. While the Journeyman team’s budget was detailed but incomplete, the JDS team’s budgets were complete but lacking in detail.</p> <p>While Journeyman broke down their construction budget into dozens of categories divided among each component of the project, JDS distilled their budget into five broad categories divided between blocks 88 and 105. Though less detailed in the information provided, JDS did follow the RFP instructions and included hard costs and soft costs in their construction budget (p. 47). It is also important to note that both JDS schemes directly address the Madison Municipal Building and the need for City office space while the Journeyman team provides the renovation of MMB as a alternate “add-on” to the project but their “baseline” budget (Table 7 provides more detail on these approaches to MMB).</p>		
Team	Journeyman	JDS Scheme 1	JDS Scheme 2
Bottom Line	Total Budgets: • Block 88: \$98,232,347 • Block 105: \$80,550,117 • Total: \$178,782,464	Total Budgets: • Block 88: \$95,396,000 • Block 105: \$63,744,000 • Total: \$ \$159,140,000	Total Budgets: • Block 88: \$126,102,000 • Block 105: \$89,706,000 • Total: \$215,808,000

Total Budget by Block

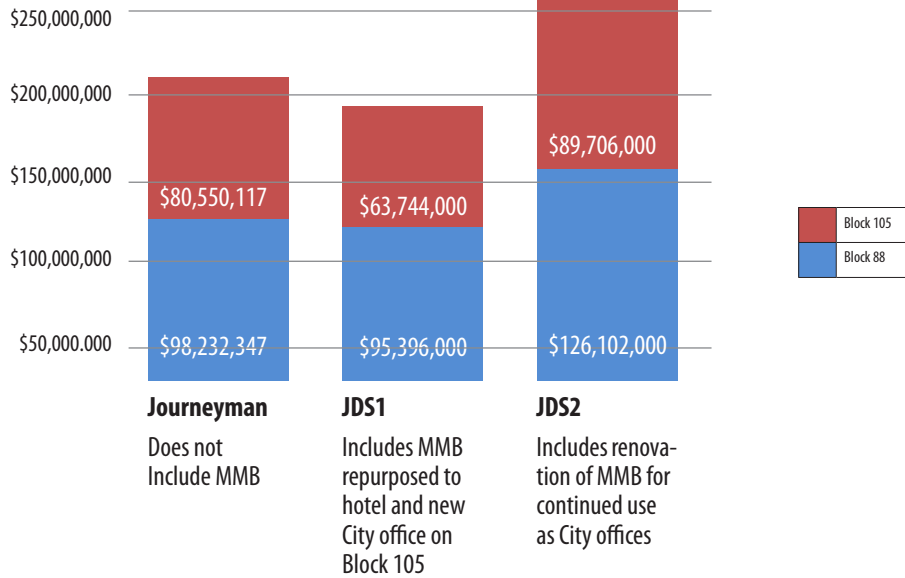


TABLE 2: Demolition and Site Preparation			
Comparison	Journeyman provides a total site prep budget of \$2.2m split closely between the two blocks. JDS Scheme 1 has a site prep budget of \$1.6m for Block 88 and \$0.927m for Block 105 (\$2.5m total). JDS Scheme 2 has a significantly higher site prep budget of \$1.6m for Block 88 and \$2m for Block 105 (\$3.7m total).		
Team	Journeyman	JDS Scheme 1	JDS Scheme 2
Bottom Line	Site Prep: \$2.2M	Site Prep: \$2.5M	Site Prep: \$3.7M

Total Site Preparation Costs

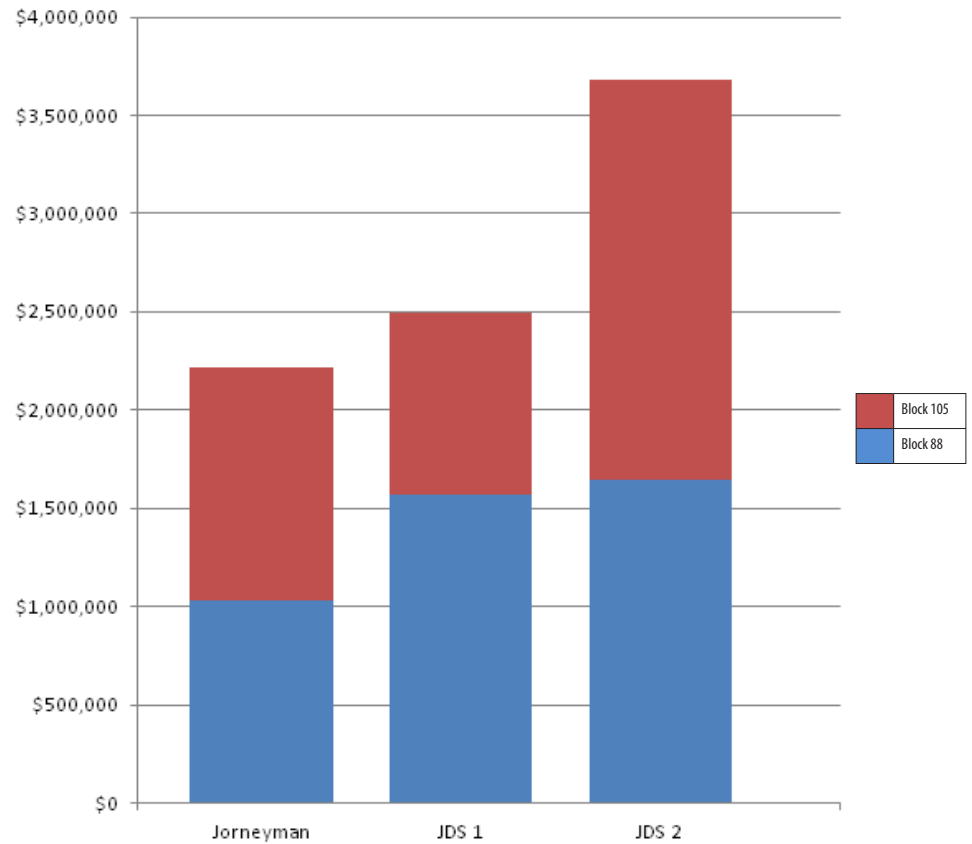


TABLE 3: Hard Costs, Land Costs & FF&E

Comparison	<p>Journeyman’s sources and uses table (p. 102) provides line items for land, construction cost, site work, FF&E, and contingencies. These items are grouped together and subtotaled as “the total construction budget.” The JDS budgets provide a single line item for Hard Costs and FF&E as well as a separate line item for “Site and Demolition.” To compare hard costs for the two proposals, staff removed the site work costs from the Journeyman budget to provide an accurate comparison with JDS’s single line-item for Hard Costs. In addition Journey budgets \$3.3m for site acquisition on Block 105 and no land costs for block 88 and this land cost is included in the hard cost analysis. JDS included no land costs in their budget. Without additional detail, it is somewhat difficult to determine what exactly is included in JDS’s hard costs numbers vis-à-vis Journeyman’s due to their different methods of distributing costs. For example, the Journeyman team’s detailed budget provides separate line items for FF&E , tenant interior allowances, contingencies, etc. It is assumed that these things and many more are lumped in with JDS’s hard cost numbers but that should be verified.</p>		
Team	Journeyman	JDS Scheme 1	JDS Scheme 2
Bottom Line	<p>Total Hard Costs and FF&E: Block 88: \$73,333,848 Block 105: \$62,929,736 Total: \$136,263,584 (including \$3.3m for land acquisition)</p>	<p>Total Hard Costs and FF&E: Block 88: \$71,526,000 Block 105: \$30,368,000 Total: \$101,894,000</p>	<p>Total Hard Costs and FF&E: \$75,093,000 \$66,699,000 \$141,792,000</p>

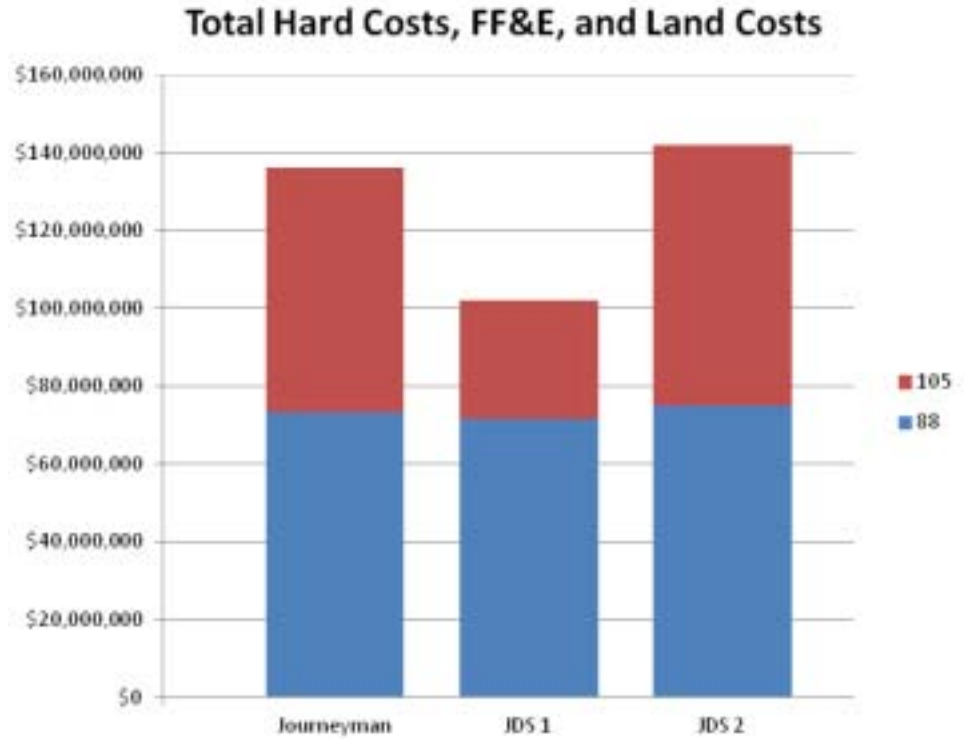


TABLE 4: Soft Costs and Pre-Construction Costs

Comparison	<p>Journeyman’s detailed budget includes a category called “pre-construction” costs as well as a category called “soft costs” while the JDS budgets simply include a line item for soft costs. The items in Journeyman’s pre-construction budget include things like architecture and engineering fees, consulting fees, permitting, and legal fees. The items in Journeyman’s soft costs category include franchise fees, marketing, capitalized interest, and a few others. The JDS budget information includes a single category labeled soft costs but no information about specifically is included within that category. The JDS budget does provide “architecture and engineering” as a separate cost item. For this analysis, staff combined Journey’s soft costs budget and pre-construction budget into one item and is assuming that JDS’s soft costs budget is equivalent to the combination of Journeyman’s pre-construction category and soft cost category.</p>		
Team	Journeyman	JDS Scheme 1	JDS Scheme 2
Bottom Line	Block 88: \$17,674,425 Block 105: \$10,269,092 Total \$27,943,517	Block 88: \$13,157,000 Block 105: \$5,634,000 Total: \$18,791,000	Block 88: \$13,814,000 Block 105: \$12,372,000 Total: \$26,186,000

