

MEMORANDUM

TO: Truman Olson Selection Committee

FROM: Dan Rolfs, Tom Otto, Eric Halvorson, Tim Parks, Lauren Striegl, Chris Petykowski, Kevin Firchow, Janine Glaeser

DATE: March 6, 2019

SUBJECT: Truman Olson Revised Welton Proposal Staff Analysis

On February 11, 2019, the City received a revised proposal to the Truman Olson Request for Proposals (RFP) from Welton Enterprises ("Welton"). This version, along with all previous versions of the proposal, is part of Legistar File #51275, located at:

<https://madison.legistar.com/LegislationDetail.aspx?ID=3479794&GUID=3F04CB90-CBCA-4363-8904-3D970796370D>

At the request of the Committee, Staff has prepared a report on the February 11, 2019 Welton proposal (the "Proposal") that identifies both positive aspects and issues of concern.

Project Description: The Proposal consists of:

- 90 stalls of surface parking for the grocery store
- 70 stalls of parking (including 35 underground) for the housing
- 52 units of Low Income Housing Tax Credit (LIHTC) "workforce" housing ("LIHTC housing")
- 30,000 SF grocery store

RFP Goals

The RFP included several goals for the disposal of the Truman Olson property. The Welton proposal met some of these desired aspects of the project. All of the RFP goals are listed below, with those met by the Welton proposal highlighted.

- Complete the Cedar Street connection from Park Street to Fish Hatchery Road, via Appleton Road, in a manner that meets all City requirements.
 - o NOTE: The Cedar Street connection will be located and designed in direct consultation with the City of Madison Engineering, Traffic Engineering, and Planning Divisions. City Traffic Engineering has recommended an 80' ROW for this street extension. This ROW should be located on the site and adjacent property in consultation with the above City agencies.
 - o NOTE: The extension of Cedar Street should include the extension of all City utilities (water, sewer, etc.) necessary to serve the development on the Property.
- Installation of a North / South public street beginning at extended Cedar Street / Appleton Road, which will extend south through the Truman Olson site to eventually intersect Wingra Drive.
 - o NOTE: The City has not performed any wetland determinations and any road extensions would need to follow all City, County, and State environmental guidelines.
- Sell the remaining Property to adjacent property owner(s) at a price consistent with Section #4 of this RFP.
- Ensure that a grocery store remains in the area to serve the neighborhood.
- Create development that is consistent with guidelines in Urban Design District # 7.

- Increase tax base.
- Development of workforce housing targeted to residents making 50-80% AMI.
- Enhance pedestrian and bike connectivity.
- Implement the WINGRA BUILD Plan and City Comprehensive Plan, including higher density residential, and mixed-use transit oriented development.
- Create shared structured parking.

STAFF RECOMMENDATION

City Staff have identified the following two significant concerns regarding the Welton proposal.

- The grocery store that fronts on Park St should be a two story building minimum, consistent with Urban Design District (UDD) #7 general requirements. The Proposal includes a single story grocery store.
- The Proposal requests between \$3.1 and \$3.4 million in City financial assistance, split between TIF, a land write down, and City AHF funds. Staff does not believe this project warrants this level of assistance, especially given that the proposal does not meet the requirements the City has related to overall density and conformance with the City's UDD #7, as outlined below.

Next Steps:

The Committee has several options available to it. These options include, but are not limited to:

- Request more information from Staff or the Development Team with regard to the concerns noted above prior to making a recommendation;
- Ask Staff to begin negotiating a Term Sheet with Welton, recognizing that some of the aforementioned issues will need to be addressed while the Term Sheet is being negotiated;
- Ask Staff to begin preparing a new RFP, to likely be issued to the development community at large, rather than the current RFP that was focused on adjacent property owners.

STAFF REVIEW

The following sections highlight additional information regarding how different City agencies view the positive aspects of the Welton proposal, as well as issues of concern.

Traffic

1. There is no final discussion about where Cedar St would connect to Fish Hatchery Rd. This final alignment must be determined before moving forward, which is a discussion that should be led by the City.
2. The Park St intersection with Cedar St will require extensive planning. This reconstruction is in the 2020 CIP.

Engineering

1. The proposed alignment of Cedar Street from Park Street to Fish Hatchery Road is feasible. However, as Welton only controls a portion of the final actual street layout, the City would need to work with SSM Health to build the remainder of the street extension. The street could be built as a cul-de-sac through the Truman Olson site until this final alignment is constructed.
2. Sewer is located in South Park Street and South Street but the site is low relative to the street. The sewer in South Street is around 6' deep and the sewer in Park Street is 10' deep. The lot immediately

south has a private lift station on that is not owned or maintained by the City. Staff anticipates that the improvements planned for the Truman Olson- Welton site will either need a lift station or the site will need to be filled. Slab on grade construction will help but the site will still need to be filled in order to provide sanitary sewer to the development.

Stormwater

1. The site plan makes no provision for required stormwater management, including detention, oil & grease control, and sediment control.
2. No grades are provided, as noted previously the site currently drains to the middle onto private property, over which the City has no easement or right to drain. The runoff needs to be funneled to Park Street, which will require significant grading.
3. Sanitary – The only sanitary available is in Park Street. This sanitary is not overly deep compared to the site – again depending on grades set - basements or underground parking without a pump, likely cannot be accommodated.
4. The extension of Cedar St will require of stormwater planning / remediation.

