



Department of Planning & Community & Economic Development

Economic Development Division

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TO: City of Madison Community Development Authority
FROM: Matthew B. Mikolajewski, Office of Business Resources Manager *MBM*
SUBJECT: Truman Olson Financial Considerations
DATE: August 21, 2008 (Amended)

The following memo outlines some of the financial considerations associated with the Redevelopment Plan and Homeless Assistance Submissions for the Truman Olson property.

Truman Olson Property Value

Size – 151,858 s.f. (3.49 acres)

Appraised value for entire property in “As-Is” condition for use “As-Is” - \$1,300,000

Appraised value for the land per the redevelopment potential outlined in the Wingra BUILD Plan, assuming ready-to-develop site - \$1,822,284 (\$12.00 per s.f.).

Appraised value per s.f. includes a 10% reduction of value for the rear portion of the site to adjust for poor soil quality. Further soil testing may reveal that a greater reduction is warranted.

Appraised value for the land per the redevelopment potential outlined in the Wingra BUILD Plan discounting demolition and holding costs - \$1,385,000

Truman Olson Acquisition – Cedar Street Extension Budget

Cedar Street Extension

Approximate area of Truman Olson site devoted to Cedar Street - 39,000 s.f. (26%)

Cost to acquire from Department of Defense	-	\$ 338,000 (budget in 2011)
Demolition and Holding Costs	-	\$ 440,000 (budget in 2012)
Design and Construction of Cedar Street	-	\$ 460,000 (budget in 2012)
Subtotal for Cedar Street Extension	-	\$1,238,000

Private Economic Development

Approximate area of Truman Olson site to be sold to private entities - 112,858 s.f. (74%)

Cost to acquire from Department of Defense - \$962,000 (income upon resale of property)

Truman Olson Property Value Potential

The budget presented on the preceding page notes up-front costs totaling about \$2.2 million. Per the Office of Real Estate Services, an expense of \$2.2 million could be covered through the generation of approximately \$12 million worth of increment within a Tax Increment Finance District.

According to the *Wingra Market Study and Conceptual Redevelopment Plan Summary Report* (Wingra BUILD Plan), it is anticipated that the planning sub-area where the Truman Olson property is located could generate \$53 million of new development value as follows:

Office/Commercial: 261,360 s.f. @ 120.00 per s.f. = \$31,363,200

Residential: 150,000 s.f. @ \$95.00 per s.f. = \$14,250,000

Parking Deck: 1,000 stalls @ \$7,500 = \$7,500,000

According to the same report, the entire Wingra BUILD planning area could generate as much as \$135 million worth of new development value.

Nakoosa Trail Property Value

Total property size – 133,619 s.f. (3.07 acres)

Size of wetland and wetland buffer – 57,456 s.f. (1.32 acres)

Size of buildable area – 76,163 s.f. (1.75 acres)

Appraised value of buildable area - \$418,897 (\$5.50 per s.f.)

Appraised value of wetland and wetland buffer - \$6,600 (\$0.11 per s.f.)

Appraised value of entire property - \$425,297

Approximate cost of using Geopiers to compensate for poor soil - \$160,000

The City would consider additional compensation for the costs associated with getting the site to the stage of being build-ready.

Porchlight Proposal Summary

Truman Olson Site - 14 units of transitional housing
24 units of permanent housing

1 acre of property, valued at \$12.00 per s.f. *
Available 2012 at the earliest

Nakoosa Trail Site - 14 units of transitional housing
24 units of permanent housing
16 units of additional permanent housing at a future date

1.75 acres of property, valued at \$5.50 per s.f. *
Available in 2009

Goodwill Proposal Summary

The direction to staff to date has been to prepare a Homeless Assistance Submission that calls for accommodating both Goodwill and Porchlight elsewhere, with priority given to Porchlight. Following this direction, staff has devoted attention to identifying an alternative location for Porchlight, but not Goodwill.

The Goodwill proposal could be accommodated through a combination of land, funding, or services. Staff does not have an estimated dollar value at this time for this accommodation; however, policy makers should be prepared to provide some combination of land, funding, or services to Goodwill if the City and LRA continue their support of the Goodwill proposal.

* Pending consideration of soil quality.