Soft Costs and Pre-Construction Costs (not including A&E)

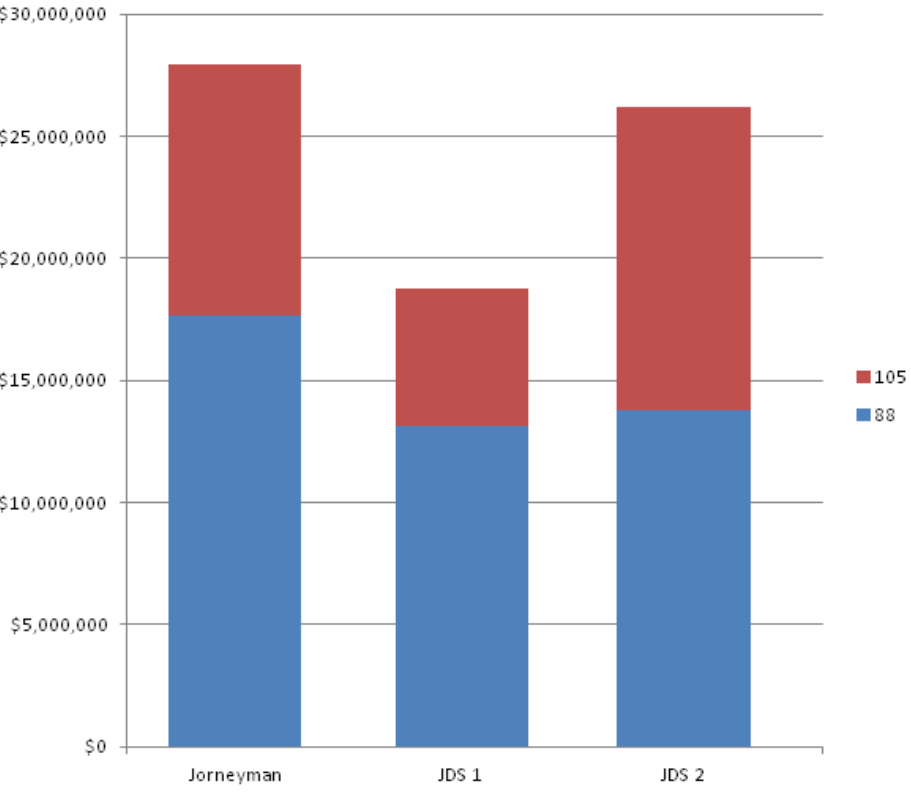


TABLE 5: Development Fee

Comparison	The Journeyman budget clearly identifies a development fees for each component of the project. In total, Journeyman’s development fee is 3.5% with variation across the different components of the project. The construction budget provided in Chapter 8 of the JDS proposal itemizes a “Professional Services” cost. In their financial plan later in the document, this item is relabled “Development Services.” This analysis is assuming that this cost item is their development fee. JDS lists a development services cost of \$6.2 million for Scheme 1 and \$8.7 million for Scheme 2.		
Team	Journeyman	JDS Scheme 1	JDS Scheme 2
Bottom Line	Block 88: \$2,804,435 Block 105: \$3,490,441 Total \$6,294,876 % of Total Budget 3.5%	Block 88: \$4,386,000 Block 105: \$1,878,000 Total \$6,264,000 % of Total Budget 3.9%	Block 88: \$4,604,000 Block 105: \$4,124,000 Total \$8,728,000 % of Total Budget 4%

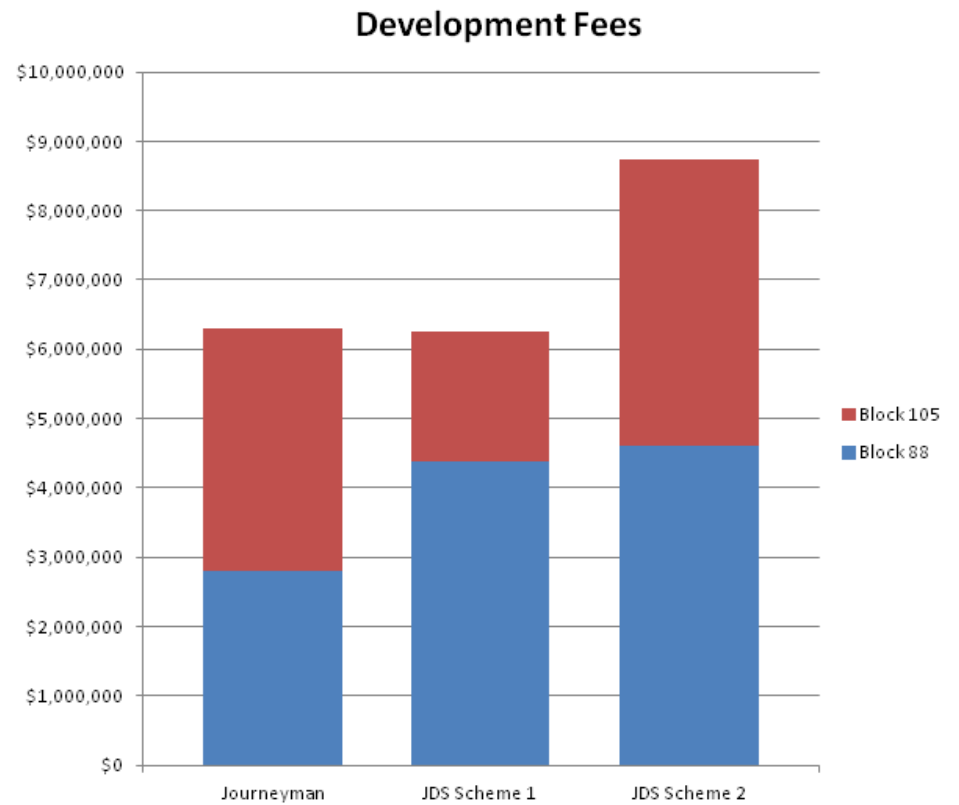


TABLE 6: Architecture & Engineering

Comparison	The JDS Team included architecture and engineering as one of the primary categories of their budgets. Journeyman included it as part of their “pre-construction” budget but did provide a separate line item in their sources and uses table. Further, Journeyman included a separate line item for “Design Contingency” as part of their construction costs and itemized out other professional services that JDS may have included in their lump sum for A&E.		
Team	Journeyman	JDS Scheme 1	JDS Scheme 2
Bottom Line:	Block 88: \$3,387,639	Block 88: \$4,758,000	Block 88: \$4,996,000
	Block 105: \$2,677,723	Block 105: \$2,037,000	Block 105: \$4,475,000
	Total: \$6,065,362	Total: \$6,795,000	Total: \$9,471,000
	% of Budget: 3.4%	% of Budget: 4.3%	% of Budget: 4.4%

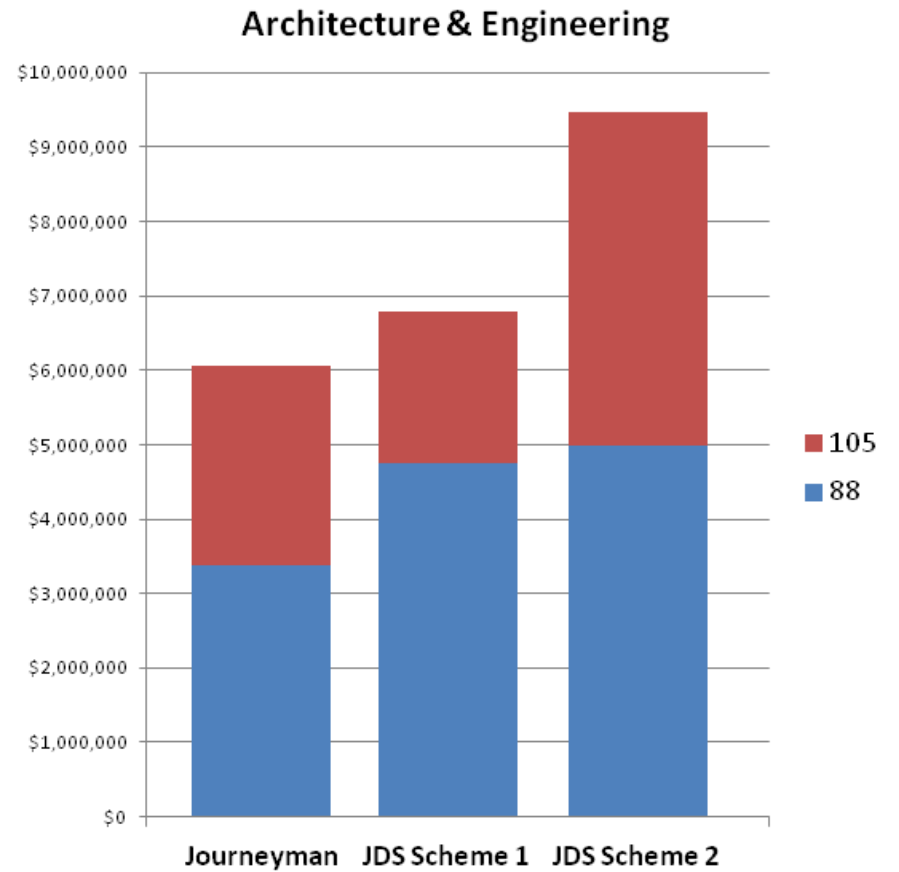
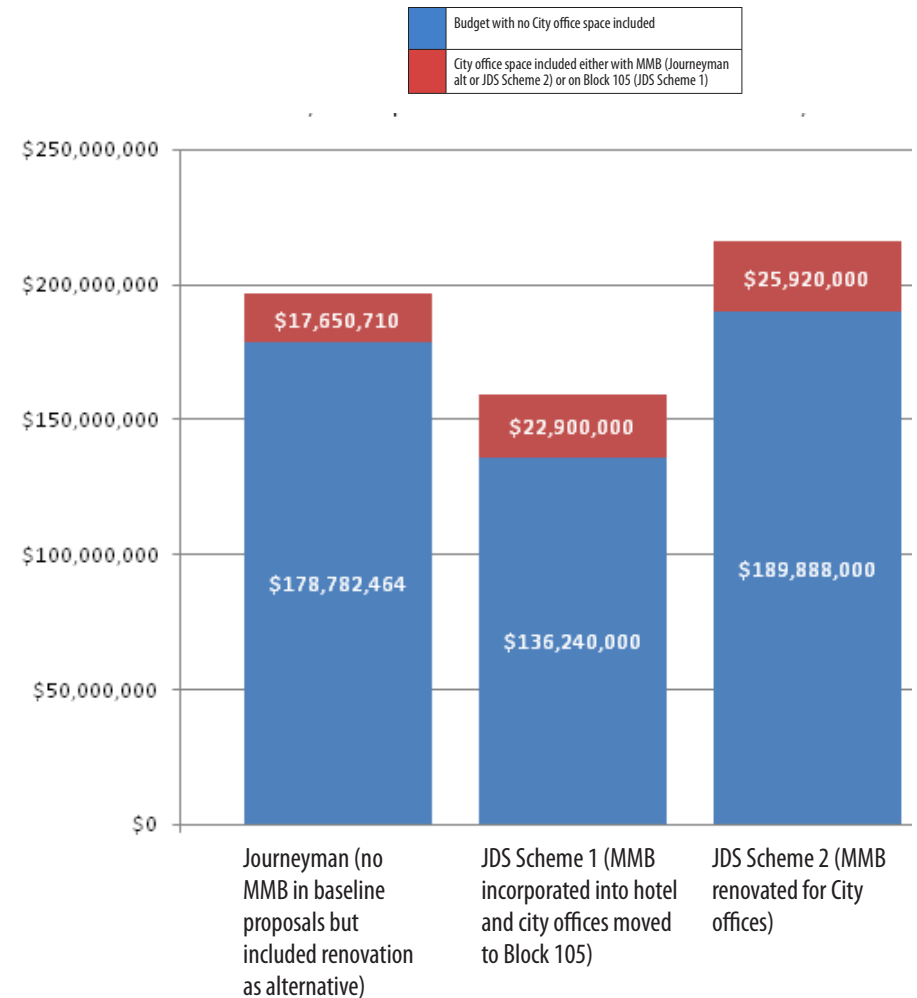


