

**LETTER OF INTENT
AMERICAN EXCHANGE DEVELOPMENT
LAND USE APPLICATION**

Madison, Wisconsin
August 12, 2020

This letter of intent addresses the redevelopment of the properties controlled by Urban Land Interests (ULI) in Block 101, bounded by East Washington Avenue and North Webster, East Mifflin and North Pinckney Streets. The development of this assemblage is referred to as the American Exchange Development, to reflect the importance of the historic American Exchange Bank building.

Brad Binkowski and Tom Neujahr purchased the American Exchange Bank in 1993. The narrow, 19' wide building had sat vacant for many years and was badly deteriorated. Brad and Tom undertook a complete and careful renovation consistent with the building's historic landmark status, converting it into a four-floor office building designed for small tenants. Over the next 25 years, Brad and Tom gradually assembled the surrounding properties into a site that presently contains 56,000 square feet of land area.

Urban Land Interests' proposal to redevelop these properties will maximize the life and activity on Madison's Capitol Square and will significantly increase the tax base for the City. The historic American Exchange Bank building will be carefully preserved in its current location and become the focal point of the new development. The development will restore more of the traditional scale of store fronts along Pinckney Street that existed in the 19th century by creating retail spaces at the sidewalk level that will generate life and activity. The impact of urban infill development that is designed to integrate the scale of small retail buildings with new development that achieves the City of Madison's goals for density was demonstrated by ULI's award winning Block 89 development and clearly maximizes the site's development potential and public benefit.

EXISTING PROPERTIES

The properties included in the American Exchange Development contain a total of 50,520 square feet of land area, consisting of eight individual parcels. The current two- and three-story buildings contain a total of 51,353 square feet of office and retail space that is functionally obsolete. The remainder of the site consists of 58 surface parking stalls comprising 27,918 square feet of land area.

More than 55% of the property included is presently used for surface parking or an abandoned bank drive-up. The linear buildings have solid party walls for their longest facades, leaving only a few windows on the Pinckney facades and back of the buildings to let in natural light. As a result of these conditions the buildings have experienced chronic high vacancy rates, leaving them blighted and underutilized in their existing condition. At the present time, a total of 770 lineal feet of sidewalk frontage has only one active retail storefront, which leaves the block devoid of the life and energy experienced elsewhere around the Square.

The American Exchange properties, which sit at one of the key gateways to downtown along East Washington Avenue, represent the largest parcel of underutilized land on the Capitol Square. This land use application incorporates a request to demolish the buildings located at: 3-5 N Pinckney St, 7 N Pinckney St, 15 N Pinckney St, 19 N Pinckney St, 120 E Washington Ave and 22 N Webster St.

THE AMERICAN EXCHANGE DEVELOPMENT

Downtown Madison is constrained both by its location on a narrow isthmus with limited developable land area and a height restriction designed to preserve views of the State Capitol building. The only way to create responsible density in new developments on the Capitol Square requires the construction of underground parking. There are only two remaining sites in downtown Madison that can support large, efficient underground parking structures – the City owned Brayton Lot and ULI’s American Exchange properties.

The foundation of the proposed American Exchange Development is a six (6) level underground parking structure containing approximately 840 parking stalls. With entrance and exit lanes located on Webster Street, the structure will have optimal accessibility along the outer loop. Two distinct elevator cores will provide vertical circulation for building occupants, with an additional dedicated transient elevator and stair providing convenient access to Pinckney Street for after hours and weekend transient parking users.

The ground floor of the development will create 22,000 square feet of small tenant retail spaces fronting on both East Washington Avenue and Pinckney Street. The retail space will be situated behind individual storefronts in buildings that respect the historic scale of the Capitol Square. A secure, indoor bike facility will provide over 200 convenient bicycle parking stalls designed to promote the use of more sustainable means of transportation. A large conference center with capacity for over 200 people will serve as an amenity for building tenants, as well as event space for local community organizations and non-profit groups.

The building will contain two distinct lobby entrances to serve the office space above. The first lobby is located on Pinckney Street facing the Capitol Square. The second lobby is located at the East Washington – Webster corner. Positioned at the top of the hill where East Washington Avenue meets the Square, this highly visible two-story lobby will help activate the outer loop and be an iconic gateway to the Capitol Square.

