



Department of Planning & Community & Economic Development

## Economic Development Division

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Office of Business Resources  
Office of Real Estate Services

**To: Public Market Development Committee**

**From: Matthew B. Mikolajewski**

**Subject: Madison Public Market Budget and Funding Update**

**Date: August 31, 2022**

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This memo provides an update to the Public Market Development Committee (“PMDC”) regarding the current status of the Madison Public Market (“MPM”) budget and funding.

Earlier this year, the MPM was anticipated to cost a total of \$18,294,901 and the City of Madison and Madison Public Market Foundation Project Team (“Project Team”) had identified sources of funding, pending and secured, that aligned with the total project cost (*see sources and uses tables below*).

<b>Funding Sources (March 2022)</b>	<b>Amount</b>
<i>Economic Development Administration (EDA) Grant</i>	<i>\$3,445,518 (pending)</i>
Private Contributions	\$3,000,000
City - Capital Budget (Prior UDAG)	\$849,383
City - Capital Budget (TID #36)	\$1,741,485
City - Capital Budget (TID #36)	\$5,258,515
State - Neighborhood Investment Fund Grant	\$4,000,000
<b>TOTAL</b>	<b>\$18,294,901</b>

<b>Funding Uses (March 2022)</b>	<b>Amount</b>
Construction Costs	\$12,087,133
Professional Services	\$1,943,452
Development Costs	\$846,862
FFE (supply & install)	\$3,150,008
Project Contingency	\$259,629
Operating	\$7,817
<b>TOTAL</b>	<b>\$18,294,901</b>

The City was aware of rapidly increasing construction costs. As such, we ordered an updated construction cost estimate from the consultant that the City had been partnering with for this and other City projects. The result of that work is an estimate of the MPM total project cost rising to \$20,057,655 due to a \$1,763,495 increase in construction costs.

Although the Project Team had been working with the Federal Economic Development Administration (EDA) on securing CARES Act funding, the MPM project had not yet received a commitment of this financial support. The Project Team started working with the EDA on identifying ways to adjust sources and uses of funding to address the inflationary gap noted above; however, we were unable to identify a workable solution. In the meantime, the EDA was unfortunately under a deadline to commit CARES Act funding. Absent a clear path to providing additional funding to the MPM to close this inflationary gap, the City was required to withdraw its application for EDA funding.

The inflationary cost increase coupled with the departure of the EDA as a source of funding means that the current funding shortfall for the MPM is now \$5,208,272, as noted in the tables below. Construction costs continue to rise, and it is likely that this gap will increase further prior to bidding the project.

<b>Funding Sources (August 2022)</b>	<b>Amount</b>
<i>Economic Development Administration (EDA) Grant</i>	<i>\$3,445,518 (pending)</i>
Private Contributions	\$3,000,000
City - Capital Budget (Prior UDAG)	\$849,383
City - Capital Budget (TID #36)	\$1,741,485
City - Capital Budget (TID #36)	\$5,258,515
State - Neighborhood Investment Fund Grant	\$4,000,000
<b>TOTAL</b>	<b>\$14,849,383</b>

<b>Funding Uses (August 2022)</b>	<b>Amount</b>
Construction Costs	\$13,850,628
Professional Services	\$1,943,452
Development Costs	\$846,862
FFE (supply & install)	\$3,149,268
Project Contingency	\$259,629
Operating	\$7,817
<b>TOTAL</b>	<b>\$20,057,655</b>

There is some capacity to value engineer costs from the project. The Project Team estimates that about \$800K-\$1M can be cut without deep, negative impact to the overall operations of the MPM. More substantive cuts have been explored, but these come with greater ramifications for the operational sustainability of the MPM. While there are some opportunities for additional private fundraising, the Madison Public Market Foundation does not believe it is probable that large gifts (6 or 7-figure) will materialize in the coming months. The City is exploring a new source of Federal funding; however, at most, this could provide an additional \$1 million toward the MPM. It is therefore clear that additional sources of funding will be difficult to secure.

City staff will brief the City’s Finance Committee on September 12<sup>th</sup> regarding this funding gap.