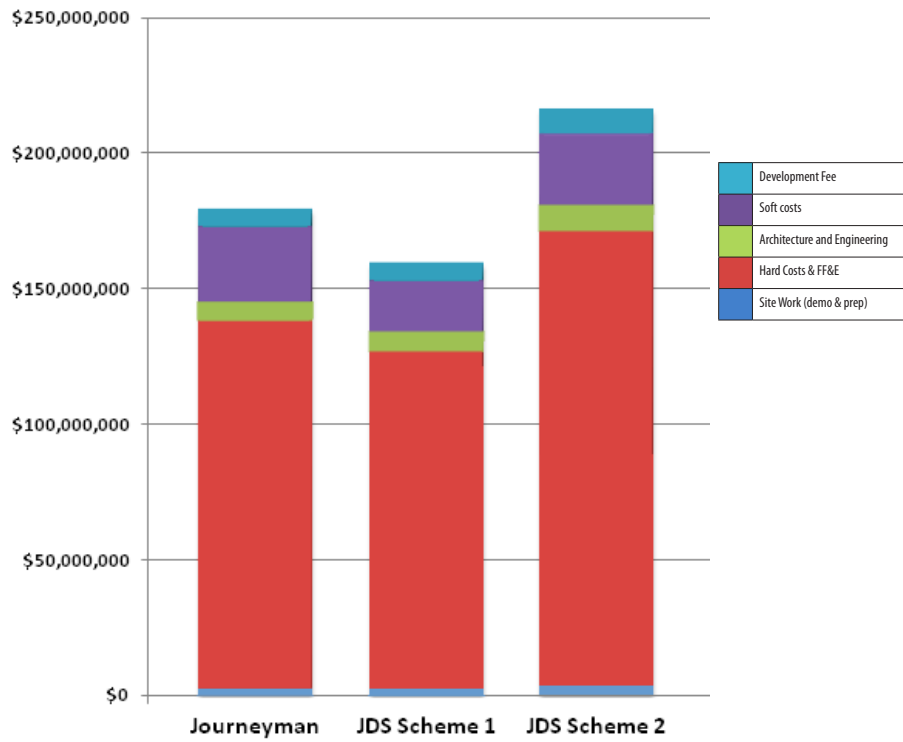
TABLE 7: Treatment of Municipal Building and City Office Space

<p>Comparison</p>	<p>Early in the document, the Journeyman proposal indicates that they prefer keeping the MMB as city office space. Their “baseline” proposal does not directly address the MMB and assumes that it would be the City’s prerogative to renovate it or not. All of the analysis of Journeyman’s budget in this staff report leaves out the costs of the MMB renovation because it is not part of Journeyman’s baseline project. That said, Journeyman’s team recognizes that the City may have a need to renovate MMB to continue to use it for City office space and they provide a budget attachment in their financing plan to address the building (p. 107). In this alternate proposal, Journeyman proposes that renovating MMB would be a \$17.7 million project (again over and above their baseline budget) and that they would undertake this renovation and lease the building back to the City at \$17.77 PSF/NNN.</p> <p>JDS’s two proposals treat MMB quite differently. Both JDS Scheme 1 and Scheme 2 assume that MMB needs to be renovated or repurposed as part of this project. Scheme 1 provides a budget to relocate the City’s offices to new space within the Block 105 project while repurposing MMB as part of the hotel. Scheme 2 calls for renovating MMB for continued use as city office space. JDS provides cost estimates for each of these options which are folded in to the “Hard Costs & FF&E” section of this analysis. JDS’s budget indicates that renovating MMB for continued use as City office space would costs \$25.9 million while relocating the City offices to new space on Block 105 would costs \$22.9 million. The resulting \$3 million cost savings to the City is one of the reasons JDS presents Scheme 1 as their “preferred” alternative.</p>		
<p>Team</p>	<p>Journeyman</p>	<p>JDS Scheme 1</p>	<p>JDS Scheme 2</p>
<p>Bottom Line:</p>	<p>As an add-on to their baseline budget, undertake a \$17.7 million MMB renovation project and lease back to City.</p>	<p>Use MMB as part of the hotel concept and provide City office space in Block 105 for a cost of \$22.9 million.</p>	<p>Renovate MMB for continued use as City office space for a cost of \$25.9 million.</p>

Comparing Treatment of City Office Space and MMB



Distribution of Budget by Use (\$)



Section 2: Delivery — Development Phasing Plan

<p>Comparison</p>	<p>Neither team presents an approach that would maintain the current parking supply for the entirety of construction.</p> <p>The JDS team approach partially meets the project requirement related to the design of parking which should “include a preliminary staging plan to maintain the current parking supply during the construction phase.” The JDS team approach maintains 60% of the current total parking supply during Phase 3, and provides a minimum of at least the current total parking supply during all other phases.</p> <p>The Journeyman Group team approach entails concurrent construction across both Blocks 88 and 105, rather than staggered development. This will result in the loss of all current public parking supply located in the Government East (GE) garage for a period of 12.5 months (9/14 to 10/15). They intend to work with and assist the City in developing a plan to accommodate the needs for the displaced parking during this period.</p> <p>The staff team's preferred approach includes maintaining 470 public parking spaces during and throughout all phases of construction. This maintains 90% of the total spaces currently available in the GE ramp.</p>		
<p>RFP Criteria</p>	<p>Journeyman Group</p>	<p>JDS Scheme 1</p>	<p>JDS Scheme 2</p>
<p>Development Phasing Plan, including a plan to maintain the public parking during construction</p>	<p>Pgs. 76-79</p> <p>Phase 1A – No GE or Block 88 parking available during construction. In October 2015, it is expected that the dock and City fleet parking will be available</p> <p>Phase 2A – Block 105 below grade parking is completed by January 2016, making 598 public parking spaces available</p> <p>Phase 2B – Completion of the structural portions of above-grade parking, retail and office shall progress in sequence following the work of Phase 2A</p> <p>Phase 2C – 1,275 spaces completed by July 2016, segregated by uses</p>	<p>Pgs. 48-51</p> <p>Phase 1 – all GE parking available while parking is being constructed on Block 88</p> <p>Phase 2 – 679 total spaces available (pg. 50) during construction of parking, new offices, bicycle center and street level retail on Block 105</p> <p>Phase 3 – 315 total spaces (pg. 50) available during construction of new parking garage on Block 105, while office and street level uses on Block 105 become active</p> <p>Phase 4 – 911 total spaces (pg. 51) available during construction of mixed uses on Block 105, while hotel uses become active on Block 88 and office, and street level are active on Block 105</p> <p>Phase 5 – 911 spaces available (pg. 51) upon completion and activation of all uses</p>	<p>Pgs. 48-51</p> <p>Phase 1 – all GE parking available while parking is being constructed on Block 88</p> <p>Phase 2 – 679 total spaces available (pg. 50) during construction of parking, new offices, bicycle center and street level retail on Block 105</p> <p>Phase 3 – 315 total spaces (pg. 50) available during construction of new parking garage on Block 105, while office and street level uses on Block 105 become active</p> <p>Phase 4 – 1,013 total spaces (pg. 51) available during construction of mixed uses on Block 105, while hotel uses become active on Block 88, and office and street level are active on Block 105</p> <p>Phase 5 – 1,013 spaces available (pg. 51) upon completion and activation of all uses</p>

Section 3: Delivery — Real Estate Terms

RFP Category/ Criteria	Journeyman Group	JDS Scheme 1	JDS Scheme 2
Terms of Real Estate Acquisitions	City to retain ownership and use of MMB and to convey Block 105 property and back portion of Block 88 to Journeyman. As an alternative, Journeyman proposes to lease MMB from the City for a 40-year term, relocate City functions to the office building on Block 105, renovate MMB, then move the City functions back to MMB when renovation is completed. Turnkey construction such as proposed in this alternative is contrary to the State’s public bidding laws for public construction. The City would need to find temporary space for its functions prior to the completion of the Block 105 office space.	City to convey Block 88 (including MMB) and Block 105 to JDS. JDS states that details for the ownership structure of the new City office building, the land on each Block, the parking on each Block, the development rights above the Block 88 parking, and the development rights above Block 105 will be determined after discussions with the City and other stakeholders.	City to retain ownership of MMB, and to convey the back portion of Block 88 and Block 105 to JDS.
Phasing of Real Estate Acquisition	The acquisition by Journeyman of the City property shall be concurrent so as to allow Journeyman to begin construction on both Blocks together.	Unstated.	Unstated, however the phased demolition of Government East may require the conveyance of GE to JDS while the ramp is still partially in use. The City and JDS will need to negotiate the terms of such a transaction to address parking revenue, maintenance, operations and indemnification, etc.
Purchase Price	\$1 for the back portion of Block 88 and approximately \$3.3m for Block 105. Under the alternative proposal for MMB, the City will lease MMB to Journeyman for \$1 for 40 years and pay rent to Journeyman of \$17.77 per square feet for the Block 105 offices.	\$0; however, Parking Utility Revenue Bond covenants may require that the GE property be conveyed for fair market value. The City has not performed an appraisal of Block 105. The City commissioned an appraisal of Block 88 in 2008; this appraisal should be updated to determine the value of the land, MMB, and subterranean and air rights.	\$0; however, Parking Utility Revenue Bond covenants may require that the GE property be conveyed for fair market value. The City has not performed an appraisal of Block 105. The City commissioned an appraisal of Block 88 in 2008; this appraisal should be updated to determine the value of the land and subterranean and air rights.
Planned Ownership Structure	Except for the alternative proposal for MMB noted above, a condominium structure would be used for the project components, with the City or CDA owning the 40 fleet parking stalls on Block 88, the Block 105 public parking stalls, and the bike center. Unclear if MMB under the main or alternative proposal would be a condominium unit or if Block 88 would be subdivided into 2 or more lots. Developer to own the hotel, the Block 88 hotel parking stalls, the Block 105 office building and retail.	The City will own the Block 88 parking, the bike center, the City offices to be located on Block 105, and the Block 105 parking. Developer and/or other private entities will own the hotel (MMB and the new tower), the dining/retail components, and any residential component. A condominium structure of ownership for both Blocks is likely, and a use agreement or individual parking passes may be needed for private use of the City-owned parking. Numerous easements for support and ingress and egress will be necessary.	The City will retain ownership of MMB. The City will also own the Block 88 parking, the bike center, the Block 105 parking, and the underground parking connector planned beneath Pinckney Street. Developer and/or other private entities will own the hotel, the retail/dining components, and the mixed use office/residential component on Block 105. A condominium structure of ownership for both Blocks is likely, and a use agreement or individual parking passes may be needed for private use of the City-owned parking. Numerous easements for support and ingress and egress will be necessary.