A total of more than 305,000 square feet of office space will be created on floors two thru nine. The intermediate floors are deliberately sized at 40,000+ square feet to appeal to the emerging technology users that value large floor plates with flexible spaces. The future growth of the downtown office market depends on creating space that can attract technology tenants like Zendesk who choose to be downtown (if space is available) because their employees want to enjoy the quality of life available. The upper floors of the building are designed to step back to a more traditional floor plate size of +/- 30,000 square feet.

Outdoor, landscaped terraces will be features on multiple levels throughout the building to provide tenants with access to the outdoors and fresh air. Current plans for the project call for a total of over 8,000 square feet of landscaped terrace, planter and green roof area to be created. This area is sufficient to exceed the green infrastructure requirements of the City’s new stormwater ordinance. ULI will work with City of Madison engineering staff to ensure the design of these areas comply with the provisions of the ordinance.

Respecting the legacy of the American Exchange Bank Building, the approach of the development is to preserve and enhance the traditional scale of the Capitol Square. Although the American Exchange Development will be fully integrated in plan and function, the architecture of the buildings was considered lot by lot. An imagined pattern of ‘lot lines’ was laid over the land, with parcels varying in size and orientation to reflect both existing conditions and important planning opportunities. Each street façade considers the height, materials and character of its neighbor and immediate context, yet each is different

in some way. Instead of a single, monumental building identity, the development consists of different identities throughout. To integrate the larger building massing with the smaller scaled buildings along the development's street edges, the upper levels are pulled back from the property lines. This allows the smaller scale, two- and three-story facades along Pinckney Street and East Washington Avenue to have the dominant presence from the sidewalks surrounding the block. The result is a composition which reflects the history of the Square, a sympathetic collection of individual building elements, each well-designed in and of itself, which functions as a whole.

PROJECT ZONING – PLANNED DEVELOPMENT

The properties in Block 101 are currently zoned Downtown Core (DC), which is intended to recognize and enhance Downtown as a significant retail, entertainment and employment center while fostering development with high-quality architecture and urban design. Unfortunately, the design standards of DC zoning do not allow for a functional entrance / exit configuration to an underground parking garage. MGO Section 28.071(3)(a)3 limits the maximum width of parking garage openings to twenty-two (22) feet, which is too narrow to fit the necessary three traffic lanes and associated equipment.

The last three underground parking garages built around the Capitol Square – ULI's Block 89 and Anchor Bank developments and the City's Government East / Judge Doyle Square garage – were all zoned as Planned Developments due to the restriction imposed by MGO 28.071(3)(a)3. The City's Zoning Administrator, Matthew Tucker, has indicated that the American Exchange Development will also need to be a Planned Development for this same reason. **Accordingly, this land use application is being submitted as a Zoning Map Amendment to rezone from DC to PD-GDP-SIP all the properties included in this development.** The details of the proposed PD zoning text are attached to this submittal as Exhibit A.

Planned Development zoning is intended to facilitate the unique development of land in an integrated and innovative fashion and feature high-quality architecture. Specifically, MGO 28.098(1) lays out several objectives that a Planned Development District is to achieve, including:

- (d) Preservation of historic buildings, structures, or landscape features through adaptive reuse of public or private preservation of land.*
- (f) Facilitation of high-quality development that is consistent with the goals, objectives, policies and recommendations of the Comprehensive Plan and adopted neighborhood, corridor or special area plans.*

The design and execution of ULI's past developments, Block 89 and the Anchor Bank Properties, which utilized the same PD zoning, demonstrate the potential of the proposed American Exchange Development to comply with objective (f) above. Building underground parking to create spaces that generate life and vitality at the sidewalk level is critical to achieve the City's objectives. The specific characteristics of this site, including the unique historic resources comprised of several landmarked buildings, enable the project to also meet the historic preservation goals in objective (d).

