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To: Common Council

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Subject: Madison Public Market Background Memo (Legistar 80106)

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In preparation for the October 17, 2023 Common Council meeting, the following Public Market background memo is a revised version of the background information shared with the Common Council last fall.

PROJECT BACKGROUND

In 2012, the Public Market Development Committee convened to make recommendations for the location and vision for a Madison Public Market (“Public Market”). The Committee spent two years conducting research, talking with stakeholders and potential vendors, visiting other city markets, researching the region's food system, and forming the basis of a vision for the project. The City’s consultant, Project for Public Spaces, recommended the former Fleet Services building located at North First and Johnson Streets because of the diverse population located within 1.5 miles of the site, the likelihood of financial sustainability for vendors and the Public Market, current City ownership, and lower initial capital costs when compared with building new.

In 2013, the City engaged a consulting team to develop the Public Market Business Plan. The business plan process took two years and included a community engagement effort that solicited input from more than 2,000 community members and potential vendors. The Common Council adopted the Business Plan in October 2015 and City staff and the Madison Public Market Foundation (“Foundation”) have continued to make periodic updates.

The Foundation was selected by the City to operate the Public Market. In 2018, the City and the Foundation formalized their partnership via a Collaboration Agreement approved by the Common Council. The Agreement included responsibilities of each party prior to Market construction. It established that the Foundation will raise private funds for the Public Market, select vendors, hire an Executive Director and advise the City on project design.

After construction, the Foundation will operate the Public Market as an independent non-profit organization handling leasing, licensing, marketing, maintenance, programming, etc. The City will retain ownership of the

building and site. An Operating Agreement and Lease, approved by the Common Council on July 25, 2023 (Legistar # 78345), establishes the terms of this partnership between the City and the Foundation. Generally, as the owner of the building, the City will retain responsibility for major building infrastructure. Otherwise, the Foundation will be responsible for the day-to-day management and maintenance of the building and site, including items such as cleaning, snow removal, and landscaping. The City will continue to have involvement and oversight with appointed members to the Madison Public Market Foundation Board of Directors; however, the City will not provide operating financial support to the Foundation.

PROJECT GOALS

The following goals outline the primary motivating factors for the Market:

1. The Public Market will support food-based entrepreneurship. The Public Market will directly support 100+ small businesses annually and house more than 100 jobs. As some businesses expand and incubate out of the Public Market over time, the economic impact of the facility will likewise grow. By emphasizing equity through entrepreneurship as part of its mission, the Public Market will be a place where historically disadvantaged business owners can get their start.
2. The Public Market will provide affordable, healthy food options within one of City's "Food Access Focus" areas, with great access via transit, bikes, and cars.
3. The Public Market will be a public year-round gathering place for all Madisonians. Markets are unique in that they attract people from different cultures, age groups, political leanings, and income levels. The Public Market will celebrate this diversity by including vendors from a variety of different backgrounds, offering a unique array of food and products.

LOCATION

The Madison Public Market will be located at the former City of Madison Fleet Building. The corner of E. Johnson Street & First Street offers a 45,000 sq. ft. building on 3.5 acres. This unique setting is located at a highly-visible gateway to central Madison and adjacent to a 5-acre park along the Yahara River. The Public Market will create a bike/pedestrian friendly area linking other downtown Madison attractions, adjacent neighborhoods, and the Northside via the Sherman Avenue bike path.

The location is highly accessible, with numerous bus routes, tens of thousands of cars, and many bicyclists traveling through the corridor daily. The site offers 120+ parking spaces.

Annually, the Public Market is projected to attract 500,000+ visitors per the market analysis completed by the City of Madison. The City commissioned Project for Public Spaces to perform a "Huff Gravity Model" analysis to evaluate this site for sales potential. Based on population density and spending patterns of people within different travel time distances to the site, the analysis estimated that the Public Market could achieve at least \$12 million in annual sales, with a regional economic benefit of \$21 million per year.

VENDOR MIX

The Public Market will include the following primary components:

Prepared Food Vendors – The Market Hall plans include 12 prepared food vendor spaces (200 to 600 square feet each). Potential tenants include diverse food vendors offering prepared food options to eat on-site or take

home. There are also spaces for three larger anchor tenants, which will have longer leases and provide consistent revenue to the Market.

Non-Cooking Stalls – The Market Hall also includes 11 non-cooking stalls that will range from 200 to 800 square feet. These spaces will feature a mix of food and non-food vendors that may include cheese, meat, ice cream, value-added food products (jams, salsa, sauces, etc.), produce, and handmade craft items.

Start-up Stalls – The floor plan for the Market Hall includes 6 stalls specifically designed to be leased to very early-stage businesses. The spaces will be 80 square feet, and could be used by 50 different vendors throughout the year.

TruStage MarketReady Hall – The TruStage MarketReady Hall, a 17,133 square foot space housed within the Madison Public Market building, will provide commercial food processing equipment and other support including space for flex manufacturing, business sales space, shared storage (dry, cold, and freezer), office space, other support services and space for truck loading docks and parking. This infrastructure will allow for workforce training, product testing, institutional food processing, value-added processing, and industry collaboration. As a shared space, it will be affordable to new and early stage businesses without access to significant investment capital.

A key component of the TruStage MarketReady Hall is the 1,212 square foot Market Kitchen, a commercial kitchen equipped with a cooking area, food prep stations, dishwashing area, and a cold/freezer area. This space will be used for product testing, recipe development, small scale food processing, additional food preparation capacity and culinary training.