Sections 4: Delivery and Operations — Workforce Utilization

	Journeyman Group	JDS Scheme 1 & 2
Workforce Utilization/ Targeted Business Goals	Comparison: The Journeyman Group proposal includes specific targeted business utilization commitments for the cost of construction (and, perhaps, professional services), including a breakout of minority, women-owned, small, and locally-owned business groups. The JDS Development, LLC proposal states a broad commitment to targeted business utilization and identifies an approach to pursue participation in each phase of the project. Both proposals provide examples of past project participation. Both proposals also provide compliance plans, however, the Journeyman Group proposals includes greater detail, dedicated staffing, and sample forms.	
Bottom Line	66% Targeted business utilization commitment Local, community, and M/WBE Task Force Support Center Quarterly reports and monthly status reports Disclosure of M/WBE-HUB subcontractors required for all bids Marketplace event Subcontracting Plan	Goals dependent on ability to establish effective outreach program Monthly progress reports Business Assistance Program Mobilization Assistance Program Community liaison officer
Operations Diversity	None stated	Program proposed

Section 5: Delivery – Community Engagement Plan

Both proposals include a Community Engagement Plan. The staff report assumes that the Plan covers the process that begins when the Common Council accepts and endorses a Judge Doyle Square project and its terms. At that point in time, the City becomes a partner in the public engagement process.

The priorities for public engagement will depend on the nature of the project that is approved and will have to be finalized at that time. The plans in both proposals are good starting points for a joint City-developer Community Engagement Plan when a specific project is supported by the Common Council.

While the JDS Development plan is more detailed, the Journeyman Group’s plan is more focused and provides a useful process description. A final plan could draw from the strengths of both while placing more emphasis on the importance of other taxing jurisdictions affected by a project requiring tax incremental financing.

Section 6: Operations — Property Management Plan

The property management plans submitted by Journeyman and JDS are different. Journeyman’s property management plan is extremely detailed and provides a narrative laying out how the team proposes to address a range of specific aspects of managing each component of the project. JDS’s property management plan simply provides a few bullet points. The following table provides further analysis of each proposal team’s approach to property management plan. This analysis does not address parking management which is covered in another section.

Chapter 2, Section 6: Property Management		
RFP CRITERIA	JOURNEYMAN GROUP	JDS DEVELOPMENT
Hotel Flag and Management	Marcus Hotels would operate the facility as the Madison Marriot, complying with all terms of the Marriot franchise license. Local staff would benefit from Marcus’ corporate resources based in Milwaukee. Full services hotel.	Marcus Hotels would manage the facility. Hotel is designed to allow for a variety of potential hotel companies ranging from Marriot to Wyndham. JDS indicates that there are numerous “flags” interested in the downtown Madison market and that decision should be made later in the process.
Residential / Retail / Office	Journeyman provides a detailed property management plan for the residential and retail space. The plan specifically addresses a number of management issues including: Maintenance staff, Loading Zones, Recycling, Hours of Operation, Staffing, Snow removal, Exterior maintenance, Window Cleaning, Etc.	JDS property management plan states that management will be overseen by the owner with the use of brokers and management companies as necessary
City Offices	The Journeyman Team’s baseline proposal does not include city office space so this is not specifically addressed in their property management plan. However, they do provide an alternative concept that would include renovating MMB and leasing it back to the City for office uses. In this scenario, the City would be a tenant of Journeyman. It is unclear if this arrangement would mean that maintenance and management of the City office space would be Journeyman’s responsibility or the City’s responsibility.	JDS’s preferred approach would be for the city to own and manage it’s own facilities on Block 105

Section 7: Operations — Parking Management Plan

<p>Comparison</p>	<p>The Parking Utility unrestricted reserves analysis on page 39 shows that neither team presents an approach that would provide parking at an affordable cost and which maintains an adequate level of reserves in order to finance future capital projects.</p> <p>The difference in the amount of proposed parking spaces to be built is significant, with the difference in costs between the proposals ranging from \$12M-17M. The JDS team approach proposes a shared parking strategy to build between 911-1,013 total parking spaces. The Journeyman team approach proposes building 1,275 total parking spaces, segregated by categories to manage what the Journeyman team describes as “distinctly separate uses”.</p>		
<p>RFP Criteria</p>	<p>Journeyman Group</p>	<p>JDS Scheme 1</p>	<p>JDS Scheme 2</p>
<p>The City prefers the parking for the development be placed underground</p> <p>However, the City will consider visually appealing above-ground parking as long as there isn’t any structured parking facing the sidewalk.</p>	<p>1,275 total parking spaces:</p> <p>275 below-grade spaces on Block 88 for hotel parking and City fleet parking</p> <p>1000 spaces on Block 105: 598 spaces for City public parking, the majority of which would be below grade. The remaining 402 spaces would be above grade to serve retail, office and residential uses</p>	<p>911 total parking spaces, the majority of which are above grade (with the current below-grade portion on Wilson St. to continue to be below grade in this configuration, but no further):</p> <p>315 spaces on Block 88:</p> <p>277 for hotel parking and 38 for public parking</p> <p>596 spaces on Block 105:</p> <p>476 for public parking, 80 for mixed-use spaces, and 40 for City fleet parking</p>	<p>1,013 total parking spaces:</p> <p>536 spaces on Block 88 in below and above-grade configuration</p> <p>477 spaces on Block 105 in below- and above-grade configuration</p> <p>Most spaces are above- ground</p>
<p>Include approx. 520-600 public parking spaces to replace the Parking Utility’s 520- stall GE Garage</p>	<p>598 public parking spaces</p>	<p>514 public parking spaces: 476 on Block 105 and 38 on Block 88</p>	<p>No specific information, although their shared parking demand tables (pgs. 40-41) suggest 520 public parking spaces will be provided</p>
<p>Include a preliminary staging plan to maintain the current parking supply during the construction phase</p>	<p>Specifics listed in Section 2: Development Phasing Plan</p>	<p>Specifics listed in Section 2: Development Phasing Plan</p>	<p>Specifics listed in Section 2: Development Phasing Plan</p>
<p>Replace the 40 spaces of City fleet parking currently located on Block 88</p>	<p>40 spaces provided on Block 88, Level B1</p>	<p>40 spaces provided below new city office building on Block 105</p>	<p>No specific information provided</p>

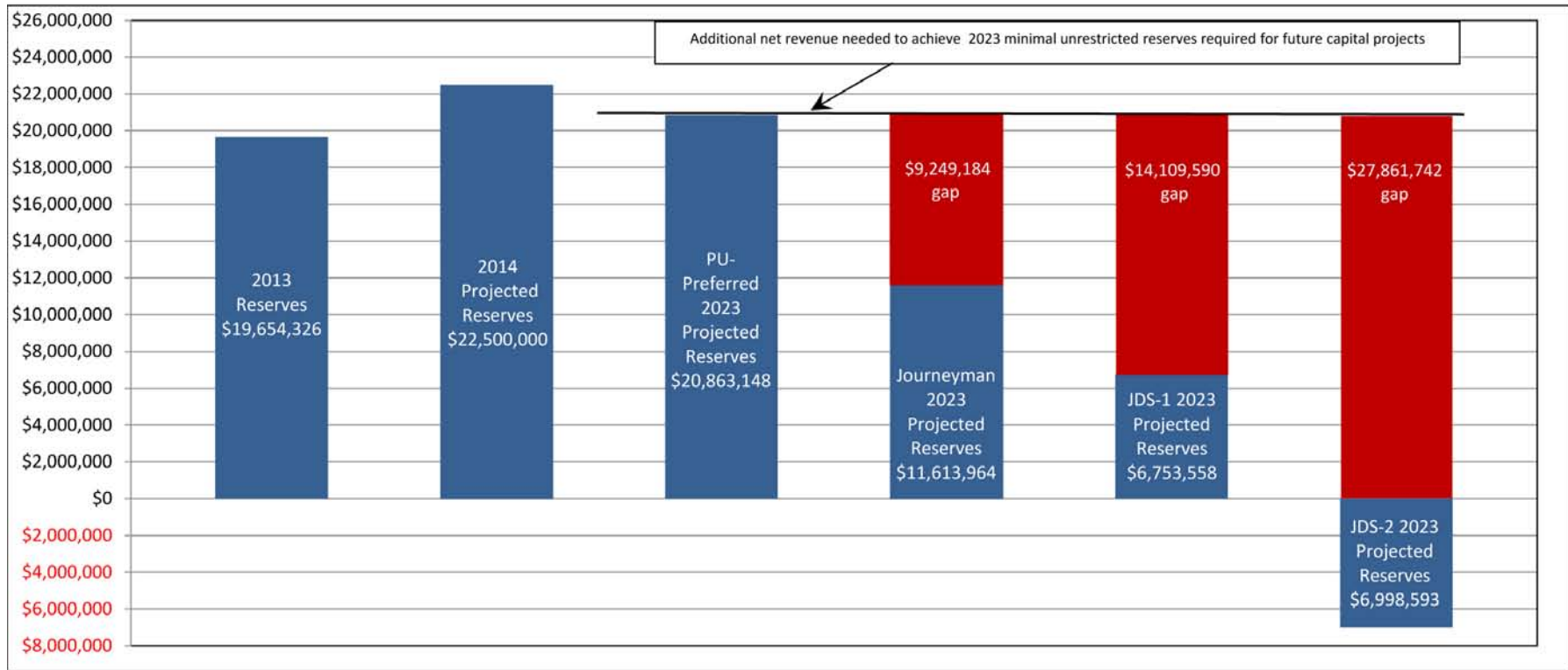
Section 7: Operations — Parking Management Plan