Planning

1. The orientation of the LIHTC housing to the parking lot is suboptimal. The LIHTC housing units should be more north-south oriented than east-west to reduce units facing parking or other nearby units.
2. The grocery store should be a two story-building minimum, consistent with UDD #7 general requirements. Staff has concerns regarding whether or not the single story grocery store complies with the Park St Urban Design District.
 - a. MGO 33.21(14)(d)3a. Requirements: i. New building shall be at least two (2) stories in height, except as provided in Par. 10,11,12, or 13 or in guidelines below:
 - i. Vi. In special cases, such as gas stations, the UDC may reduce the minimum building height requirement provided the buildings incorporate elements such as extended parapet or tower features to convey the appearance of a taller building. Such elements shall be substantially integrated into the design of the building so they do not create false faces.
3. The plan emphasizes “attractive” Park Street façade; higher FAR (Floor Area Ratio) could be supported as transit-oriented development (for Bus Rapid Transit)).
4. The 2018 Comprehensive Plan recommends the subject site and “Wingra Triangle” for Regional Mixed-Use (RMU) development, which strongly discourages single-story, auto-oriented development forms. The RMU areas mapped in the 2018 Plan are envisioned as high-intensity centers supporting a variety of multifamily housing options and commercial activity serving the needs of the region. These areas typically include large-scale sites supportive of multistory buildings up to twelve stories in height, subject to recommendations in adopted sub-area plans. RMU areas should be the most intensively developed areas in the city outside of the downtown. RMU areas should be well connected with the adjoining street network and be transit-oriented. Areas should provide an urban environment characterized by a pedestrian friendly public street network, buildings placed close to the sidewalk and street, and should provide pedestrian amenities, such as decorative paving, lighting, plazas, benches, and landscaping. Parking should be located behind buildings, underground, in parking structures, or screened from the street. On-street parking is desirable where possible. Previously, the site was recommended for Community Mixed-Use development per the 2006 Comprehensive Plan, which similarly encouraged vertical, mixed-use development forms and less one-story and auto-oriented development.
5. In addition to the requirements of UDD #7 and approval by the Urban Design Commission, the project will need to comply with the design standards in Section 28.060 of the Zoning Code, which outlines the requirements for new buildings in CC-T. Those requirements include, but are not limited to façade

articulation, entrance orientation, door and window openings, design of street-facing facades, and building material requirements.

Real Estate

1. **Total City Assistance Requested - \$3,150,000- \$3,400,000**
 - a. TIF Request – \$975,000
 - b. Land Write Down - \$975,000 - \$1,225,000
 - c. City Affordable Housing Funds - \$1,200,000
2. **TIF Request –\$975,000**
 - a. \$200,000 – LIHTC housing
 - b. \$775,000– Grocery
 - c. **Estimated TIF Generated - \$800,676,000**
 - i. The City Assessor estimates the value of the project at completion at approximately \$9 million.
 - ii. The LIHTC housing component of the project generates \$566,000 of TIF. City standard is to provide no more than 50% of the TIF generated, in this case this would be \$283,000. The accompanying request of \$200,000 of TIF represents 35% of the TIF available.
 - iii. The Grocery Store component of the project generates \$786,000 of TIF. City standard is to provide no more than 50% of the TIF generated, in this case this would be \$393,000. The accompanying request of \$775,000 of TIF represents 99% of the TIF available.
 - d. Based upon the financial information submitted with the Proposal, City Staff does not believe that the grocery store as proposed will require any direct TIF assistance. Utilizing the information provided by Welton, Staff conducted a standard gap analysis on the grocery store financials. The project as proposed could still achieve an internal rate of return (10%) that falls within the City's standards if the Developer were to inject additional equity. Without making any adjustments, the project makes an internal rate of return of 16%. The project request of \$775,000 of TIF is also infeasible, representing 99% of the net present value of increments generated by the grocery. The City standard is 50%.
3. Purchase Price - \$900,000. This is below the City's appraised value for the site of between \$1,875,000 and \$2,125,000.
 - a. **NOTE:** The City bought the Truman Olson site from the U.S. Army Corps of Engineers for \$1,078,000 in 2012 (Legistar #27233). This purchase was paid for by TID #42 (Wingra). Additionally, as TID #42 funded the purchase of the site, should the land sale price be reduced from the \$1,078,000 purchase price, the purchaser will have to justify this reduction, on top of any other request for assistance, via an application for TIF assistance.

Community Development

1. Developer will be required to submit a complete application for City Affordable Housing Funds (AHF) through the Community Development Division's formal RFP process. The 2019 AHF RFP is currently anticipated to be released in May and due late June 2019. For reference, the 2018 AHF RFP can be found at:
 - a. <http://www.cityofmadison.com/dpced/communitydevelopment/funding/2018-affordable-housing-fund/152/>
2. Due to the highly competitive and complex nature of tax credit developments, staff strongly encourage this developer to partner with a developer (and property manager) with successful experience developing, securing, and managing tax credit developments.