HISTORIC PRESERVATION

The American Exchange Bank building, originally constructed in 1871, occupies the most prominent corner of the Capitol Square and will be integrated into the new development. The building will be maintained in place during construction of the underground parking structure that extends beneath the building and will be protected throughout construction. The addition that ULI constructed at the back of the building to provide ADA accessibility to the upper floors will be demolished as the new office tower takes its place. The floor plates of the current American Exchange Bank building will be partially integrated with the new

office building along the north party wall. The upper floors of the new office building are stepped back 29' to 32' along Pinckney Street and 24' to 34' along East Washington Avenue in order to allow the historic bank building to retain its prominence at the corner. A modern reinterpretation of the companion façade that was demolished in 1946, using a complimentary stone with more contemporary detailing, will extend the historic character of the American Exchange Bank building beyond the current 22' width.

Urban Land Interests previously submitted a request to the City of Madison Landmarks Commission for a land combination of the parcels included in the development, specifically conditioned on the landmark designation boundary of 1 North Pinckney Street remaining unchanged. The Landmarks Commission unanimously approved this request at its meeting on July 13, 2020.

In addition to the American Exchange Bank building, there are several other local landmarks that are adjacent to the proposed development, including the Maeder Building / Ellsworth Block at 21-23 North Pinckney Street and the Wakeley-Giles Building at 117 – 119 East Mifflin Street. The massing of the proposed new development is intentionally centered in the middle of the block in order to not overpower the smaller two- and three-story historic buildings along the street edges. The street facades of the new project are focused on smaller masonry buildings that respect that historic scale. The result is a considered design that the Landmarks Commission unanimously agreed at its July 13, 2020 meeting is not so large or visually intrusive as to adversely affect the adjacent landmarks.

The development also includes the property located at 7 North Pinckney Street (Centre7). Originally constructed in 1899 but since badly renovated numerous times, the Olson and Veerhusen building was landmarked in 2008. ULI previously submitted a request to the Landmarks Commission for a public interest variance to allow for the demolition of the building. As part of that process, ULI will explore the possibility of preserving some of the historically significant elements that remain on the building to be reused in a newly constructed storefront. At its meeting on June 1, 2020, the Landmarks Commission agreed with ULI's assertion that the benefits to the public of the proposed development outweigh any benefits of maintaining the Centre7 building in its current form and approved the variance request, granting a Certificate of Appropriateness for demolition of the building.

The design of the American Exchange Development carefully considers and respects these historic resources, in an innovative design that is very much in keeping with objective (d) of the Planned Development's purpose.

ECONOMIC IMPACT

According to the City of Madison Assessor's Office, the parcels included in the proposed development had an aggregate assessed value of \$9,187,000 in 2019. Those 1.3 acres of land located directly on the Capitol Square are producing only \$230,000 in annual tax revenue for the City. In comparison, ULI's Block 89 produced almost \$1,350,000 in tax revenue for the City last year. Current projected development costs for the American Exchange Development are expected to be more than \$125,000,000. That would represent an increase in value of more than 13x and a dramatic increase in tax revenue paid to the City.

Replacing older, functionally obsolete buildings on the Square with well-designed modern office space supported by adequate underground parking is the key to creating the responsible density that will allow the City to grow and fund its other initiatives. As the City continues to face budget constraints that force the Mayor and Council to make tough decisions about how and where to prioritize limited dollars, new tax base is critically important. The economic downturn created by the Covid-19 pandemic is causing the City to face significant budget deficits over the next several years. Redevelopment of infill sites that can

generate significant tax base increases allows the City to grow its revenues that can be put back to use in support of sustainability initiatives, improved infrastructure, transportation and other investments. The American Exchange properties' location means that the site is already served by the infrastructure that is required to support the proposed development and will not require a substantial investment from the City.

New developments that provide necessary underground parking, retail spaces at grade and functional office space above create the density and vibrancy that are necessary to support the unique quality of life that exists in downtown Madison. These factors enabled a dramatic shift in demand for downtown office space. The privately owned office buildings surrounding the Square have historically attracted banks, law firms and government agencies that represented more than 55% of all office tenants.

Driven by the growth of Epic, Madison's economy has been transformed to attract jobs centered on technology. As one of the top tech markets in the country according to CBRE, Madison currently has the highest percentage of educated millennials of all the top 50 technology markets in the United States. Companies like Google, Adobo, Filament Games, Forward Health and Education Analytics are hiring the talent they need to succeed and are moving to downtown Madison because their employees want to access the unique urban environment and quality of life available. Since 2012, technology tenants in ULI's downtown office portfolio have grown by more than 1,200%. There is no better example of this than Zendesk.