RFP Criteria	Journeyman Group	JDS Scheme 1	JDS Scheme 2
Meet the Parking Utility's #1 concern of security by ensuring measures like lighting and camera are at a very high level	The security concerns in parking areas will include video surveillance, emergency call stations and higher lighting levels using LED fixtures currently being installed in other City parking facilities	Security features have been provided to enhance the safety of parking patrons, their vehicles, and for the overall parking structure. In addition to providing passive security features such as minimizing sight-line obstructions, open floor plan, and glass backed elevators, we expect incorporating active security features, including CCTV cameras, emergency call stations and enhanced lighting	Same as JDS Scheme 1
Minimize customer queuing time	Parking elements have points of ingress/egress on both Doty and Wilson Streets. The Wilson Street entrance/exit is being isolated to the greatest degree from the office and residential users	To provide high level of parking and traffic flow flexibility, entry and exit lanes are provided from Wilson and Doty Streets An entry/exit onto Wilson from Block 88 is eliminated due to no underground parking on this block (table on page 38)	To provide high level of parking and traffic flow flexibility, entry and exit lanes are provided from Wilson and Doty Streets (table on page 38)
Consider special events with common peak hour exit times like a Monona Terrace weekly event	The needs during special events can be accommodated by the already existing common peak-hour exit times	Propose two procedures: Small to mid-size event customers would pay for parking at the POF stations or use pay-by-phone. Larger events use cashiers and collect parking fees at entry	Same as JDS Scheme 1
Consider street capacities and conditions and provide a good parking experience with particular attention paid to entry/exit efficiency **Assumes Wilson Street remains one-way**	With our Wilson St. access point being towards the east, this should best accommodate street capacities and conditions and provide a good parking experience with particular attention paid to entry/exit efficiency	Same info as listed in the "Minimize customer queuing time" field above	Same info as listed in the "Minimize customer queuing time" field above

Section 7: Operations — Parking Management Plan

RFP Criteria	Journeyman Group	JDS Scheme 1	JDS Scheme 2
<p>Have a 3-way entry/exit on Wilson Street at Block 105,</p> <p>a minimum of one entrance and one exit lane on Wilson Street at Block 88,</p> <p>a minimum of one entrance and one exit lane on Doty Street at Block 105,</p> <p>and a minimum of one entrance and one exit lane on Doty Street at Block 88</p> <p>No entry to the parking facility shall be located on Pinckney Street</p>	<p>Block 88 entry/exit will be from Wilson Street</p> <p>Block 105 entry/exit locations are located on Doty and Wilson Streets with no parking access to Pinckney Street</p> <p>Question: Block 105 entry/exit is shown at the east end of the development on Doty Street. This should be moved west to reduce conflict with queued vehicles on Doty Street</p> <p>Each entry/exit has three total lanes: one inbound, one outbound and one reversible lane</p>	<p>No entry/exit onto Wilson Street at Block 88 due to there no longer being underground parking on this block</p> <p>Question: Table on pg. 38 shows the capacity for 2 “In” points and 3 “Out” points. However pg. 14 shows no 3-way entry/exit on Wilson St. at Block 105. Pg. 14 shows a two-way entry/exit point in the east corner and a separate lane for either entry or exit farther to the west, which is undesirable</p> <p>One entry/exit onto Doty Street on Block 105.</p> <p>Question: The location of the entry/exit on Doty Street Block 88 is not identified on pg. 14</p>	<p>One entry/exit on Wilson Street at Block 88</p> <p>Question: Table on pg. 38 shows the capacity for 2 “In” points and 3 “Out” points however pg. 28 shows no 3-way entry/exit on Wilson St. at Block 105. Pg. 28 shows a two-way entry/exit point in the east corner and a separate lane for either entry or exit farther to the west, which is undesirable</p> <p>One entry/exit on Doty St. at Block 105</p> <p>Question: pg. 28 entry/exit lanes are separated, which is undesirable</p>
<p>Build an adequate supply of parking at an affordable rate for the Parking Utility and its customers, but for cost reasons, no more spaces than needed and remaining out of the permanent water table; in order to support the potential multiple uses for above-grade development</p>	<p>They believe they have accomplished this objective</p> <p>The Unrestricted Reserves analysis located on pg. 39 provides detail related to the financial impact the proposals have on Parking Utility reserves</p>	<p>Information and table on pgs. 39-41 propose a shared parking strategy</p> <p>The Unrestricted Reserves analysis located on pg. 39 provides detail related to the financial impact the proposals have on Parking Utility reserves</p>	<p>Information and table on pgs. 39-41 propose a shared parking strategy</p> <p>The Unrestricted Reserves analysis located on pg. 39 provides detail related to the financial impact the proposals have on Parking Utility reserves</p>
<p>Include a revenue system that provides choices of a variety of payment options for customers in order to provide both a safe and efficient entry/exit and payment process, including special events</p>	<p>When the City selects a vendor, we will engage the chosen vendor to provide the parking equipment owned and managed by the City</p>	<p>Four payment options are proposed on pgs. 37-38</p> <p>They intend to work with the City to choose the best system</p>	<p>Same as JDS Scheme 1</p>

Judge Doyle Square Parking Garage Impacts on Estimated Parking Utility Unrestricted Reserves in 2023



Unrestricted Reserves constitute the amount of cash on hand that the Parking Utility has available for financing capital projects. Reserves are, in a sense, a savings account that accumulates over time based on the amount of net Parking Utility revenues minus its costs. By the time the Judge Doyle Square construction begins, the unrestricted reserves should be \$22,500,000. The Parking Utility expects that half of the total project cost will come from reserves.

The 2023 Unrestricted Reserves totals are based on the three distinct approaches offered by JDS and Journeyman for replacing the Government East parking garage with the Judge Doyle Square parking garage. The projected reserve amounts for 2023 are arrived at by subtracting projected operating costs, ongoing capital costs and debt payments from projected revenues for the first ten years of the project. The debt costs incurred by the Parking Utility for the Judge Doyle Square garage will last for 20 years. The projected annual debt cost, including principal and interest, ranges from \$753,000 to \$1,981,000. It should be noted that the Parking Utility expects that it will need to rebuild another parking garage in approximately ten years, or by the year 2023.

PU-Preferred Judge Doyle Sq Garage: \$30,000/Space with 600 Total Spaces, 600 operated by Parking Utility. Does not require closing Government East.

Journeyman Judge Doyle Sq Garage: \$46,620/Space with 598 Total Spaces operated by Parking Utility + \$3,293,455 paid to the Parking Utility for land/air rights. Requires closing Government East for 12.5 months.

JDS-1 Judge Doyle Sq Garage: \$29,695/Space with 911 Total Spaces, 514 operated by Parking Utility. Requires closing portions of Government East during proposed phases, maintaining approximately 50% of public parking supply during Phase 3, and a minimum of the current total parking supply during all other phases.

JDS-2 Judge Doyle Sq Garage: \$39,636/Space with 1,013 Total Spaces, 520 operated by Parking Utility. Requires closing portions of Government East during proposed phases, maintaining approximately 50% of public parking supply during Phase 3, and a minimum of the current total parking supply during all other phases.

Section 8: Operations — Bicycle Center Management Plan

Bicycle Center Matrix		
RFP CRITERIA	JOURNEYMAN GROUP	JDS DEVELOPMENT
RFP does not dictate Station requirements; rather it identifies services that may be provided if financially feasible. These services include:	The Journeyman Group has proposed TREK operate the proposed bicycle center, providing there is assistance from the City.	The JDS proposal enumerates many of the desired aspects of a bicycle center, yet it is unclear what <u>specific</u> components the developer will provide
Secure Bicycle Parking	Yes, 24 hr secured for +/- 75 bicycles. Maintained by City of Madison. TREK beneficiary of revenue.	Yes.
Bicycle/Personal Lockers, restrooms, showers	Yes, includes showers and restrooms for members. City identified to maintain and clean.	Yes
Bicycle Repairs	Yes, provided by TREK	Yes, self-service
Bicycle Retail Services	Yes, provided by TREK	Yes, via vending machine, vague
Bicycle Rental/sharing	Yes, B-Cycle	Not clear
Bicycle Wash Station	Yes, unclear as to who maintains	Yes
Architecturally Integrated site?	Yes	Yes
RFP provided that the City's involvement is to be limited to front-end/capital costs only. Is the City's position reflected in the proposal?	No. Total occupancy cost to TREK to be \$1.00/yr. The City is identified as the Lessor and therefore can be expected to subsidize the lease. Exterior signing is identified as City cost. Automated entry maintenance is identified as on-going City cost. Siting B-Cycle Station is estimated to be \$30,000	Yes, the proposal recognizes the City's position of not being involved in the ongoing operation of the Center. The proposal notes the need for a security and revenue management system with an annual fee. This would be an operating expense and ineligible The proposal is not as detailed as Journeyman Group.
Operating Plan provided?	No	No

Project Financing

Section 1: Summary and Key Findings

- Both developer proposals have cost, public investment and financing structures that are relatively consistent with those identified in the 2012 staff team report.
- The Journeyman proposal and the primary JDS proposal (JDS-1) have comparable costs per square foot; the JDS-2 proposal is relatively incomplete.
- JDS is proposing to provide significantly more equity investment to the project, but with a much lower rate of return. If JDS is selected, this inconsistency could signal a request for additional public investment during negotiations.
- Journeyman hotel operating margin is very close to industry standards; JDS-1 proposal is assuming higher margins based on lower revenues and much lower operating costs.
- The proposals differ in the amount of explicit (e.g., TIF support) and implicit (e.g., contributed value of city-owned building and land value) requested; on a combined basis, JDS-1 requires less overall public investment, with most of the difference associated with the cost of underground parking and a generally higher density of land use in the Journeyman proposal.
- The Parking Utility cannot sustain the net revenue yield from the parking structures proposed by either developer and have sufficient resources to meet future replacement costs for other city-owned ramps. Additional public investment will be necessary under all of the proposals to address this shortfall.
- As anticipated in the 2012 staff team report, both developers are proposing TIF investments that are either close to or exceed the net present value of incremental revenues generated by the development. The TIF investment exceeds the incremental revenues generated by the proposals of both developers when the Parking Utility shortfall is included.
- TID 25 has sufficient resources through its 2023 mandatory closure date to support approximately a \$60 million TIF investment in the Judge Doyle Square project (excluding investments in any other public infrastructure projects or private developments).
- Use of TID 25, compared with a new TID, would allow the property value from the development to return to the tax rolls by 2023, rather than 2042.

- TID 25 could be closed within the next year; taxing jurisdictions would share in a cash balance. In order to preserve the developer contributions for the Block 89 and the Hilton Hotel parking structures, maintain the Hilton Hotel room block agreement, and retain the Marcus Hotel right of first refusal on operation of a second convention center hotel, a portion of the TID 25 cash balance could be set aside to pay the bond debt service.
- Approximately \$45 million of public investment will have to be made for public parking and city offices even if no hotel or private development is undertaken.

Section 2: Introduction

Consistent with the findings included in the Judge Doyle Square Staff Team Report submitted to the Common Council in 2012, the financing proposals offered by the developers are complex and raise a number of challenging issues for consideration by the Judge Doyle Square Ad Hoc Committee and the Common Council. In addition, the 2012 report estimated that the amount of public TIF investment in the development on Blocks 88 and 105 would be expected to exceed the property value generated solely on those two blocks. This is consistent with the core goal of the development, which is to continue the broader revitalization of the area south of the Capitol Square and the associated economic development impacts, including additional business development, a greater number of event and general tourism visits, and construction of additional residential and office capacity.

