



Department of Planning & Community & Economic Development

Economic Development Division

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Office of Business Resources
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TO: Common Council, Community Development Authority, and Economic Development Committee

FROM: Matthew B. Mikolajewski

SUBJECT: Madison Pop Up Shop Program (Legistar #65499)

DATE: May 13, 2021

The Common Council identified promoting pop-up retail as a path to supporting entrepreneurs of color when it adopted the Small Business Equity and Recovery (SBER) program guidelines in 2020 (RES-20-00613, Legistar #61605). The City has received its first interest by a property owner in hosting a pop-up retail location, we have started working with several community partners on supporting the initiative, and we are prepared to take the first step of launching a new Madison Pop Up Shop Program ("Program").

The Proposed Program Structure

The first step of the Program is for the Community Development Authority ("CDA") to execute a master lease with a property owner to host retailers. Regardless of the number and type of retailers located within the space, the CDA will serve as the primary point of contact between the property owner and the Program for typical property maintenance and management concerns. This will allow the retailers to focus more on their business and less on the real estate.

The second step is to identify and select potential retailers interested in a pop-up opportunity. The Economic Development Division has already started to have conversations with some of the organizations that serve entrepreneurs of color and we will continue to partner with our business community to identify potential tenants for these spaces. The Economic Development Division will work with the CDA to develop Program requirements, an application, and process for selecting tenants; working closely with entrepreneur of color support organizations throughout the entire process. Examples from programs in other communities are available and Downtown Madison Inc.'s "Downtown Group" has been collecting and compiling this information to assist with this effort.

Once the CDA has executed a master lease with property owners and identified potential pop-up tenants, the CDA will execute sub-leases with those pop-up tenants. We anticipate that pop-up retailers will pay a below-market rent, or perhaps no rent at all. As such, it should not be assumed that tenant sub-lease payments to the CDA will cover the cost of the master lease with the property owners. A single space may be shared by multiple pop-up tenants and the term of a lease for a single pop-up tenant could vary depending on the needs of the retailer. The CDA will continue to manage the property as needed; recruiting and partnering with new pop-up tenants as space becomes available.

The Economic Development Division and entrepreneur of color support organizations will likewise continue to work with the pop-up tenants by providing connections to business development resources available in the community. The goal is to help some of these businesses transition into a more permanent retail location.

Why the Community Development Authority (CDA)?

The Madison Pop Up Shop Program is new for our community, and we won't be able to anticipate every need and opportunity during the early months of this effort. The Community Development Authority (CDA) is set-up to be able to respond flexibly and quickly with regard to managing real estate assets. The CDA already has experience managing the retail leases at the Village on Park. In partnership with Economic Development Division staff (business resources and real estate), we believe the CDA will provide the best organizational structure for this new initiative. The Economic Development Committee and Common Council will continue to be updated and consulted throughout Program implementation.

State Street Opportunity

JD McCormick Properties has forwarded a proposal for an initial pop-up retail space on State Street. The space is the first floor of 440/444 State Street, immediately next to Peace Park. The spaces total 1,894 square feet. They would lease the spaces to the CDA for a year at \$21/s.f. gross (rent includes all utilities, common area maintenance, etc.). By way of background, JD McCormick Properties was previously leasing these spaces for \$37/s.f. NNN (no utilities, common area maintenance, etc. included). JD McCormick Properties would paint and prepare the spaces for use by pop-up retailers; however, no furniture would be included. The initial lease would be for a year, with month-to-month thereafter. JD McCormick Properties will eventually want to demolish this building to make way for a new development; the CDA can likely continue to lease the property until that happens. Under these terms, the initial year would cost about \$40,000 with about \$3,300 per month thereafter.

Project Budget and Future Opportunities

The current resolution before the Common Council (Legistar #65499) commits \$100,000 to the CDA to manage this Program. Of this, at least \$40,000 will be used to lease the space at 440/444 State Street. The remaining balance will be used to cover staff time, incidental costs related to managing the space, and possible financial support to entrepreneur of color organizations assisting with the effort.

It is also possible that the CDA and Economic Development Division may identify additional properties throughout the community as candidates for the Madison Pop Up Shop Program. If the initial commitment at 440/444 State Street is successful and if there appears to be demand for similar Pop Up opportunities elsewhere, a request for additional funding may be made to the Common Council at a future date.