Zendesk's presence began in Madison in 2013 in less than 2,000 square feet in the basement of Centre7. In just 3 years' time the company had outgrown the space available in Centre7 and expanded three times to occupy 27,000 square feet in ULI's US Bank Plaza. As Zendesk's pace of hiring increased the firm needed more space to support its growth. Urban Land Interests' Anchor Bank Development created an opportunity to add 150,000 square feet of new office space to the downtown market. Zendesk took advantage of the chance to expand in downtown and today leases over 105,000 square feet in what used to be the functionally obsolete headquarters for Anchor Bank. Over time, Zendesk expects to grow to upwards of 800 employees in the redeveloped office building, making them one of the largest employers in downtown. Had it not been for ULI's redevelopment and the space it created, Zendesk would have been forced to leave the Capitol Square.

The future growth in Madison depends on the City's ability to continue attracting new, growth-oriented technology companies and the jobs they create. The only way to accommodate companies attracted to Madison is to make sure that adequate and attractive office space exists to meet firms' space needs and timetables. With occupancy rates in Class A office buildings downtown at historic highs, it is imperative that new supply be made available to support this growing market. ULI presently has over 96% of office space in its downtown portfolio leased. We cannot accommodate a large new employer who needs more than 20,000 square feet in our current office buildings.

The benefits of increased density extend beyond the increased tax revenue to the City and growth in employment opportunities. The traditional Capitol Square tenants – law firms, banks, lobbyists – have typical densities ranging between 250 – 350 square feet per person. Today's modern technology firms are looking for open space to accommodate workstations, with few offices and more amenities to offer their employees, resulting in higher densities that can approach 100 square feet per person. The net impact is that a 10,000 square foot floor plan may only accommodate 30 – 35 employees for a law firm, while the same square footage could fit up to 80 - 90 employees for a technology company.

The American Exchange Development will provide more than 305,000 square feet of office space. Of that, floors two thru four will contain larger floor plates that will be attractive to modern technology companies. Those floors contain a combined 140,000 rentable square feet of area. Applying a conservative density estimate of 125 square feet per person for modern technology companies, approximately 1,120 employees could be expected to occupy those floors. The more traditional sized upper floors will contain a total of 165,000 square feet. Assuming an average density of 300 square feet per person, a total of 550 employees would be present on the upper floors. The 22,000 square feet of retail space is likely to average one employee per 350 square feet, resulting in another 60 employees.

The net result is that a total of 1,730 employees could potentially occupy the building, with that number growing to upwards of 2,000 employees as densities continue to increase. That is 2,000 more people that will be frequenting the restaurants, bars and shops on the Capitol Square. 2,000 more people that will continue to feed into the growth of Madison's urban core.

TRANSPORTATION

To meet the minimum requirements of our prospective tenants, the American Exchange Development will be served by an 840-stall underground parking garage. Approximately 75 stalls will be permanently reserved for clients and visitors, leaving 775 stalls available for monthly parkers. With a total potential employee count of 2,000, there will be upwards of 1,225 employees looking to use alternative means of transportation due to the limited availability of parking. Although parking remains the number one requirement of tenants looking to relocate to the Capitol Square, it is simply not possible to build enough to satisfy this demand. As a result, new employees need to use walking, bicycle and bus commuting as their most viable options. The creation of the underground parking at American Exchange, and the above grade office space it can support, will create the density that is necessary to ensure a growing ridership for Madison Metro and the Bus Rapid Transit that the City is investing in.

To promote the use of alternative means of transportation, the proposed development includes the creation of a large, secured indoor bicycling room for occupants of the building. The room will provide storage racks that can safely store up to 212 bicycles. The space will also provide the necessary tools for those sorts of day to day repairs that bike commuters often require. The building will contain an indoor shower and locker room to make it even easier for those that want to bike to work year-round.

The parking garage will also include a number of electric vehicle charging stations for use by tenants and visitors. Urban Land Interests will work with MG&E to understand the most appropriate type of charging stations for this specific use. The number of stations provided will be determined by the demand from the building's occupants.