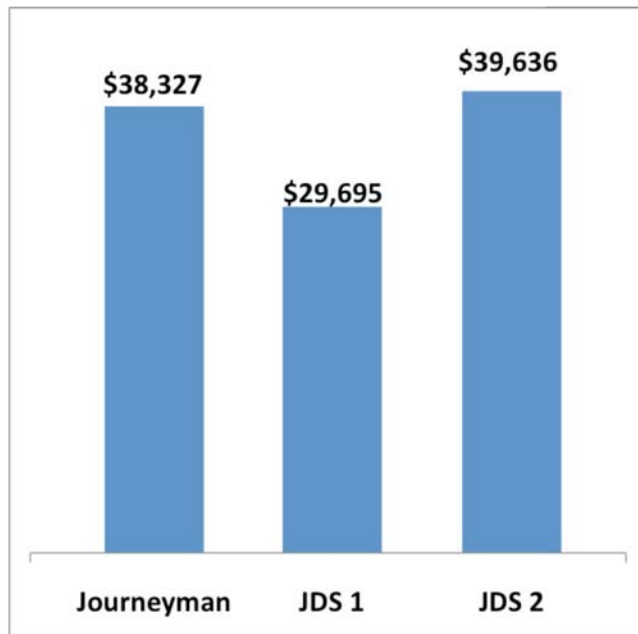
Both of the developer proposals request significant amounts of public investment from multiple sources, including tax incremental financing, room taxes, and parking utility reserves and revenues. These requests are predicated on the “gap” between the “uses” – the estimated cost to construct facilities on both blocks and the “sources” -- the amount of debt that can be supported by net operating income derived from business activities on the two blocks (hotels, restaurants, retail, parking, office space and housing), and the level of equity investment offered by each developer. In addition, both proposals seek to use land owned by the City for the project, with one of the developers offering compensation for a portion of the property. The Staff Team, with input from HVS Consulting, has reviewed and analyzed the developer proposals, sought clarification of certain provisions of the proposals from the developers, and reached conclusions. Key information and comparisons are summarized in the table below. JDS – 1 refers to the proposal that includes the Madison Municipal Building in the hotel development project. JDS-2 retains the Municipal Building as city offices. All three proposals are compared to the combined \$45 million cost of replacing the Government East parking structure and renovating the Municipal Building, both of which are currently programmed to occur regardless of proceeding with a private hotel and other development project on Blocks 88 and 105.

Comparison of Key Components of Proposals

	Journeyman	JDS - 1	JDS - 2	Replace Govt East / Renovate MMB
Hotel Square Feet	282,100	255,430	197,070	-
City Offices	N/A	80,000	N/A	86,000
Other Square Feet	231,446	110,250	190,980	-
Parking Square Feet	448,688	354,970	396,435	208,000
Gross Square Feet	962,214	800,650	784,485	294,000
Expansion Area	N/A	65,000	N/A	N/A
Potential Square Feet	962,214	865,650	784,485	294,000
Hotel Rooms	352	308	308	-
Parking Stalls	1,275	911	1,013	516
Public Stalls	598	514	520	516
City Fleet Stalls	40	40	40	
Total Cost	\$179 million	\$159 million	\$216 million	\$45 million
Total Cost without City Offices	N/A	\$136 million	\$190 million	\$19 million
Cost per Square Foot (JDS-1 with City Offices; JDS-2 without)	\$186	\$199	\$242	\$153
Debt	\$89 million	\$68 million	\$96 million	
Equity	\$8 million	\$22 million	\$32 million	
Tax Credits	\$4 million	\$1 million	-	
Total Private Contribution	\$101 million	\$91 million	\$128 million	
Total Cost less Private Contribution ("Gap")	\$78 million	\$68 million	\$88 million	
TIF	\$47 million	\$17 million	\$21 million	-
Parking Utility	\$28 million	\$26 million	\$39 million	\$19 million
City Office Space	-	\$23 million	\$26 million	\$26 million
City Fleet Parking	\$2 million	\$1 million	\$1 million	N/A
Bike Center	\$1 million	\$1 million	\$1 million	N/A
Direct Public Investment	\$78 million	\$68 million	\$88 million	\$45 million
City Lease Payment (net present value)	\$6 million	N/A	N/A	
City Land Value	\$10 million	\$15 million	\$10 million	
less Air Rights Acquisition	-\$3 million	N/A	N/A	
Indirect Public Investment	\$13 million	\$15 million	\$10 million	
Total Public Investment	\$91 million	\$83 million	\$98 million	\$45 million
Renovation or Replacement of City Office Space	\$26 million	Included Above	Included Above	Included Above
Total Public Investment with City Office Space	\$117 million	\$83 million	\$98 million	\$45 million
Adjustments to Estimated Public Investment based on Model Analysis				
Adjusted Parking Utility Contribution -- Long-term Financing	-\$9 million	-\$14 million	-\$28 million	
Developer TIF Request	\$47 million	\$17 million	\$21 million	
Replace Parking Utility Contribution	\$9 million	\$14 million	\$28 million	
Equity Adjustment Based on Modeling	-\$4 million	\$9 million	\$9 million+	
Debt Load Adjustment Based on Modeling	-	\$8 million	\$8 million+	
Adjusted TIF Contribution	\$52 million	\$48 million	\$66 million+	
Net Change in Estimated Public Investment	-\$4 million	\$17 million	\$17 million	
Adjusted Total Estimated Public Investment	\$113 million	\$100 million	\$115 million	\$45 million
Estimated Assessed Value	\$107 million	\$79 million	\$101 million	-
TIF Share of Incremental Revenues (net present value)	190%	93%	91%	-
TIF Share of Incremental Revenues -- including Parking Utility Shortfall	226%	170%	210%	-
Estimated Room Taxes (net present value)	\$12 million	\$9 million	\$8 million	-
Estimated State and County Sales Taxes (net present value)	\$10 million	\$7 million	\$5 million	-
Note: TIF Net Present Value Analysis uses 7% discount rate; 6% tax base growth; 4% levy growth; 2% incremental value growth; and 27 year term Taxes and Lease Payment Net Present Value Analysis uses 4% discount rate and 10 year term				
City Land Value uses 2008 appraisal without discount, reduced by 40% for city parking allocation.				
MMB = \$5 million; Remainder of Block 88 = \$4.5 million; Block 105 = \$5.5 million				

Section 3: Project Sources and Uses

The first part of the table compares the total constructed space for each proposal, allocated to the major elements (hotel, other uses – retail, office, residential, and parking). The Journeyman proposal is building 20% more space due primarily to a larger hotel (352 rooms vs. 308 rooms), more parking spaces (1,275 stalls vs. 911 stalls) and a larger number of residential units (134 units vs. 80 units). The total cost of the Journeyman proposal is \$179 million (\$186 per square foot), compared with \$159 million for JDS-1 (\$199 per square foot) and \$190 million for JDS-2 (\$242 per square foot). Based on the information provided in the proposals, it appears the difference in cost per square foot for JDS-2 can be attributed to higher costs per hotel room and per parking space.



Parking Cost per Stall — Amount of Below-Grade Parking is a Key Cost Driver

The private contribution to the project consists of debt secured by each developer, an equity contribution from investors, and tax credits. Both developers have stated that the investor equity consists of cash that will be provided at closing and that developer fees are not included in those contributions. Journeyman

is proposing to use New Market Tax Credits to finance approximately \$4 million of the project, and will reallocate other non-public sources (e.g., developer fees) to finance the project if those tax credits are not available. JDS is proposing to use \$1.0 million to \$1.5 million of historic tax credits to finance the conversion of the Municipal Building to hotel uses if that approach is selected. Based on modeling by city staff, the JDS proposal is generating a significantly lower rate of return relative to the amount of equity invested. On the other hand, the rate of return included in the Journeyman proposal appears to be consistent with the proposed equity investment.

The difference between project costs and private contributions represents the financing gap that needs to be closed with public investment. That gap is \$68 million for JDS-1 and \$78 million for Journeyman. All three proposals use TIF and Parking Utility resources to close the gap. Consistent with the RFP provisions, the Bike Center capital costs are envisioned to be paid for by the City.

The JDS proposals have total costs that include either the cost of either new city office space to replace the Municipal Building (\$23 million) or the cost of renovating the Municipal Building as city offices (\$26 million). As such, a portion of the financing gap in the JDS proposals is met by the construction and renovation cost of city office space within the context of the total overall development. While the City has included the cost of renovating the Municipal Building as city offices in its 2014 Adopted Capital Improvement Plan, using that facility as part of a hotel development does not necessarily require that the City locate its offices on Block 105. The JDS development team has communicated that it understands that the City can opt to put its offices elsewhere and has stated it can proceed with using the Municipal Building as a hotel and with development of Block 105 without city offices.

In addition to the direct public investment, both developers rely on indirect public contributions. The Journeyman proposal assumes that the City will enter into a 10-year lease agreement for meeting and hotel room space within the development at an annual cost of \$700,000. This is characterized by the developer as a contribution of room and sales tax revenues to make the internal rate of return viable to lenders and investors. The net present value of this annual payment, discounted at 4% over 10 years (the stated term of the lease), is \$6 million.

Both developers assume some or all of the value of the public property on Blocks 88 and 105 will be donated to the project by the City. Based on the 2008 appraisal of Block 88, including the Municipal Building, it is estimated that the total value of the two blocks is \$22 million, with \$5 million of that amount attributable to the Municipal Building, \$7.6 million attributable to the air rights on Block 88 and \$9.2 million attributable to the air rights on Block 105. Since

approximately 40% of the development on Block 105 will be owned by the Parking Utility, the value of the air rights attributable to the private development was discounted in this analysis to \$5.5 million on Block 105 and \$4.5 million on Block 88.

The Journeyman proposal includes \$3.3 million to acquire land and air rights associated with City-owned property. That leaves approximately \$7 million of residual value that is contributed by the City. The JDS proposals do not include any payment for land and air rights. As such, the indirect public contribution to the JDS-1 proposal is \$15 million and to JDS-2 is \$10 million.

Combining the direct and indirect public investments results in the Journeyman proposal receiving \$91 million of support, with JDS-1 and JDS-2 receiving \$83 million and \$98 million respectively. If the cost of providing city offices is not included, then the total public investment for JDS -1 is \$60 million and for JDS-2 is \$72 million.

Parking Utility Financial Impacts

The Parking Utility contribution expected from the developers has consequences for its long-term financial viability. Not only must the Parking Utility replace the Government East ramp, it has other aging garages that will need to be replaced over the next 20 years. In order to address those capital needs within its current funding structure, it must achieve a positive cash balance of approximately \$21 million by 2023 after investing in the replacement of the Government East garage. All three proposals fall short of that goal by between \$9 million and \$28 million.

In order to maintain the long-term financial integrity of the Parking Utility, that shortfall would have to be made up through a different source of public investment, such as TIF or use of room tax revenue to finance a revenue bond. This would push the TIF investment necessary to finance the Journeyman proposal to \$56 million, the JDS-1 proposal to \$31 million, and the JDS-2 proposal to \$49 million.