APPENDIX II: WINGRA CREEK B.U.I.L.D. SUBAREA ANALYSIS

The information contained in this section contains property and analysis by subarea. Further detailed information can be found in:

- Phase I: Background Report for Wingra Creek Market Study and Conceptual Redevelopment Plan
- Phase II: Feasibility Report for Wingra Creek Market Study and Conceptual Redevelopment Plan



Map 8: Wingra Creek Target: Subareas

Subarea 1 Post Office and Labor Temple

Ownership and Gross Acreage (excluding public rights-of-way)

Parcel 50 (#07092630198)	U.S. Postal Service	1.76 Acres
Parcel 49 (#07092630105)	Tom Bunbury	4.17 Acres
Parcel 38 (#070926301014)	Madison Labor Temple	3.27 Acres
Parcel 37 (#070926301022)	Midwest Real Estate	1.02 Acres
Parcel 36 (#070926301030)	U.S. Government - Army	<u>3.49 Acres</u>
Subarea 1 Gross Acreage		13.71 Acres
Less Public R.O.W.		1.10 Acres
Net Developable Area		12.61 Acres

Development Issues and Objectives

1. Construct a landmark commercial / office structure at the intersection of Park Street and Wingra Drive.
2. Develop attractive Park Street and Wingra Drive facades and streetscape.
3. Incorporate "walkable" neighborhood commercial element.
4. Design for potential light rail or trolley transit service, which requires higher density housing and/or a high Floor Area Ratio (FAR).
5. Replace remote parking stalls lost due to redevelopment.
6. Incorporate the Labor Temple functions (including both office and special events functions) into the redevelopment.
7. Maintain postal retail function in the neighborhood; assist U.S. Post Office in relocating distribution function.
8. Construct an east-west street between Park Street and Fish Hatchery Road.
9. Assist U.S. Army Reserve in relocating their training facility to secured site. The relocation should occur through a land "swap."

Short-Term Land Uses - Pre-Redevelopment Phase

1. Maintain existing uses and structures (i.e. Post Office, Labor Temple, Walgreen's Health Initiatives).
2. Relocate U.S. Army Reserve Facility in order to provide r.o.w. for new east-west street and development area.
3. Construct an east-west street between Park Street and Fish Hatchery Road.
4. Improve efficiency of surface parking (i.e. restriping, potential surface expansion).
5. Intersection beautification using interim design elements (e.g. farmers market, festival plaza).

Full B.U.I.L.D.-out Land Uses - TOD Mixed Use Development

Office / Commercial Component: 3.0 acres @ FAR 2.0 = 261,360 SF
 Residential Component: 5.0 AC @ 25 DU/AC = 125 DU's
 125 DU @ 1,200 SF per DU = 150,000 SF
 Decked Parking Component: 2.0 AC
 250' X 350' = 87,500 SF per level; 4 levels,
 250 stalls per level; 1,000 stalls
 Public Spaces: 2.6 acres

Projected New Development Value:

Office / Commercial Component: 261,360 SF @ \$120.00 per SF = \$31,363,200
 Residential Component: 150,000 SF @ \$95.00 = \$14,250,000
 Decked Parking: 1,000 parking stalls @ \$7,500 per stall = \$7,500,000 (See Assumptions)
 Public Spaces: Tax Exempt
 Total New Development Value: \$53,113,200

Subarea 2 Copsps Food Center and 1244 Plaza

Ownership and Gross Acreage (excluding public rights-of-way)

Parcel 35 (#070926301048)	A & P Tea Company	2.29 Acres
Parcel 34 (#070926209010)	Twelve Park LLC	<u>0.59 Acres</u>
Subarea 2 Gross Acreage		2.88 Acres

Development Issues

1. Retain neighborhood grocery and other neighborhood retail - both short and long term.
2. Beautify Park Street facade and streetscape.
3. Maintain connectivity between commercial parcels and Dean Clinic.
4. Construct an east-west street between Park Street and Fish Hatchery Road through U.S. Army site.

Short-Term Strategy

1. Renovate the existing Copsps Food Center with re-orientation towards new street.
2. Façade improvements and exterior renovation of 1244 Plaza.

Full B.U.I.L.D.-Out Land Uses - Commercial / Residential / Office Mix-Use

Commercial Component:

Grocery: 40,000 SF

Other Commercial: 25,000 SF

Residential / Office Component: 25,000 SF

Decked Parking Component: Shared-use of adjacent parking ramps

Projected New Development Value

Phase 1

Interim Renovation of Existing Facilities 40,000 SF @ \$20 per SF = \$800,000

Phase 2 - Full-B.U.I.L.D.-Out

Second Floor Residential / Office Component: 25,000 SF @ \$85.00 per SF = \$2,125,000

