

THE PROPOSED HOPCAT LIQUOR LICENSE FOR 222 WEST GORHAM

HopCat is proposing to open a restaurant and craft beer establishment at 222 West Gorham, a building developed by Urban Land Interests ("ULI"). Since 1985, 70 percent of the building has been occupied by food and beverage (Pizzeria Uno followed by Quaker Steak & Lube), and 30 percent has been home to a succession of three clothing stores, most recently BOP. Both spaces are now vacant. The entire building contains 8,483 square feet. HopCat's present stores in Grand Rapids, East Lansing, Indianapolis and Detroit are larger. HopCat enjoys an excellent reputation, both locally in the communities where it does business and nationally among craft beer aficionados. It is distinctly not an undergraduate bar. It attracts a broad range of customers, including families.

It has been hypothesized that, because 30 percent of the 222 West Gorham building has been occupied by clothing stores, the entire building should not be permitted to become a food and beverage venue.

After Amazon bought BOP in 2006, the commitment to keep BOP open as a physical store went away.

When the BOP lease was expiring in 2009, BOP's General Manager signed a five-year lease extension. Amazon.com invalidated the extension on the grounds that it had not reviewed it. Amazon was willing to renew for only a year at a time. For each of the next five years, the building owner did not know until less than two months before lease expiration whether Amazon would continue the BOP store.

Urban Land Interests offered BOP a much more visible location across the intersection at 341 State Street at a lower rent, but Amazon decided it no longer needed a bricks-and-mortar store.

No one has done more than ULI to create retail space on State Street and around the Square.

In 1982, when State Street and the Square were in decline because of competition from Hilldale, East Towne and West Towne, ULI developed a new 33,600-square-foot cluster of stores at 341 State Street. In 1985, ULI developed another 8,500 square feet of retail space at 222 West Gorham, across the State and Gorham intersection from 341 State.

In creating Block 89, ULI pushed the parking underground so that the first floor could be devoted to life-giving retail establishments. This made possible the spaces now occupied by Marigold Kitchen, Johnny Delmonico's, DLux, Francesca's al Lago, Starbucks and Walgreens.

In U.S. Bank Plaza, ULI converted first floor bank space to Graze and L'Etoile.

No company has been as committed in attracting and sustaining non-food-and-beverage retailers.

At 341 State Street, ULI set out to lease to tenants that sold things. They have included Community Pharmacy (health care products), Seifert's (women's apparel), Braun's (women's apparel), Blue Lakes Computers (hardware), Erewhon (outdoor sports, camping, apparel), Active Endeavors (same as

Erehwon), Pegasus (board games), Gap (apparel), Jack's Shoes and others. The Gap store strengthens State Street apparel retailing. The kinds of stores ULI filled 341 State with are no longer in the market.

At 222 West Gorham, ULI initially leased the smaller (2,583 sf) space to MacNeil & Purnell (men's clothing). After that store closed, ULI was able to bring in Britches of Georgetowne (men's clothing). Britches subsequently closed and was eventually succeeded by BOP, which just closed.

In Block 89, ULI leased 15,880 square feet to Walgreens. On January 10, ULI opened the beautiful Arch Apothecary, with an excellent line of cosmetics, between Colectivo and Graze on the Square.

ULI has deliberately held rent well below market to encourage apparel stores and others that sell non-food products.

ULI selects retail tenants with the determination to create positive life for downtown Madison.

It turned down several national chain restaurants before it found Marigold Kitchen.

ULI has recently rejected stores that sell e-cigarettes and "vapors."

ULI evicted Cue-Nique (at a considerable loss of rent) because that tenant was violating the use clause in its lease and creating a public nuisance.

The other 70 percent of the 222 East Gorham building was initially designed for the sale of food and beverage for on-premises consumption. It has never been anything else.

Pizzeria Uno was eventually succeeded by Quaker Steak & Lube, which closed in 2012.

Persistent vacancy threatens the City's tax base. It erodes the strength of neighboring establishments

The space vacated by Quaker Steak & Lube has been vacant almost 60 percent of the time over the past 5 years. Now the entire building is vacant. These vacancies are at a prominent stoplight, for all to see.

Things change. The number of viable retailers selling shoppers goods has severely declined.

In the 1960's State Street was home to Hershleder Furs, Savidusky's Fur Quarters, Antoine's Fifth Avenue, Redwood & Ross, Speth's Clothing, Yost's, Petrie's Sporting Goods, Wehrmann's Travel Shop, Oriental Specialties, Discount Records, Brown's Bookstore, Montgomery Ward, Patti Music, Art Mart, Victor Music and numerous other shoppers goods stores that people thought might be there forever.

In the 1980's, ULI's countercyclical efforts to strengthen downtown retailing sought to help it compete with suburban shopping centers. Almost no one envisioned competition from internet retailing. In 2011, when Carol Wehrmann closed the 125-year-old family business, she said, "With the new smart phones and other technology, people will come in and scan barcodes and then go online to check to see

where they can buy them cheaply anywhere in the world. For some people, Wehrmann's became a showroom. And I can't stay in business being someone's showroom."

In the 1960's on the Square, there were J.C. Penney, Manchester's department store, Manchester's Store for Homes, Woolworth's, Kresge's, Carmen's, Woldenberg's, Spoo & Son, Karsten's, Wolff Kubly & Hirsig and numerous other stores. They did not get pushed out by restaurants and bars.

In 2002, Wisconsin's top commercial broker, Robert Polacheck, said there were only two credit retail tenants left: Walgreens and Borders.

Without food and beverage retailing, State Street and the Square would be awash in vacant space.

If the City of Madison took the position that a site once occupied by a clothing store could never become an establishment with a liquor license, Madison's downtown would be awash in vacancies. The City is indeed fortunate that capable food and beverage entrepreneurs have made the downtown attractive.

The City of Madison cannot determine by legislation what kinds of retailers will be in the market.

This January 15, the *Wall Street Journal* reported that Radio Shack, a long-time fixture on State Street, was preparing to file for bankruptcy. It has 4,300 stores nationally. On January 16, it reported that Target was closing its 133 stores in Canada and becoming "more aggressive on the Web, offering free shipping on all online orders..." In the face of a major shift in how people buy things, City policy is not going to change what retailers are in the market for space.

Downtown retail brokers are not seeing smaller shoppers goods retailers in the market. The Fiore Company did not encounter interest from such merchants in its leasing of the 100 block of State Street, nor has John Bergh found interest from such retailers in leasing the Hub. ULI has had the Jack's Shoes vacancy on the market for several months, with interest only from e-cigarette stores and a coffee shop.

If the City follows a policy of approving or denying liquor licenses based on the previous use of the site, rather than on the merits of the applicant, it will be hard pressed to justify its inconsistencies.

HopCat is an excellent prospective addition to State Street.

It has a reputation for excellent food at an affordable price point and an extensive selection of craft beers. It is embraced by the communities it is located in. HopCat is an ally of small independent brewers in their competition with large national and international corporations. It is a perfect fit for the young professionals that are making downtown Madison their home. Downtown Madison is witnessing a renaissance in apartment construction, which is increasing its tax base. The food, beverage and entertainment opportunities in downtown Madison are an important part of why Epic, Lands End and other employees are preferring to live in Madison.