Although the cost of constructing underground parking is almost prohibitively expensive, it is necessary to continue attracting employers to downtown Madison. The site's location on the Capitol Square makes it attractive for more sustainable alternatives to single occupant vehicles, including walking, bicycling and bus. ULI has engaged a local transportation engineering firm, KL Engineering, to provide traffic engineering services. KL will complete a preliminary traffic impact study to ensure that the proposed project will not create any traffic or parking demands disproportionate to the improvements being made as required in MGO Section 28.098(2)(d). Additionally, ULI and KL will work closely with City staff on the creation of a Traffic Demand Management Plan to look at what additional strategies and actions can be taken to reduce the number of single occupant vehicle trips to and from the site. The TDMP will be completed and submitted to the Plan Commission prior to the hearing on this zoning map amendment so that it can be considered as part of the approvals.

SITE CONSIDERATIONS

The configuration of the parking garage is designed to take advantage of the steep grades on the site. There is approximately 8’ of elevation difference from the south end of the site to the north end along Webster Street. The entrance / exit to the parking garage is located at the low point to get below the first-floor slabs, with the ramps inside the garage continuing to follow Webster Street.

To maximize the efficiency of the garage it is necessary for the structure to extend into the subterranean areas beneath the terrace along East Washington Avenue and part of the sidewalk along North Webster Street. In total this results in 7,842 square feet of encroachment below the City right of way.

The City’s standard encroachment lease / privilege in the streets agreement is not financially feasible for this amount of square footage. Accordingly, ULI is proposing to utilize the same structure that was approved by the City on ULI’s Anchor Bank development and purchase the subterranean rights from the City. That purchase agreement will ensure there is adequate remaining area beneath the sidewalks for any infrastructure requirements of the City. A purchase price of \$50 per square foot amounts to \$392,100 in revenue to the City, a net win at a time when revenue is sorely needed, and the land being sold is otherwise unused by the City and effectively worthless.

Additionally, Block 101 contains an alley in the middle of the block running north – south between East Washington Avenue and East Mifflin Street. The alley was acquired by the City as a public alley and divides the block into two halves. Plans for the proposed development presume that the southern two-thirds of the alley will be vacated pursuant to Wisconsin Statute 66.1003(2). Urban Land Interests has engaged City Engineering staff to discuss the procedures for the alley vacation. Preliminary discussions have been held with the adjacent property owners whose signatures will be required on the petition to ensure they are comfortable with the proposed plan. The development will include a new enclosed loading dock and trash room at the north end of the site specifically to serve these adjacent properties. With an access point located in the alley, the development aims to improve the operations of the neighboring properties.

DEVELOPMENT TEAM

- Developer: Urban Land Interests, LLC
(608) 251.0706 | Madison, WI

- Architect: Valerio Dewalt Train Associates
(312) 260.7300 | Chicago, IL

- General Contractor: J.H. Findorff & Sons
(608) 257.5321 | Madison, WI

- Structural Engineer: GRAEF
(608) 242.1550 | Madison, WI

- Mechanical Engineer: IMEG Corp.
(608) 223.9600 | Chicago, IL

- Surveyor: Vierbicher Associates
(608) 826.0532 | Madison, WI

Transportation Engineer: KL Engineering
(608) 663.1218 | Madison, WI

Landscape Architect: SmithGroup JJR
(608) 251.1177 | Madison, WI

DEVELOPMENT TIMELINE

The anticipated development / construction schedule is as follows:

Submitted Land Use Application:	August 12, 2020
Common Council Review for Conditional Approval:	October 20, 2020
Projected Construction Start:	Spring - Summer 2021
Construction Duration:	26 months
Completion and Initial Occupancy:	Summer 2023

EXHIBIT A
PLANNED DEVELOPMENT ZONING TEXT

Legal Description The lands subject to this planned development shall include those described in Exhibit B, attached hereto.

Statement of Purpose This Planned Development is established to facilitate the redevelopment of the properties controlled by Urban Land Interests and its affiliates in Block 101, commonly referred to as the American Exchange Development. The historic American Exchange Bank building at 1 N Pinckney St will be maintained and preserved, while the remaining two and three story office buildings and surface parking lots will be demolished to allow for the construction of a six level, 840 stall underground parking garage; roughly 22,000 square feet of commercial space at the sidewalk level; and approximately 305,000 square feet of Class A office space on floors two thru nine.

