



TO: Mayor Paul R. Soglin and Members of the Common Council

FROM: Sabrina Tolley, Parking Utility
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SUBJECT: Capitol East District Parking Garage Cost Estimates
Supplemental Memo – May 16, 2017
Legistar # 46812

Legistar # 46812 includes a memo titled “Capitol East District Parking Garage Budget Amendment Memo 4-18-17,” which presents an explanation for the need and opportunities associated with a budget amendment regarding the Capitol East District Parking Garage. Following the discussion at the May 2, 2017 Common Council meeting, City staff has prepared this “supplemental memo” with additional background information.

Several important considerations that were not articulated in the previous memo include the following:

- The Capitol Gateway Corridor BUILD Plan, which is the guiding plan for the Capitol East District, was adopted nearly 10 years ago. The Plan identifies the Capitol East District, particularly the area south of E. Washington Ave., as an important location for new employment in the Isthmus.
- While housing development on the north side of E. Washington Ave. has been strong, employment has lagged.
- The Spark (American Family Insurance and StartingBlock Madison) and Cosmos (Gebhardt Development and Frank Productions) buildings are the first large employment anchor in the Capitol East District, and the project is a major step forward in achieving the BUILD Plan goals.
- Given the need for public parking in this area, staff recommended, and City policy makers supported, the City Parking Utility building and owning the Capitol East District garage to ensure reliable public parking for events at Breese Stevens Field and Central Park and to accommodate other demand in the area.

- The alternative to the Capitol East District public parking garage would have been a TIF-supported privately owned garage as preferred by the developer. Parking Utility garages are a positive revenue source for the City. Using TIF for a public, rather than private, garage insures long-term revenue for the City.
- Locations to construct additional parking within the Capitol East District are limited. The additional 56 spaces, for a total of 106, will more than double the number of public hourly spaces that are available 24/7 within this structure, and will create public parking that is much needed now and in the future. The 56 additional public parking spaces will not only increase total annual revenue, but will increase the annual revenue/space generated as well.
- The Capitol East Garage will be a public Parking Utility garage, and consistent with existing public parking garages, is designed for public high-turnover use, and for longevity and durability to reduce long-term maintenance and operating costs.
- Consistent with what the City's expectations of a private developer at this type of location, the parking garage is designed to enhance the Main Street streetscape with a two story commercial structure along Main Street vs a blank parking structure wall.
- The American Family Insurance and Gebhardt Development weekday parking lease rates during the first fifteen years are consistent with the significantly lower prices in this area compared to the City's downtown garages. Parking lease rates will be adjusted at a rate of 4% annually to cover operating costs and inflationary increases. After fifteen years, the City will be able to set rates independently. During evenings and weekends, all parking spaces will be available to the public on an hourly basis.
- Following the November 1, 2016 budget approval, the amount of office space in the Cosmos building increased from approximately 60,000 square feet to 110,000 square feet. As a result, the projected assessed value of the Cosmos building grew from \$15 million to \$28 million. This increase in projected assessed value provides the opportunity for an additional \$1 million of TIF-supportable general obligation borrowing. The Spark and Cosmos buildings combined will have a projected assessed value of over \$52 million. This assessed value, coupled with available value generated by other projects in TID #36, will provide a total of \$8 million of TIF-supportable general obligation borrowing.
- The parking garage as planned is fulfilling the City's role in a public-private partnership to bring American Family Insurance offices and StartingBlock Madison to this catalytic location in Madison. StartingBlock Madison will be a tremendous entrepreneurial resource for the community, with a significant future multiplier effect on the City's investment based on the new businesses to be launched from this facility. The City's public investment in this overall project has and will continue to leverage significant private investment.

At the May 2, 2017 Common Council meeting, questions were raised regarding the reason for increased costs and options for further reducing costs to within the original \$16 million budget. The following table and text compares the \$16 million budget approved by the Common Council on November 1, 2016 with the building plans as of April 4, 2017.