Property Value and TIF Increment

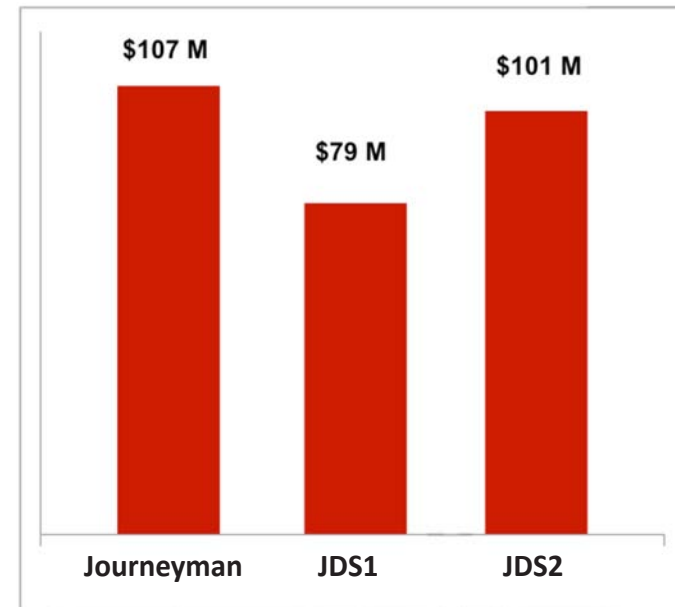
In analyzing TIF requests, an estimate of the assessed value of the development is used to generate a predicted amount of incremental property tax revenue over the 27 year maximum life of a tax increment district. These “incremental revenues” are the product of a forecasted property tax rate based on a 6% growth in city-wide property tax base, a 4% growth in property tax levies of all taxing jurisdictions (city, county, school district, technical college and state), and a 7% discount rate to reflect the long-term cost of city general obligation borrow-

ing. Based on these assumptions, which are used to analyze all TIF requests, the Journeyman development is proposing to use 190% of the incremental revenues, with the JDS plans proposing to use 93% and 91% of the incremental revenues, respectively.

If the Parking Utility funding shortfall were addressed through the allocation of additional TIF resources, this would change the TIF share of the incremental revenues accordingly. Under this scenario, the Journeyman proposal would utilize 226% of the incremental revenues, with the JDS proposals using 170% and 198%, respectively.

The assessed values used in this analysis were developed in consultation with the City Assessor’s Office based on the hotel pro formas provided by the developers along with standard capitalization rates utilized in private development. HVS Consulting confirmed the reasonableness of the hotel pro formas compared with national benchmarks.

Total Projected Property Value by 2019



The difference in the utilization of the incremental revenues can be attributed to three elements of the competing proposals:

- Use of the Municipal Building as part of the hotel. If JDS were required to purchase the Municipal Building, it would presumably add \$5 million to the TIF request (for a total of \$22 million), and use 120% of the incremental revenues.
- Underground vs. Aboveground Parking. Based on a \$49 million estimated cost for parking, and deducting for amounts assumed to be provided by the Parking Utility for its spaces and the cost of the City fleet spaces, \$19 million of the TIF support proposed by Journeyman is related to parking. Journeyman is also proposing 364 (40%) more parking stalls than JDS. From another perspective, JDS-1 relies on Parking Utility financing for all of the parking associated with the development, but with only approximately 514 stalls (56%) needed to replace Government East parking. If the cost of the parking is proportionate to the number of stalls, the approximate TIF equivalent for JDS-1 non-Parking Utility stalls would be \$11 million (i.e., 44% of \$26 million).
- City Offices on Block 105. JDS proposes that the city develop 80,000 square feet on Block 105 for offices if the Municipal Building is used as a hotel. As such, the development of this air space is paid for by the City. Alternatively, JDS has stated it would proceed with a mixed-use development in lieu of city offices, but has not stated if it would need additional TIF support for that development. Journeyman is requesting \$9 million of TIF support for Block 105.

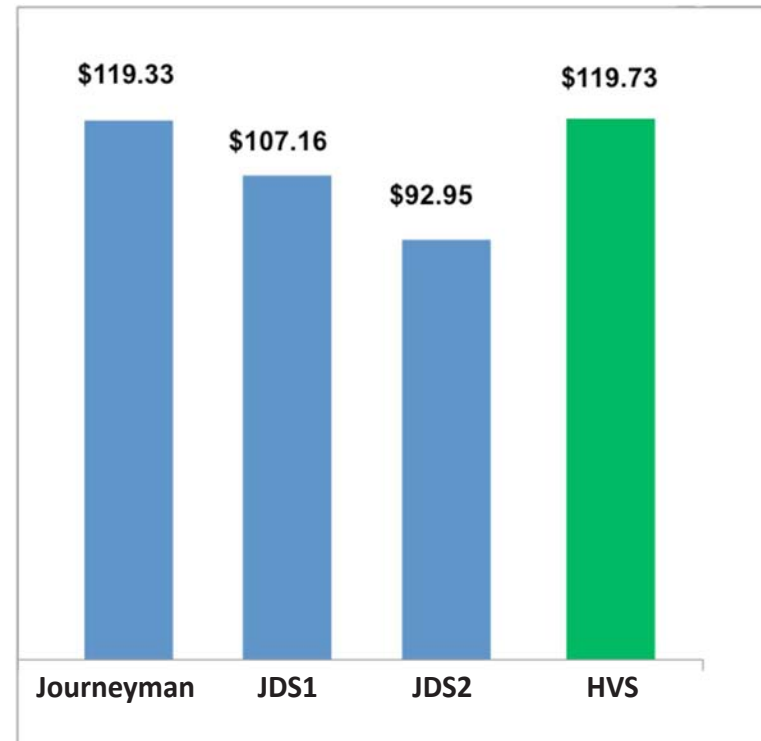
Room and Sales Taxes

Based on the hotel revenue information provided by the developers, it is estimated that the Journeyman proposal would generate approximately \$1.4 million of room taxes annually at stabilization (year 3). The JDS proposals would generate \$808,800 and \$625,300 respectively. Sales taxes are also paid on hotel room revenue as well as other revenue generated by the hotel. The Journeyman proposal is estimated to generate \$1.2 million in state sales taxes and \$116,000 of county sales taxes at stabilization. JDS-1 is expected to generate \$735,300 in state sales taxes and \$73,500 of county sales taxes at stabilization. These amounts have been shown in the summary table on a net present value basis for a 10 year period with a 4% discount rate.

Hotel Operating Margins

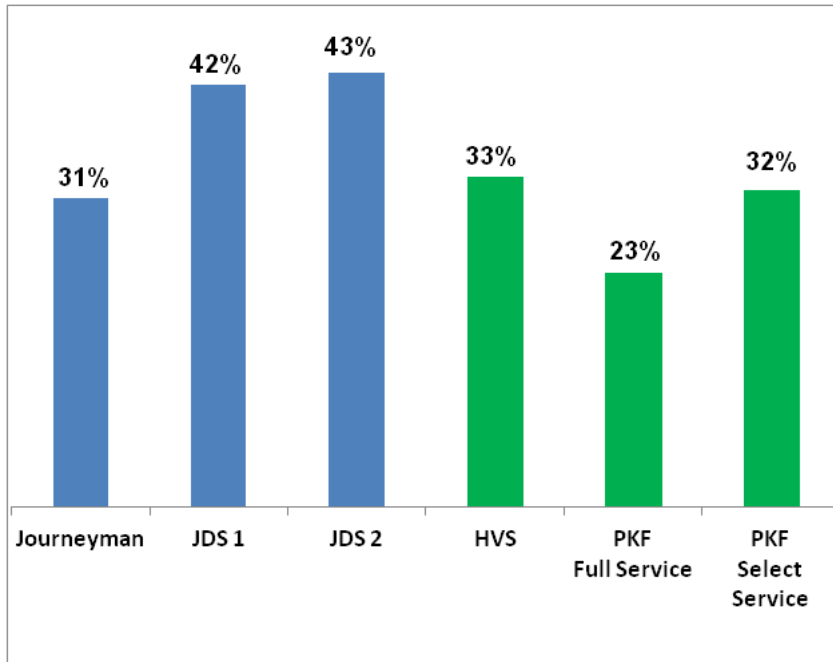
Regarding hotel revenue and expenditure projections, the HVS study benchmarked a daily revenue per available room for a full-service hotel of \$119.73. Journeyman is projecting \$119.33, with JDS-1 projecting approximately 10% less at \$107.16.

Projected Daily Revenue Per Available Room

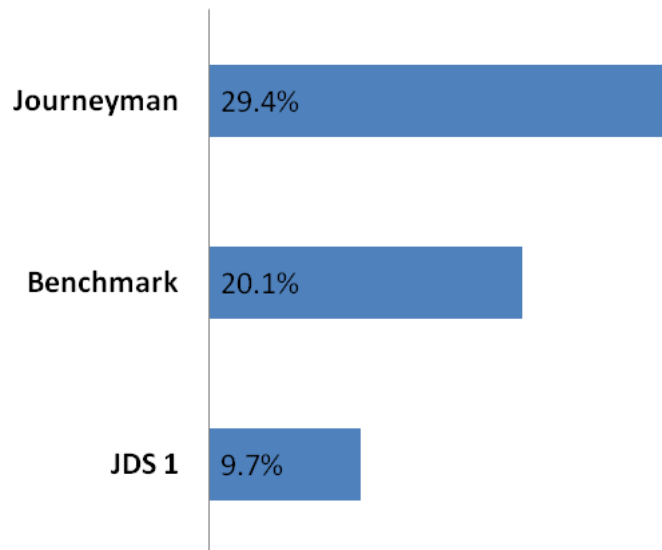


However, JDS is projecting a much higher operating margin – 42% (i.e., while its revenue estimates are lower than the benchmark, costs are estimated to be even lower). HVS and other hotel industry experts expect a full-service hotel to have an operating margin of 23% to 33%. The Journeyman pro forma has a 31% operating margin. It is unclear if the JDS hotel cost operating assumptions are reasonable given its variance from the benchmarks.

Net Operating Income as Percentage of Revenue at Stabilization



Rate of Return Comparisons



Based on comparing rates of return for each proposal with benchmarks, it appears that Journeyman could increase equity by \$4 million and JDS-1 may need \$15 million to \$20 million more public investment. The variance for JDS-1 could be a sign that the developer might request additional public investment in the project as it proceeds. On the other hand, the JDS development team has stated it is committed to the project and the level of debt and equity investment it has included in its proposal.

Exceptions to City TIF Policy

The City has policies regarding the use of TIF that are aimed at ensuring the sustainability of projects and protection of City finances and the overall tax base for the taxing jurisdictions within the City (city, school district, county, technical college district, State of Wisconsin). Due to the nature of the Judge Doyle Square project and the scope of the related public investment, it is expected that the following exceptions to the TIF policy may be necessary:

- 50% rule – incremental revenues allocated to the project will exceed 50% of the net present value of the revenues generated by the project.
- Self-Sustaining rule – the property value created by the project will not be large enough to provide sufficient incremental revenues to offset the amount of TIF investment provided.
- Equity participation rule – the equity from the developers is unlikely to exceed the amount of TIF investment made in the project.

Tax Increment District Options

As identified in the 2012 staff team report, the source of funds for investing TIF in the project could be either a new TID or existing TID 25. Based on the requested TIF amounts compared with the estimated value generated by the development, a new TID would have to contribute incremental revenues from property within the TID boundaries outside of the new development. A new district would also probably have to remain open for 27 years in order to generate sufficient revenues to make the proposed investments.