The Planned Development is specifically intended to facilitate a high-quality development that is consistent with the goals of the City's Comprehensive Plan, as well as to preserve the historic resources that exist in this block.

- Permitted Uses**
1. Those that are stated as permitted uses in the Downtown Core zoning district, including:
 - a. 305,000sf of professional / general office space
 - b. 22,000sf of ground floor retail / restaurant / tavern space
 - c. 844 underground parking stalls
 - d. 200-person capacity conference center
 2. Uses accessory to permitted uses as listed above.
 - a. Outdoor seating associated with commercial space

Lot Area 56,113 square feet or 1.29 acres (which does not include the approximately 7,842 square feet of subterranean area beneath the East Washington and North Webster sidewalks that is to be acquired from the City)

Floor Area Ratio Floor area ratios as shown on approved plans.

Maximum building height as shown on approved plans.

Yard Area Requirements Not Required. Landscaped roof terraces will be provided as shown on approved plans.

Landscaping Site landscaping will be provided as shown on approved plans.

Accessory Off-Street Parking / Loading Accessory off-street parking and loading will be provided as shown on approved plans.

One (1) primary loading dock will be provided off East Washington Avenue, with an additional one (1) loading dock being provided off North Webster Street, as shown on approved plans.

The 844-car underground parking garage will optimally accommodate the needs of tenants and their visitors. Three (3) vehicular entrance / exit lanes will be provided along North Webster Street, in a configuration as shown on the approved plans. A transient elevator for pedestrians to access the parking will be created on North Pinckney Street. The American Exchange office building will have two elevator cores directly accessing the parking to improve circulation.

Design Standards A recessed corner entrance into the office building lobby will be created at East Washington / North Webster as shown on the approved plans.

Building materials to be consistent with the approved plans.

Lighting Site lighting is provided as shown on approved plans.

Signage Signage will be provided as approved on the recorded plans.

Family Definition Not applicable.

Alterations and Revisions No alteration or revision of this planned unit development shall be permitted unless approved by the City Plan Commission, however, the Zoning Administrator may issue permits for minor alterations or additions which are approved by the Director of Planning and Development and the alderperson of the district and are compatible with the concept approved by the City Plan Commission.

EXHIBIT B
LEGAL DESCRIPTION

Part of Lot Three (3), and all of Lots Four (4) through Nine (9), Block One Hundred One (101), Original Plat of Madison, as recorded in Volume A of Plats, Pages 3, as Document Number 102, Dane County Registry, in the City of Madison, Dane County, Wisconsin, also part of an existing twelve foot (12') wide alley located in said Block 101, located in the Southwest Quarter of the Southwest Quarter of Section 13, Township 07 North, Range 09 East, City of Madison, Dane County, Wisconsin, more fully described as follows:

Beginning at the southerly most corner of said Block 101, said point also being the southerly most corner of said Lot 8; thence N43°50'58"W, along the southwesterly line of said Block 101, 198.55 feet to the northwesterly line of said Lot 9; thence N46°05'16"E, along the northwesterly line of said Lot 9, 120.12 feet to the southwesterly line of an existing twelve foot (12') wide alley; thence N46°19'21"E, 12.00 feet to the northeasterly line of said alley, said point also being the southeasterly line of said Lot 3; thence N46°01'16"E along the southeasterly line of said Lot 3, 43.93 feet to a point that is 87.80 feet southwesterly of the northeasterly corner of said Lot 3; thence N43°53'18"W, 42.92 feet; thence N46°09'03"E, 87.81 feet to the northeasterly line of said Block 101 said point being 42.72 feet, more or less, northwesterly from the northeasterly corner of said Lot 3; thence S43°51'57"E along the northeasterly line of said Block 101, 241.06 feet to the southeasterly corner of said Block 101 said corner also being the southeasterly corner of said Lot 5; thence S46°01'12"W along the southeasterly line of said Block 101, 263.90 feet to the point of beginning. Said parcel contains 56,113 square feet or 1.288 acres, more or less.