The TruStage MarketReady Hall space can also be used for special event programming (weddings, corporate events, performances) and pop-up vending events featuring food carts and art fairs. These events will provide additional revenue to the Foundation.

MARKET READY PROGRAM

A Racial Equity & Social Justice Initiative (RESJI) Analysis of the project was completed in 2015. The analysis identified ten recommendations, with one leading to the creation of the MarketReady entrepreneurial training pilot program in 2017. The program prioritized recruiting and selecting participants who self-identify as BIPOC, immigrants, women, and/or low income.

Five MarketReady vendors were awarded funding and guaranteed placement in the Public Market: **Caracas Empanadas y Más, Little Tibet, Melly Mell's Catering, El Sabor de Puebla** and **Perfect Imperfections**. All of these businesses are successfully operating today. While funding was only available for five businesses, several other MarketReady vendors also have strong business plans and could join the Public Market.

VENDOR INTEREST

The City and the Foundation continue to cultivate a diverse pool of businesses interested in operating within the Public Market. Currently, about 235 businesses have completed detailed interest forms stating their desire to be affiliated with the project. An analysis of entrepreneurs who have submitted interest forms (since October 2021) shows that 68.6% identified as female (n =35), with self-identified race and ethnicity as follows (n = 32): White/Non-Hispanic (50%), Black/African American (15.6%), Asian (18.8%), and Hispanic/Latinx (15.6%).

PROJECT STATUS (*New, Revised Section*)

The Public Market was originally scheduled to be under construction in Fall of 2020. The COVID-19 Pandemic both delayed the project and caused changes to the funding strategy and business plan.

The Public Market is; however, nearly ready to move forward from both an operating and construction standpoint. The project has been bid, the sign package approved, the Lease and Operating Agreement with the Foundation has been approved, and negotiations for the purchase/lease of surrounding property from the Madison Metropolitan Sewerage District has been completed. Work to create the condominium form of ownership with Dane County to enable County funding is underway. The Foundation is ready to contribute funding to the project, is preparing to hire an Executive Director, and continues to cultivate prospective tenants.

The City has invested approximately \$2.5 million to date on consultant studies, business planning, design and construction documents, the MarketReady Program, and Foundation support. Prior to bidding the project, the total cost of the project was anticipated to be approximately \$20,349,383 to be funded through the following sources:

Tax Increment Finance (TIF) District # 36 - \$11,500,000

State of Wisconsin Neighborhood Investment Grant - \$4,000,000

Madison Public Market Foundation - \$2,250,000

Dane County - \$1,500,000

City of Madison Prior UDAG Funding - \$849,383

Wisconsin Economic Development Corporation - \$250,000

CURRENT CONSTRUCTION BID (*New, Revised Section*)

Earlier this year, the base construction cost of the Madison Public Market was anticipated to be \$12,500,000 of the \$20,349,383 total cost noted above. City staff, working with the Foundation, knew that the project bid might be over budget given trends seen elsewhere in the construction industry. As such, staff and the Foundation identified three desired construction elements (“Alternates”) of the project design that could be removed from the project if necessary (South Hall garage doors, South Hall windows, and solar PV). These Alternates were not included in the \$12,500,000 budget noted above. If bids were to fall below \$12,500,000, they would have been added to the approved contract as funding allowed.

Throughout the summer, recognizing the possibility that the bids to construct the project may come in even higher than \$12,500,000, City staff and the Foundation identified further non-construction cuts to desired elements of the project that would enable a higher construction budget. These cuts were primarily to tenant improvements, furniture, fixtures, and equipment. These cuts would have allowed a maximum construction budget of \$13,670,000.

Unfortunately, the lowest construction bid was \$15,189,510. This means that without Alternates 1 and 2 (South Hall window and door replacement), with making the maximum number of cuts to tenant improvements, furniture, fixtures, and equipment, and accounting for the required contingency, the project would require a minimum of \$1,641,071 of additional funding to proceed. It should be noted that Solar PV isn't included in this increase, as City Engineering has identified an additional alternative source of funding for this Alternate.

From the reverse perspective, the project would require an additional \$3,279,755 to maintain all of the desired tenant improvements, furniture, fixtures, and equipment, Alternates 1 and 2 (South Hall window and door replacement), and maintain the needed contingency. It should be noted that Solar PV isn't included in this increase, as City Engineering has identified an additional alternative source for this funding.

There are two versions of the resolution (Legistar #80106) before the Common Council for consideration. Both would enable the project to move forward by funding the base construction bid, both include Solar PV funded through the City Engineering budget, and both contemplate a \$1 million contribution from Dane County. Version #1 authorizes an amendment to the Economic Development Division Budget of \$2,279,755. Version #2 authorizes an amendment to the Economic Development Division Budget of \$1,641,071.

At a higher dollar value, Version #1 would enable the construction of new South Hall windows and doors (Alternate 1 and 2). Assuming Dane County contributes an additional \$1 million to the project Version #1 returns full funding to cut desired tenant improvements, furniture, fixtures, and equipment. Version #2 would not include new South Hall windows and doors. Assuming Dane County contributes an additional \$1 million to the project, Version #2 reduces the cut to desired tenant improvements, furniture, fixtures, and equipment to only \$263,600.