Alternatively, the Blocks 88 and 105 are located adjacent to TID 25, which could be amended to provide TIF support for the Judge Doyle Square development. TID 25 is projected to have a positive balance, after deducting all current and future approved costs, of \$16.4 million at the end of 2014. Based on city-wide annual property value growth of 6%, growth in total levies of 4% annually and growth in property value of the TID of 2% annually, TID 25 is projected to have a \$52 million positive balance through its 27 year life. This amount increases to \$65 million with the addition of value from the Judge Doyle Square project (assuming the

Journeyman development; a \$61 million positive balance would be generated by the JDS-1 proposed development).

While TID 25 has a positive balance and could be closed, it remains open due to outstanding lease revenue bonds for the Block 89 and Hilton Hotel parking structures. These bonds are being repaid by a combination of TIF support and developer contributions. The bonds could be immediately repaid with the cash balance in the TID, but that would provide an additional implicit subsidy to the Block 89 and Hilton Hotel developers (by foregoing any additional contributions toward bond repayment). Repayment of the bonds also eliminates the right-of-first-refusal provision for Marcus Hotels regarding management of a new convention center hotel on Block 88 as well as the current room block agreement between the Hilton Hotel and the Monona Terrace Community and Convention Center. Alternatively, TID 25 could be closed and the bonds repaid from cash set-aside for that purpose.

Under state law, TID 25 can make capital expenditures during its first 22 years of existence (i.e., through 2017). As such, the window of opportunity to use the cash balance in the TID will close within the next 4 years. Use of TID 25 resources for the Judge Doyle Square project will also require approval of an amendment to the TID 25 project plan and budget by the Joint Review Board. That amendment will also have to correct an inconsistency between amounts allocated for construction of parking structures and actual expenditures for the Block 89 and Hilton Hotel projects that were not addressed when those projects were approved in the mid 1990's and early 2000's.

The advantage to using the projected cash balance in TID 25 for the Judge Doyle Square project is that it would allow the new property value from the development to be returned to the tax rolls by 2023 (presuming that the TID support for the project was less than the estimated available balance), rather than 20 years later (assuming a new 27 year TID). Interest costs could also be reduced by using already available cash balances.

Conversely, TID 25 could be closed in the near future and the net proceeds distributed to the underlying taxing jurisdictions (45% to Madison Metropolitan School District; 36% to the City; 11% to the County; 7% to Madison College; and 1% to the State of Wisconsin). However, the tax base created by the Judge Doyle Square development (along with additional property value included in a new TID), estimated at up to \$125 million annually when fully implemented, would likely not be available to the taxing jurisdictions for operating purposes until after closure of a new TID in 2042.

The table below compares the options regarding use of a new TID vs. TID 25 (using the elements of the Journeyman proposal -- \$107 million of new value; \$56 million TIF request – including Parking Utility shortfall).

Cash Balance if Closed in 2015 Estimated Year New Value Added to Tax Rolls

No Project	\$16.4 million	N/A
Use TID 25	N/A	2023
New TID	\$16.4 million	2042

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SUMMARY

Next Steps

The Committee adopted a developer selection process and timeline in September 2013 and intends to make a recommendation to Common Council based on a combination of features and attributes which offer the best overall value to the City.

The Committee will determine the potential best overall value by comparing differences to strike the most advantageous balance for achieving the City’s goals in:

- Project features,
- Feasibility, and
- Development team attributes.

Development Team Selection

The Staff Report will assist decision makers to determine the degree to which:

- Each team’s project plan excels in achieving the City’s goals,
- Each team has demonstrated a superior delivery and operating plan, and
- Each team has demonstrated the feasibility of its financing approach including a cost effective and efficient use of City resources.

In make a selection, it’s important to remember that a development team is being selected at this stage with the details of project to be negotiated in the next phase.

JDS Development and Journeyman Group

A choice will need to be made by the Committee and the Common Council as to which development group should proceed into the final negotiation stage.

The Staff Team believes that each development group has assembled a quality team capable of executing the Judge Doyle Square project. Both teams have strong development track records.

The Staff Team believes each project concept is buildable.

The staff team believes both proposals have cost, public investment and financing structures that are relatively consistent with those identified in the 2012 Staff Team Report.

The staff team believes the amount of TIF required is feasible in either case, but will require exceptions to the City's TIF policy to facilitate extraordinary levels of public investment.

In the next two sections, a path forward is suggested for each of the teams, identifying the key issues/risks that would have to be resolved in the negotiation stage to achieve a successful project.

The question for policymakers is: Which development group is in the best position to deliver an exceptional project at the best overall value to the City? Or said another way...Which proposal provides the City with the best overall risk/reward proposition?

Journeyman Group Path Forward

The Journeyman Group’s proposal was a thorough response to the RFP requirements and provided a very complete project plan, delivery and operations plan and financing plan. The response closely tracks the May 2012 staff report and the RFQ/RFP stated goals.

In considering the Journeyman Group, the following elements should be taken into consideration:

Project Plan

The design aspects of the project plan need to be substantially improved.

The Madison Municipal Building is maintained as a city office facility.

Journeyman will deliver the City’s required 250 room block and will work to deliver the room block commitment in a form required by the City

The participation by Marcus Hotels and Resorts in the project will remove the development right from the earlier 1999 development agreement between the City and Marcus as an issue. It also provides the opportunity to extend the duration of the 150-room block from the Monona Terrace Hilton.

Project Delivery/Operations

The workforce utilization plan was very responsive and includes specific targeted business commitments, sufficient detail, dedicated staffing and sample forms.

Removing the Government East public parking supply for approximately a year, has significant shortcomings for the neighborhood, the Parking Utility and Monona Terrace and must be substantially modified. The City acknowledges that successfully addressing phasing may increase cost and risk to the developer.

The plan leaves the Parking Utility with insufficient reserves to rebuild another parking garage in ten years in accordance with its plan.

Financing

Journeyman Group provides a greater building program which can drive more tax base but at a greater public investment.

The plan has a higher cost per stall for the public Parking Utility-owned spaces and City fleet spaces than for the private parking spaces.

The lease of hotel meeting space by the City, a significant component of the hotel’s proposed net operating income needs further consideration.

JDS Development Path Forward

The JDS Development proposal is very conceptual in nature and provides limited detail on many aspects of the RFP response.

In considering JDS Development, the following elements should be taken into consideration:

Project Plan

The design concept and urban design elements of the JDS-1 to reuse the MMB as a hotel is superior.

The plan provides a context sensitive, efficient and creative use of the property.

Utilization of the MMB for the hotel will need further study in the negotiation stage to ensure that the renovation of the building fulfills the landmark status expectations, such as Judge Doyle’s former courtroom known as Room 260.

The proposed food emporium use will need further study to determine whether the concept is feasible.

JDS Development will deliver the City’s required 250 room block and will work to deliver the commitment in a form required by the City.

JDS Development’s smaller hotel may bring less competition to other properties in the competitive set. However the hotel size just meets the threshold to provide the necessary room block.

JDS must negotiate with Marcus Hotels and Resorts under the hotel right to manage the hotel property.

Project Delivery/Operations

The project phasing plan maintains 1/2 of the total parking supply during construction.

More detail is needed on the bicycle center plan, workforce utilization plan and construction budget elements in the negotiation stage.

Relocating the MMB offices on Block 105 potentially reduces the needed parking since it is a municipal use. This situation reduces the parking cost unless the City chooses a different MMB relocation option. If a private development replaces the city office building in the plan, this land use will increase the parking stall requirements and the resulting project cost.

The plan leaves the Parking Utility with insufficient reserves to rebuild another parking garage in ten years in accordance with its plan.

Financing

JDS Development creates less tax base, lower project costs- particularly in parking by largely avoiding underground parking- which translate to a more favorable ratio of public investment to tax base

The plan is more conservative with regards to food and room revenue projections and more optimistic about the hotel’s operating margin which may be unrealistic.

A lower return on equity may indicate an additional financing gap. In addition, JDS Development is attempting to support more debt with less revenue which could widen the gap further.

RFP Response Scorecard

To assist the policymakers in the decision making process, the staff has provided the following scorecard on the key components of the RFP responses in the green light, yellow light and red light format of the Committee’s selection criteria.

Summary of Staff Analysis

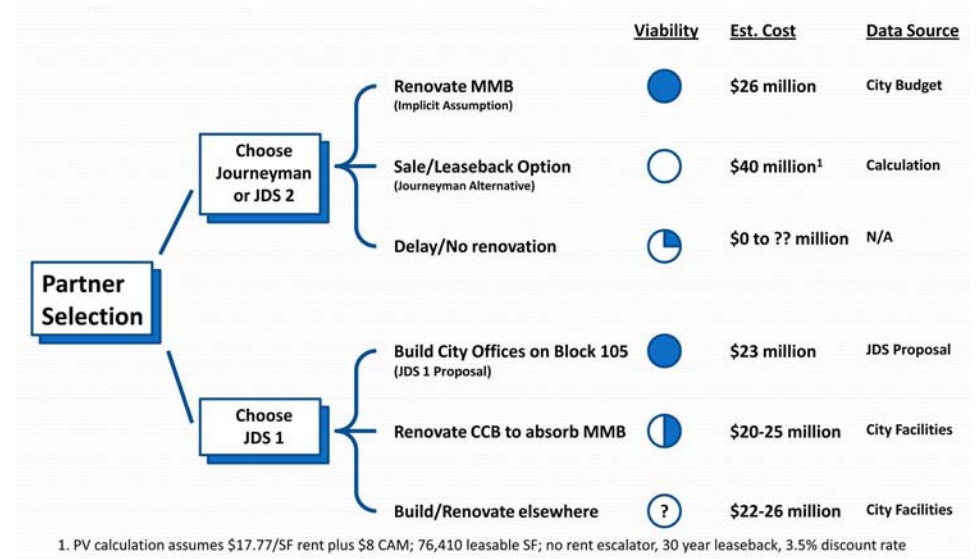
	Journeyman	JDS 1	JDS 2
Land-use	●	●	●
Design	●	●	●
Development Team	●	●	●
Thoroughness of Response	●	●	●
Financial Feasibility	●	●	●
Required Public Investment	●	●	●
Parking Phasing Feasibility	●	●	●
Marcus Right-of-First-Refusal	●	●	●
Economic Impact	●	●	●
Targeted Business & Workforce Utilization	●	●	●

● Meets or Exceeds
 ● Meets some but not all
 ● Does not meet

Madison Municipal Building

The choice of a development team may come down to the Common Council’s views about whether it’s in the City’s best interests to maintain MMB as a city office building. While the development proposals and the city studies conducted for the Judge Doyle Square development as well as the Municipal Building itself are informative, there are fundamental beliefs and judgments about the value of the building as a piece of the civic infrastructure versus the value of the building as an adaptive reuse to transform the vitality of the Capitol South area.

These decisions on the choices will not be exclusively data driven and reasonable people will likely disagree on a path forward. One element to remember however in considering the options is that city office space must be addressed in the near term and the cost to make those improvements cannot be avoided.



The Staff Team recommends that the decision regarding the Madison Municipal Building be framed by what’s the best future for the MMB.