Total New Development Value: \$7,650,000

Subarea 3 Dean Clinic

Ownership and Gross Acreage

Parcel 4 (#07092611148)	Wingra Building Group	0.17 Acres
Parcel 5 (#07092611156)	Wingra Building Group	0.17 Acres
Parcel 6 (#07092611164)	Dippen, Gloria	0.17 Acres
Parcel 7 (#07092611172)	Wingra Building Group	0.17 Acres
Parcel 8 (#070926302012)	Wingra Building Group	3.89 Acres
Parcel 39 (#070926211065)	Wingra Building Group	0.17 Acres
Parcel 40 (#07092621007)	Wingra Building Group	0.10 Acres
Parcel 41 (#070926209036)	Lee, Sokade	0.14 Acres
Parcel 42 (#070926210025)	Wingra Building Group	0.10 Acres
Parcel 43 (#070926210049)	Laflash, Bernice	0.17 Acres
Parcel 44 (#070926210033)	Wingra Building Group	0.14 Acres
Parcel 45 (#070926210041)	Wingra Building Group	0.17 Acres
Parcel 46 (#070926210059)	Wingra Building Group	0.21 Acres
Parcel 47 (#070926301056)	Wingra Building Group	<u>3.15 Acres</u>
Subarea 3 Gross Acreage		8.95 Acres

Less Potential Public R.O.W. 0.80 Acres

Net Developable Area 8.15 Acres

Development Issues

1. Provide expansion area for Dean Clinic.
2. Construct an east-west street between Park Street and Fish Hatchery Road.
3. Maintain attractive façade on Fish Hatchery Road compatible with residential neighborhood to the west.
4. Provide adequate on-site parking to meet Dean Clinic parking requirements and potentially additional remote parking for St. Marys Hospital.
5. Provide workforce housing on adjacent residential properties owned by Wingra Building Group (Dean).

Short-Term Strategy – Pre-Redevelopment Phase

1. Construct an east-west street between Park Street and Fish Hatchery Road.
2. Initiate workforce housing partnership on residential structures owned by Wingra Building Group on Midland, South Street, and Garden Street.

Full B.U.I.L.D.-Out Strategy - Dean Campus

Dean Clinic Campus: Existing main clinic structure - 75,000 SF
Phase 1 expansion clinic - 75,000 SF
Phase 2 Clinic Expansion - 75,000 SF

Decked Parking Component: 3.00 acres
350' X 350' = 122,500 SF per level; 4 levels,
350 stalls per level; 1,400 stalls

Workforce Housing Rehabilitation: 9 one and two family homes

Projected New Development Increment Value

Phase 1 Clinic Expansion 75,000 SF @ \$150.00 per SF = \$11,250,000
Phase 2 Clinic Expansion 75,000 SF @ \$150.00 per SF = \$11,250,000
Parking Deck: 1,400 stalls @ \$7,500 per stall = \$10,500,000 (See assumptions)

Total New Development Value: \$33,000,000

Subarea 4 St. Marys / Strand Sites

Ownership and Gross Acreage:

Parcel 9 (#070926303078)	St. Marys Care Center	3.26 Acres
Parcel 10 (#070926303086)	Kheraz, Amy	0.21 Acres
Parcel 11 (#070926303094)	Flores, Rafael	0.21 Acres
Parcel 48 (#0709263)	Shenandoah Apts. LLC	2.52 Acres
Parcel 51 (#070926301080)	Wingra DR LLC	0.37 Acres
Parcel 52 (#070926303044)	Strand Associates	1.12 Acres
Parcel 53 (#070926303028)	Hill, Jerome	0.24 Acres
Parcel 54 (#070926303028)	Strand Associates	0.23 Acres
Parcel 55 (#070926303010)	Milke, Arnold	<u>0.31 Acres</u>
Subarea 4 Gross Acreage		8.50 Acres

Projected New Development Increment Value

Institutional (w. on-site parking) 160,300 SF @ \$120 per SF = \$19,236,000
Office Expansion (w. on-site parking) 33,976 SF @ \$120 per SF = \$4,077,120

Total New Development Value: \$23,313,120

Development Issues:

1. Maintain existing Shenandoah Apartments as market rate affordable housing.
2. Maintain attractive facades on Fish Hatchery Road and Wingra Drive compatible with adjacent neighborhood.
3. Provide for bio-medical or health care-related institutional use, which could include a retirement community with tiered-levels of care, on the St. Marys site.
4. Construct an east-west street between Park Street and Fish Hatchery Road.
5. Provide expansion area for Strand Associates.