Date & Action	Nov 1, 2016 Council approval of a \$3M Budget Amendment to design/build a larger, approximately 600 stall garage.	April 4, 2017 Estimate based on Schematic/Design Development Architectural Drawings Cost .
Basis of Budget Estimate	Preliminary estimate. (Prior to design beginning).	Estimate based on schematic/Design Development architectural drawings after value engineering and reducing height of commercial space to reduce costs.
Spaces	600 Stalls Size of development increased & to provide minimum of 50 public 24/7 parking spaces.	656 Stalls After architectural and engineering assessment, ATC underground line and garage functionality created the need for a longer garage, accommodating 56 additional public parking spaces. *See footnote for additional information on the garage length.
Number of Public Parking Spaces 24/7/365	50	106
Number of Leased Parking Spaces (weekdays)	550	550
Commercial Size	1 or 2 stories	One 22' story + One 11' story (3)
Design Cost	\$776,560	\$822,160
Land Cost	\$1,000,000	\$1,213,072 (75,817 sq ft x \$16)
Commercial Construction	\$1,000,000	\$954,312
Garage Construction	\$13,223,440	\$15,200,920
Garage Construction cost/stall	\$22,039	\$23,172
Annual Lease Revenue	\$369,600	\$369,600
Annual Public Revenue (\$0.65/hr & \$8 special event)	\$319,125	\$399,350
Annual Revenue per Space	\$1,148	\$1,172 (2% increase in revenue/space)
Estimated Total Cost:	\$16,000,000	\$18,190,464
Approved Budget:	\$16,000,000	\$16,000,000

*Due to the location of the ATC line, locations for columns were extremely limited and an additional 32' in length was needed to make turning radii work and not risk exceeding the recommended maximum slope of 6.67%. Design standards recommend slopes of 5% or less for ramps with parking. The additional garage length reduced slopes from 6.6% to 5.4% on the first level and 5% on upper level ramps, and allowed for adequate turning radii. For comparison, ramp slopes at existing facilities are: 1.2% at Government East Garage, 2.1% at Capitol Square North Garage, 4.7% at State Street Campus Frances, 5.3% at Overture Center Garage, and 5.8% at State Street Campus Lake.

Explanation of cost changes from budget of \$16,000,000 to \$18,190,464

Summary:

Subtotal of costs that are not related to increases in budgeted materials/labor: \$1,550,168

Project cost increases that are directly related to project scope changes resulting mainly from site specific constraints that could not have been known until design began, and are not related to inflation or labor/material cost increases from the original budgeted estimate.

Inflation/increases in construction costs from the \$16M budgeted estimate: \$640,296

\$640,296 reflects a 4% increase in costs from the original \$16,000,000 budgeted. A 4% increase in construction costs for the Capitol East Garage project is consistent with market trends.

Detail:

Land: \$213,072

The additional land to be purchased increased from the original estimated parcel size, due to design requirements. The cost per square foot remains the same as originally budgeted at \$16/square foot. The larger parcel increased the cost by \$213,072.

Increase of 56 Public Spaces: \$1,234,184

The budgeted cost of construction was \$22,039 per space for a 600 stall garage. Design requirements for ramp slopes and building above the underground ATC line required that the length of the parking structure be increased, which resulted in 56 additional spaces. The original budget of \$22,039 per stall x 56 additional spaces= \$1,234,184.

Undergrounding Utilities: \$30,000

The private development will be undergrounding utilities adjacent to their site. The City will continue the undergrounding of utilities on Livingston and Main adjacent to the public parking structure.

Stormwater Management: \$73,000

A water retention tank has been added to the project to improve stormwater management on the site.

Design: \$45,600

Increase in design fee resulting from an increase in project scope and size.

Commercial Space Construction Decrease: -\$45,688

The cost to construct the commercial space is 45,688 less than the \$1M budgeted.

Amount of increase attributable to increases in labor/material costs: \$640,296

The 4% increase in construction costs for the Capitol East Garage project is consistent with market trends.

Options to reduce the cost of the project to within the \$16,000,000 budget would require a combination, if not all, of the following:

- Remove most of the top level of parking, building only a partial 5th level and stopping at the end of the ramping bay. This would result in a loss of 97 public parking spaces for a total of 559 spaces. Reducing the size of the garage would eliminate all but 9 spaces for 24/7/365 public parking.
- Eliminate the commercial space entirely. This option would not meet the City's requirement that privately developed parking structures be built with commercial/retail frontage, and likely would not get approval from the Urban Design Commission (UDC).
- Eliminate public art from the project. \$100,000 is budgeted, however the artist has already begun work, and elimination of public art from the project would not result in the full savings.
- Eliminate the stormwater retention tank.
- Do not underground the overhead utilities.
- Reduce the contingency from 8% to 6%. Reducing the contingency would increase the risk of a budget shortfall arising during construction, and is not a fiscally responsible choice.
- Eliminate architectural screening of the garage. The materials to be used for screening are the most cost effective option to meet design requirements for screening of the parking structure. If screening was eliminated, it is likely that the design would not get UDC approval, as the project would not meet the requirements that the City would place on a private developer.