Redevelopment Strategy

Bio-Medial / Health Care Institutional Use (St. Marys Site):
3.68 AC @ FAR 1.0 = 160,300 SF
Office Expansion (Strand): 0.78 AC @ FAR 1.0 = 33,976 SF

Subarea 5 Dean/Morningstar / Morningstar Dairy Site

Total New Development Value: \$15,394,085

Ownership and Gross Acreage:

Parcel 1 (#070926212063)	Dean/Morningstar Dairy Inc.	0.12 Acres
Parcel 2 (#070926212071)	Evert, David	0.18 Acres
Parcel 3(#070926212089)	MG & E	0.22 Acres
Parcel 25(#070926208070)	Dean/Morningstar Dairy	1.89 Acres
Parcel 26(#070926208046)	Dean/Morningstar Dairy	<u>0.45 Acres</u>
Subarea 5 Gross Acreage		2.86 Acres
Less Potential Public R.O.W.		-1.00 Acres
Net Developable Area		1.86 Acres

Development Issues:

1. Develop landmark "gateway" structure at Park Street / Fish Hatchery Road intersection.
2. Encourage mid-rise "flatiron" building configuration at the intersection.
3. Enhance façades on Park Street and Fish Hatchery.
4. Maintain retail storefronts on the Park Street frontage.
5. Provide sufficient on-site parking (1 parking stall per dwelling or lodging unit).
6. Maintain compatibility with adjacent residential neighborhoods.

Redevelopment Strategy

High Density Residential / Lodging: 1.86 Acres @ FAR 2.0 =
162,043 SF (with potential commercial storefronts on the first floor
and decked or underground parking)

Projected New Development Increment Value

Residential / Lodging Facility: 162,043 SF @ \$95 per SF =
\$15,394,085

Subarea 6 Neighborhood Residential Infill

Ownership and Gross Acreage:

Subarea 6 Gross Acreage 1.95Acres

Development Issues:

1. Develop a workforce housing partnership with Dean Health Systems and other nearby institutions and employers.
2. Maintain neighborhood-scale residences on Midland Street, Gardner Street and South Street.
3. Maintain density of approximately 12 dwelling units per acre.
4. Limit building size to no more than 4 dwelling units.
5. Provide sufficient on-site parking.

Note: Dean Health Systems, through Wingra Group, has acquired nine residential properties. It is envisioned that Dean Health Systems would retain ownership of these residential properties in order to preserve potential long-range expansion options.

Redevelopment Strategy

Infill Residential and Residential Rehabilitation:
 $1.95 \text{ Acres} \times 12 \text{ du/ac} = 23 \text{ DU}$
 $23 \text{ DU} \times 1,200 \text{ SF per DU} = 27,600 \text{ SF}$

Projected New Development Increment Value

Residential 27,600 SF @ \$75 per SF = \$2,070,000
Total New Development Increment Value: \$2,070,000

Subarea 7 Park Street Commercial

Ownership and Gross Acreage:

Subarea 7 Gross Acreage 1.35Acres

Development Issues:

1. Retain existing commercial storefronts and leasable space at affordable rent levels.
2. Rehabilitate storefront façades.
3. Provide shared parking access from rear of buildings.

Redevelopment Strategy

Commercial Rehabilitation: 40,000 SF

Projected New Development Increment Value

Commercial Rehabilitation: 40,000 SF @ \$20.00 per SF = \$800,000
Total New Development Increment Value: \$800,000

Assumptions

1. *Decked parking assumes each stall requires 350 square feet.*
2. *The cost per stall for new decked parking is assumed to be \$7,500 for purposes of the Assessor's valuation, based on conversations with the Office of the City Assessor. The actual construction is likely to be \$10,000 to \$15,000 per stall, depending on site conditions and design.*
3. *New medium and high density residential mid-rise structures are assumed to be steel construction with elevators. Per square foot construction costs are assumed to be \$95.00 per square foot.*
4. *One and two family residential infill is assumed to be wood frame construction costing \$75.00 per square feet for both new construction and comprehensive rehabilitation.*
5. *New One and two-story commercial development is assumed to cost \$85.00 per square foot.*
6. *New Second floor residential or office above commercial uses is assumed to cost \$75.00 per square foot.*
7. *New Class A office space is assumed to cost \$120.00 per square foot*
8. *New medical clinic construction is assumed to cost \$150.00 per square foot.*
9. *Commercial storefront renovation is assumed to cost \$20.00 per square foot.*
10. *The value of demolished structure is based on City assessments effective January 1, 2004.*
11. *All estimated construction costs and development value increments are in 2004 dollars.*